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Cecabank, S.A. and subsidiaries composing the Cecabank Group

Cecabank, S.A. and subsidiaries

Independent auditor's report on the annual accounts
December 31, 2020

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Cecabank, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Cecabank, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2020, as well as its financial performance and cash flows, all consolidated, 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 legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it 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 judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matters	How our audit addressed the key audit matters
Third party securities depository and custody As is described in Note 1, the Group is a wholesale back specialising in securities services and one of its main businesses is securities depository and custody services. The Group's memorandum accounts at 31 December 2020 record financial instruments deposited by third parties with a value of 183,785 million euros held as a part of the depository and custody services provided to various financial institutions, as is described in Notes 14 and 27.3. During 2020 the Group received fees totaling 118,512 thousand euros, as described in Note 31, in exchange for the deposit and custody services mentioned above and, therefore, it is the most relevant business in terms of revenue for the Group. We consider this business to be a key audit matter due to its relevance to the financial statements taken as a whole, as well as the materiality of the revenues received in that respect.	Our work has focused on the analysis, assessment and verification of internal control, as well as the performance of detailed tests, In the internal control area, we have focused on the design and operation of the depository and custody business controls, primarily the verification of reconciliations of securities and assets on deposit and held in custody on behalf of third parties, as well as the fees accrued for performing this activity. We have also performed detailed tests consisting of: • Obtaining and analyzing a sample of the contractual documentation governing the depository and custody services rendered by the Group to its customers and we checked that the documents coincide with the accounting entries. • Recalculation of all depository fees and a sample of custody fees received in 2020. • Third-party confirmations for a sample of the fees accrued during the year for the depository operations. • Verification of the reconciliations of securities carried out by Group management, as well as an analysis of the items in reconciliation at 31 December 2020. • External confirmation of all of the counterparty items on deposit and held in custody at 31 December 2020. • Verification of the proper recognition of the disclosures of the balances set out in the Group's consolidated financial statements at 31 December 2020.

Key audit matters	How our audit addressed the key audit matters
	As a result of the aforementioned procedures, we did not detect any significant weaknesses in this respect.
Measurement of financial derivatives	
The Group maintains investments in diverse types of financial instruments in the amount of 4,649 million euros (asset) and 1,310 million euros (liability). At the year-end these balances represent 33% of total assets and 10% of total liabilities in the balance sheet in the accompanying consolidated financial statements. These financial instruments are classified as Level 1, Level 2 and Level 3. Note 21 indicates that the fair value of financial instruments is determined as follows: • Level 1: listed price on active markets. • Level 2: using measurement techniques in which significant inputs are based on directly or indirectly observable market data. • Level 3: using measurement techniques in which some significant inputs are not based on observable market data. Moreover, the measurement of financial instruments is one of the most significant estimates made by Company management and various measurement techniques and methods are used, as is explained in Notes 2.2, 2.9 and 21 of the accompanying consolidated financial statements. We therefore consider the classification and measurement of financial instruments to be a key audit matter due to the importance they have within the financial statements and the high degree of professional judgement that is required.	We have obtained an understanding of management's estimation process in collaboration with our financial instrument measurement experts. In the internal control area, we have focused on an assessment of the design and operation of controls over the following processes: • Calculation methods applied by management, verifying that they are in line with applicable accounting standards. • Regulatory and operational compliance by the internal models approved by management. • Reliability of the sources of the data used in the calculations and the adequacy of the models taking into account the circumstances. We have also performed detailed tasks consisting of: • Verification that the measurement process method applied by management is in line with applicable accounting regulations, market practices and the specific expectations of the sector. • Verification of the classification of financial instruments by level, based on observable prices in active markets. • Comparison and re-execution of the measurement carried out by Group management based on classifications of the various financial instrument portfolio samples.

Key audit matters	How our audit addressed the key audit matters
	• Comparison and re-execution of the effectiveness test for a sample selection of files of accounting hedges. • Verification of the proper recognition of the disclosures of the balances set out in the Group's financial statements at 31 December 2020. When performing the aforementioned tests, no differences were identified beyond a reasonable range.
Matters associated with computer systems	
The Group uses complex computer systems in its operations, both for operations and calculating, processing, recording, archiving, preparing and presenting its financial and accounting information, Accordingly, adequate control over them and the protocol for accessing applications and databases is essential to guarantee the correct processing of the financial information. Within this context, knowledge of, evaluating and verifying general controls relating to financial reporting systems, including access to applications and databases, constitute a key area of our work. We have considered the effectiveness of the general internal control framework for information systems relating to the process of accounting for transactions and closing the accounts to be a key matter with respect to performing certain audit procedures based on internal controls.	Our work consisted of the verification of the general computer controls and automatic controls within the applications that support the Group's most significant business processes. We collaborated with our IT system specialists when performing the audit work in this area. The main audit procedures carried out on the Group's information systems that were considered relevant to the generation of financial information were as follows: • Verification of controls relating to matters arising from the development, operation and maintenance of applications, their security and the definition of user and access profiles, together with the segregation of the tasks performed by the users accessing those systems. • Verification of the existence of tools for the management and control of automatic processes and the monitoring and management of incidents. • Understanding of key business processes and the identification of automatic controls existing in the application that support and validate them. • Understanding and verifying the accounting close process, as well as the selective tests of the extraction and filtering of entries within the financial reporting systems attending to audit risk criteria.

Key audit matters	How our audit addressed the key audit matters
	As a result of our procedures, we did not detect any material weaknesses that could significantly affect the financial information included in the accompanying consolidated annual accounts.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2020 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the consolidated statement of non-financial information has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit commission for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and 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 the aforementioned determine necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company'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 aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit commission is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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 legislation governing the audit practice 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 annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, 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 Parent company's directors.

- Conclude on the appropriateness of the Parent company'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 annual accounts 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 annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. 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 Parent company's audit commission 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 Parent company's audit commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit commission, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

Report to the audit commission of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Parent company dated 19 February 2021.

Appointment period

The General Ordinary Shareholders' Meeting held on 20 March 2018 appointed us as auditors of the Group for a period of 3 years, as from the year ended 31 December 2019.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 36 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSE COOPERS, S.L.

Amagoia Delgado Rodríguez (22009)

19 February 2021

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Cecabank, S.A. and subsidiaries composing the Cecabank Group

Independent Auditor's Report on Consolidated Financial Statements

Consolidated Statements

Annual report

Director's report

- Appendix, Non-financial information

Formulation of the Annual Accounts

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Cecabank, S.A. and subsidiaries composing the Cecabank Group

Consolidated Balance Sheets at 31 December 2020 and 2019

(Expressed in Thousands of Euros)

Assets	2020	2019
Cash, cash balances at central banks and other demand deposits (Note 7)	**5,350,092**	**2,269,693**
Financial assets held for trading (Note 8.1)	**1,857,991**	**1,849,540**
Derivatives	961.056	981,563
Equity instruments	146,992	379,531
Debt securities	749,943	488,446
Memorandum item: loaned or advanced as collateral with right to sell or pledge	90,560	99,786
Non-trading financial assets mandatorily at fair value through profit or loss (Note 8.2)	**28,791**	**39,017**
Equity instruments	6,451	8,497
Debt securities	21,720	30,117
Loans and advances	620	403
Memorandum item: loaned or advanced as collateral with right to sell or pledge	488	-
Financial assets designated at fair value through profit or loss (Note 8.3)	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 9)	**2,462,912**	**2,072,461**
Equity instruments	2,638	14,269
Debt securities	2,460,274	2,058,192
Loans and advances	-	-
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	1,381,955	823,287
Financial Assets at amortised cost (Note 10)	**3,887,827**	**5,075,340**
Debt securities	299,012	307,700
Loans and advances	3,588,815	4,767,640
Credit institutions	2,497,154	4,038,453
Customers	1,091,661	729,187
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	1,042,859	464,711
Derivatives - hedge accounting (Note 11)	**694**	**12,784**
Fair value changes of hedged items in portfolio hedge of interest rate risk hedge of interest rate risk	**-**	**-**
Investment in subsidiaries, joint ventures and associates	**-**	**-**
Subsidiaries	-	-
Joint Ventures	-	-
Associates	-	-
Tangible assets (Note 13)	**51,993**	**52,667**
Property, plant and equipment	45,171	45,662
For own use	45,171	45,662
Investment property	6,822	7,005
Of which: assigned in operating lease	-	-
Memorandum item: acquired in finance lease	2,177	2,694
Intangible assets (Note 14)	**491,692**	**195,544**
Goodwill	-	-
Other intangible assets	491,692	195,544
Tax assets (Note 20)	**76,154**	**86,391**
Current tax assets	2,216	3,492
Deferred tax assets	73,938	82,899
Other assets (Note 15.1)	**58,919**	**65,649**
Remainder of other assets	58,919	65,649
Non-current assets and disposable groups of items classified as held for sale (Note 12)	**3,032**	**3,002**
Total assets	**14,270,097**	**11,722,088**

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Cecabank, S.A. and subsidiaries composing the Cecabank Group

Consolidated Balance Sheets at 31 December 2020 and 2019

(Expressed in Thousands of Euros)

Liabilities and equity	2020	2019
Financial liabilities held for trading (Note 8.1)	**1,293,973**	**1,211,746**
Derivatives	1,088,340	1,021,166
Short positions	205,633	190,580
Financial liabilities designated at fair value through profit or loss (Note 8.3)	**-**	**-**
Financial liabilities at amortised cost (Note 16)	**11,639,754**	**9,212,428**
Deposits	11,404,081	9,062,889
Central Banks	464,729	445,990
Credit Institutions	1,571,405	1,673,014
Customers	9,367,947	6,943,885
Other financial liabilities	235,673	149,539
Derivatives - hedge accounting (Note 11)	**16,473**	**13,463**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Liabilities under insurance and reinsurance contracts	**-**	**-**
Provisions (Note 17)	**80,900**	**101,848**
Pensions and other post-employment defined benefit obligations	29,051	41,656
Pending legal issues and tax litigations	7,621	9,011
Commitments and guarantees given	288	303
Other provisions	43,940	50,878
Tax liabilities	**19,935**	**14,329**
Current liabilities	4,075	-
Deferred tax liabilities (Note 20)	15,860	14,329
Other liabilities (Note 15.2)	**56,762**	**60,004**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
Total liabilities	13,107,797	10,613,818
Shareholders' equity	**1,137,476**	**1,088,815**
Share capital	112,257	112,257
Paid up capital (Note 19)	112,257	112,257
Share premium (Note 19)	615,493	615,493
Retained earnings	340,558	310,450
Other reserves (Note 19)	14,796	5,592
Profit attributable to parent company	54,372	45,023
Accumulated other comprehensive income	**24,415**	**19,049**
Items that will not be reclassified to profit or loss	11,218	13,016
Actuarial gains or losses on defined benefit pensions plans (Note 18)	9,894	7,274
Changes of fair value of equity instruments measured at fair value through other comprehensive income	1,324	5,742
Items that may be reclassified to profit or loss	13,197	6,033
Changes of fair value of debt instruments measured at fair value through other comprehensive income (Note 18)	13,197	6,033
Non-controlling shareholdings - Other items	409	406
Total equity	1,162,300	1,108,270
Total liabilities and equity	14,270,097	11,722,088
Memorandum item		
Commitments from loans granted (Note 27.1)	**570,499**	**713,894**
Financial guarantees granted (Note 27.2)	**-**	**-**
Other obligations granted (Note 27.3 and 27.4)	**1,060,366**	**1,516,957**

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Cecabank, S.A. and subsidiaries composing the Cecabank Group

Consolidated Income Statement for the years ended 31 December 2020 and 2019

(Expressed in Thousands of Euros)

	2020	2019
Interest income (Note 28)	**100,463**	**79,298**
Financial assets at fair value through other comprehensive income	31,334	20,444
Financial assets at amortised cost	10,791	13,324
Other interest income	58,338	45,530
Interest expenses (Note 29)	**(85,835)**	**(92,789)**
Net interest income	**14,628**	**(13,491)**
Dividend income (Note 30)	3,667	12,756
Fee and commission income (Note 31)	162,330	141,194
Fee and commission expenses (Note 32)	(25,696)	(21,437)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (Note 33)	24,126	29,340
Financial assets at amortised cost	3	3
Financial liabilities at amortised cost	-	-
Other financial assets and liabilities	24,123	29,337
Gains or losses on financial assets and liabilities held for trade, net (Note 33)	(14,725)	(47,978)
Gain or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (Note 33)	(3,141)	2,728
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net (Note 33)	-	-
Gains or losses from hedge accounting, net (Note 33)	(1,199)	680
Exchange differences, net	43,219	75,248
Other operating income (Note 34)	52,391	42,474
Other operating expenses (Note 37)	(9,135)	(10,343)
Gross income	**246,465**	**211,171**
Administrative expenses	(117,438)	(115,082)
Staff costs (Note 35)	(50,243)	(44,790)
Other administrative expenses (Note 36)	(67,195)	(70,292)
Amortisation (Note 39)	(57,488)	(44,409)
Provisions or reversal of provisions (Note 17)	8,636	11,561
Impairment or reversal of impairment and gains or losses due to changes in cash flows of financial assets not measured at fair value through profit or loss or net gains or losses (-) due to changes (Notes 22 and 38)	(5,771)	(1,417)
Financial assets at fair value through other comprehensive income	(3,146)	(788)
Financial Assets at amortised cost	(2,625)	(629)
Impairment loss or reversal of impairment loss of investments in subsidiaries, joint ventures or associates	-	-
Impairment loss or reversal of impairment loss of non-financial assets	-	-
Tangible assets (Note 13)	-	-
Intangible assets (Note 14)	-	-
Others	-	-
Gains or losses on derecognition of non-financial assets and investments, net (Note 13)	**(10)**	**(4)**
Negative goodwill recognised in profit or loss	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Note 12)	-	1,031
Profit or loss before tax from continuing operations	**74,394**	**62,851**
Tax expense or income related to profit or loss from continuing operations (Note 20.2)	(20,017)	(17,872)
Profit or loss after tax from continuing operations	**54,377**	**44,979**
Profit or loss after tax from discontinued operations	-	-
Profit for the year	**54,377**	**44,979**
Attributable to minority interests (controlling interests)	5	(44)
Attributable to the owners of the dominant	54,372	45,023

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Cecabank, S.A. and subsidiaries composing the Cecabank Group

Consolidated Statements of changes in equity for the years ended 31 December 2020 And 2019

(Expressed in Thousands of Euros)

a) Consolidated statements of recognised income and expense

	2020	2019
Profit for the year	**54,377**	**44,979**
Other comprehensive income	**5,366**	**9,281**
Items that will not be reclassified to profit or loss	**(1,798)**	**(1,518)**
Actuarial gains or losses on defined benefit pension plans (Note 35)	3,743	(5,967)
Non-current assets and disposal groups held for sale	-	-
Changes of fair value of equity instruments measured at fair value through other comprehensive income (Notes 7 and 20.4)	(6,312)	3,799
Tax on gains related to the items that will not be reclassified (Note 20.4)	771	650
Items that may be reclassified to profit or loss	**7,164**	**10,799**
Foreign currency translation	-	-
Translation gains or losses taken to equity	-	-
Cash flow hedges	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Debt instruments at fair value through other comprehensive income (Note 20.4)	10,234	15,427
Valuation gains or losses taken to equity	31,864	44,764
Transferred to profit or loss (Notes 7 and 20.4)	(21,630)	(29,337)
Tax on gains related to the items that may be reclassified in profit or loss (Note 20.4)	(3,070)	(4,628)
Total comprehensive income for the year	**59,743**	**54,260**
Attributable to non-controlling interests	**5**	**(44)**
Attributable to parent company shareholders	**59,738**	**54,304**

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Cecabank, S.A. and subsidiaries composing the Cecabank Group

Consolidated Statements of changes in equity for the years ended 31 December 2020 And 2019

(Expressed in Thousands of Euros)

b) Consolidated statements of changes in total equity

	Shareholders' equity									
	Share capital (Note 19)	Share premium (Note 19)	Retained earnings	Other reserves (Note 19)	(-) Treasury shares	Profit for the year (Note 4)	(-) Interim dividends	Accumulated other comprehensive income (Note 18)	Non-controlling interests	Total equity
Opening balance (before restatement) at 1 January 2019	**112,257**	**615,493**	**267,914**	**5,591**	**-**	**63,486**	**-**	**9,768**	**449**	**1,074,958**
Effects of corrections of errors	-	-	-	-	-	-	-	-		-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-		-
Opening balance at 1 January 2019	**112,257**	**615,493**	**267,914**	**5,591**	**-**	**63,486**	**-**	**9,768**	**449**	**1,074,958**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**42,536**	**-**	**9,281**	**(44)**	**54,260**
Other changes in equity	**-**	**-**	**42,536**	**1**	**-**	**(63,486)**	**-**	**-**	**1**	**(20,948)**
Dividends (or remuneration of members)	-	-	(20,953)	-	-	-	-		-	(20,953)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-		-	-
Transfers among components of equity	-	-	63,486	-	-	(63,486)	-	-	-	-
Other increase or decrease in equity	-	-	3	1	-	-	-		1	5
Closing balance at 31 December 2019	**112,257**	**615,493**	**310,450**	**5,592**	**-**	**45,023**	**-**	**19,049**	**406**	**1,108,270**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2020	**112,257**	**615,493**	**310,450**	**5,592**	**-**	**45,023**	**-**	**19,049**	**406**	**1,108,270**
Total comprehensive income for the year						**54,372**		**5,366**	**5**	**59,743**
Other changes in equity	**-**	**-**	**30,108**	**9,204**	**-**	**(45,023)**	**-**	**-**	**(2)**	**(5,713)**
Dividends (or remuneration of members)	-	-	(14,911)	-	-	-	-			(14,911)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-		-
Transfers among components of equity	-	-	45,023	6,081	-	(45,023)	-	-		6,081
Other increase or decrease in equity	-	-	(4)	3,123	-	-	-		(2)	3,117
Closing balance at 31 December 2020	**112,257**	**615,493**	**340,558**	**14,796**	**-**	**54,372**	**-**	**24,415**	**409**	**1,162,300**

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Cecabank, S.A. and subsidiaries composing the Cecabank Group

Consolidated Statements of cash flows for the years ended 31 December 2020 And 2019

(Expressed in Thousands of Euros)

	2020	2019
Cash flows from operating activities	**3,448,276**	**(947,270)**
Profit for the year	**54,377**	**44,979**
Adjustments made to obtain the cash flows from operating activities	**90,150**	**13,434**
Amortisation	57,488	44,409
Other adjustments	32,662	(30,975)
Net (increase)/decrease in operating assets	**(842,535)**	**3,008,646**
Financial assets held for trading	893	(123,204)
Non trading financial Assets mandatory measured at fair value through profit and loss	(7,245)	(22,570)
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	362,833	582,762
Financial assets at amortised cost	(1,186,210)	2,575,702
Other operating assets	(12,806)	(4,044)
Net increase/(decrease) in operating liabilities-	**2,471,461**	**2,007,936**
Financial liabilities held for trading	82,227	(165,111)
Financial liabilities at amortised cost	2,427,326	2,265,025
Other operating liabilities	(38,092)	(91,978)
Income tax recovered/(paid)	**(10,247)**	**(4,973)**
Cash flows from investing activities	**(352,966)**	**(30,624)**
Payments:	**(352,966)**	**(32,476)**
Tangible assets	(3,179)	(2,181)
Intangible assets	(349,787)	(30,295)
Investments in subsidiaries, joint ventures and associates	-	-
Non-current assets and liabilities classified as held for sale	-	-
Proceeds:	**-**	**1,852**
Tangible assets	-	-
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	-
Non-current assets and liabilities classified as held for sale	-	1,852
Cash flows from financing activities	**(14,911)**	**(20,953)**
Payments:	**(14,911)**	**(20,953)**
Dividends	(14,911)	(20,953)
Subordinated liabilities	-	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Proceeds:	**-**	**-**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**3,080,399**	**(998,847)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,269,693	3,268,540
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,350,092	2,269,693
MEMORANDUM ITEM		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	122,057	153,912
Cash balances at central banks	5,071,475	2,009,191
Other demand deposits	156,560	106,590
Less: Bank overdrafts refundable on demand	-	-

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ANNUAL ACCOUNTS

Cecabank, S.A. and subsidiaries composing the Cecabank Group

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Cecabank, S.A. and subsidiaries composing the Cecabank Group

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

1. Introduction, basis of presentation of the consolidated financial statements and other information

1.1. Introduction

Cecabank, S.A. (the "Bank" or the "Entity") is a financial institution established on 17 October 2012 by virtue of a public document executed by the Notary Mr. Manuel Richi Alberti. The Bank has been recorded in the Commercial Registry since 12 November 2012 and the Bank of Spain Register of financial institutions with code number 2000.

As from the entry into force of the Single Supervisory Mechanism ("SSM") on 4 November 2014, the European Central Bank ("ECB") assumed responsibility for supervising European credit institutions, one of which is the Bank. The SSM is a new banking supervision system that includes the ECB and the national supervisors (the Bank of Spain in this case). The ECB is empowered to determine and monitor the application of the supervision criteria by the bank, in close cooperation with the Bank of Spain. Therefore, the Bank of Spain is responsible for supervising the Bank directly, while the ECB supervises it indirectly since it has ultimate responsibility for ensuring that the SSM works correctly.

The Bank's headquarters is located in Madrid, at Calle Alcalá, 27. The Bank's bylaws are available either at this address or on its website (www.cecabank.es), together with other relevant legal information.

The Confederación Española de Cajas de Ahorros ("CECA") holds 89% of the bank's share capital, as a result of the Confederacion's spin-off of all its assets and liabilities to Cecabank, S.A., except for certain assets and liabilities relating to its community project fund. The Bank was thus created in that year and it subrogated to all the rights and obligations held by CECA until then.

The Bank is therefore part of the group, of which the Confederación Española de Cajas de Ahorros is the parent, together with its associates that are also shareholders of the Bank and with which it carries out significant transaction volumes.

Cecabank, S.A. specialises in securities services, including acting as a depository entity for investment funds and pension plans, the custody of securities and other financial assets, as well as the execution and settlement of transactions involving those assets.

The Bank bylaws set out the activities that it may engage in and establish its corporate purpose:

a. The performance of all type of activities, transactions and services inherent to the Banking business in general or directly or indirectly related to that business, when permitted by current legislation, including investment and auxiliary services and those related with insurance brokering.

b. The rendering of technological, administrative or assessment services to Public Administrations or to any other public or private entity.

c. The acquisition, possession and disposal of any real estate instrument.

The Cecabank Group (the "Group" or the "Cecabank Group") consisted of Cecabank, S.A. as the parent and Trionis (subsidiary) at 31 December 2020 and 2019.

Appendix I hereto includes certain relevant financial information on this company at 31 December 2020 and 2019. Also, Note 3 contains the Bank's condensed financial statements for 2020, which include comparative information for 2019. At 31 December 2020 and 2019, the Group did not have any investments in associates or jointly controlled entities.

Cecabank S.A. offers international coverage for its customers, payment in the payment business, through two levers: its foreign network and its network of correspondent banks.

The foreign network, with operating offices at 31 December in London and Lisbon and a representation office in Frankfurt, carries out the following functions:

- Support for the entity's strategic plan and its key businesses: Securities Services, Treasury and Payments.
- Knowledge of the market and local support.
- Expertise in the processing of trans-frontier payment orders relating to FX.
- Collaboration with different international pension payment processors and data management for more than 210 international mutual societies for benefits, pensions, compensation, and supplementary payments.
- Significant institutional representation before European organisations.
- Foreign trade promotion services (market information, selection of intermediaries, commercial reports and claims, business centre, collections, legal counsel, tax representation and VAT recovery, trade missions, creation of branch offices and subsidiaries, trade show visits, etc.)

On 19 May 2020, the Board of Directors of Cecabank, S.A. resolved to close the London Branch and open a representative office of Cecabank in the United Kingdom, with liquidation taking effect on 31 December 2020. On 1 January 2021, the London representative office was opened once the relevant authorisations had been received.

In addition, on 19 May 2020, the Board of Directors of Cecabank, S.A. also agreed to close and liquidate the Paris representative office. This closure took effect on 7 August 2020.

1.2. Basis of presentation of the financial statements

The Group and Bank's consolidated financial statements for the year 2020 were authorized for issue by its directors at the Board of Directors meeting held on 18 February 2021. The Group and Bank´s financial statements for 2019 were prepared by the Board of Directors at a meeting held on 27 March 2020. The Group and Bank's financial statements for 2020 have yet to be approved by shareholders at a General Meeting. However, the Bank's Board of Directors believes that they will be approved without any significant change being made.

Taking into consideration the eleventh final provision of Law 62/2003, of December 30, on fiscal, administrative and social measures with respect to the legislative accounting framework applicable to the preparation of consolidated annual accounts which has been applied by the Entity's Directors, the Group's consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union at 31 December 2019 ("EU-IFRSs"), taking into account Bank of Spain Circular 4/2017, of 27 November, applicable to credit institutions, on public and confidential financial reporting rules and formats, as well as successive modifications ("Circular 4/2017"). Bank of Spain Circular 4/2017 implements and adapts for the Spanish credit institution sector the International Financial Reporting Standards approved by the European Union.

The Group's consolidated financial statements for 2020 have been prepared taking into account all the principles, accounting standards and measurement criteria of mandatory application, so that they present fairly the equity and financial position of the Group as of 31 December 2020 and the results of its operations and cash flows in the financial year then ended, in accordance with the applicable financial reporting framework to which reference has been made in the previous paragraph and, in particular, with the principles and accounting criteria contained therein.

The consolidated financial statements were prepared from the accounting records kept by the Bank and by the other Group entities. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2020 may differ from those used by certain Group entities, the required adjustments and reclassifications are made on consolidation to unify such policies and bases and to make them compliant with the EU-IFRSs used by the Group in the preparation of its consolidated financial statements.

The accounting principles and policies described in Note 2 were applied in the preparation of all the Group consolidated financial statements.

1.3. Responsibility for the information and use of estimates

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

In the preparation of the Bank's financial statements for 2020 estimates were made by its Directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- Impairment losses on certain assets (see Notes 2.9, 2.13, 2.14 and 2.16).
- Assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other non-current obligations to employees (see Note 2.11 “Staff costs”).
- Calculation of the provisions, if any, to be recognised to cover certain risks arising from the Bank’s activity (see Notes 2.10 “Financial guarantees and provisions recorded” and 2.15 “Provisions and contingent liabilities”).
- The useful life of property, plant and equipment and intangible assets (see Notes 2.13 “Property, plant and equipment” and 2.14 “Intangible assets”).
- The fair value of certain unlisted financial instruments (see Note 2.2.3 “Fair value and amortised cost of financial instruments”).
- The assumptions used in the estimates of the probability of recovery of the deferred tax assets recognised by the Bank (see Note 2.12 “Income Tax”).

During the financial year 2020, a new strain of Coronavirus (COVID-19) has spread globally. The economic and health crisis caused by Covid-19, declared a pandemic by the World Health Organisation on 11 March 2020, has not had a material impact on the Group's annual accounts for the financial year 2020.

In this regard, the Group's management has assessed the potential implications on the methodology and assumptions used in the aforementioned estimates and concluded that, given the nature of these estimates, they have not been significantly affected and, therefore, there has been no material impact on their quantification.

1.4. Information relating to 2019

The Board of Directors of the Group presents, for comparative purposes with each of the figures disclosed in these consolidated annual accounts, the figures for the financial year 2019.

1.5. Agency agreements

Neither at 2020 nor 2019 year-end nor at any other time during those years did the Group have any agency agreements in force, as defined in Article 21 of Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions.

1.6. Investments in the share capital of credit institutions

At 31 December 2020 and 2019 the Group did not hold any ownership interests of 5% or more in the share capital or voting rights of any Spanish or foreign credit institutions.

1.7. Environmental impact

In view of the business activities carried on by the Group, it does not have a significant impact on the environment. Therefore, it was not necessary to recognise any provision in this connection the Group's consolidated financial statements for 2020 and 2019 and they do not contain any disclosures on environmental issues.

1.8. Capital management objectives, policies and processes

On 2 February 2016, Bank of Spain Circular 2/2016, was published for credit institutions and concerns supervision and solvency. This Circular covers the Spanish adaptation of Directive 2013/36/EU and Regulation (EU) 575/2013, which are applicable to the Bank.

EU Regulation (EU) 575/2013 laid down uniform rules that must be complied with by entities in relation to: 1) own funds requirements relating to elements of credit risk, market risk, operational risk and settlement risk; 2) requirements limiting large exposures; 3) liquidity risk coverage relating to entirely quantifiable, uniform and standardised elements of liquidity risk, after the Commission delegated act has entered into force; 4) the setting of the leverage ratio; and 5) public disclosure requirements.

The aforementioned EU Regulation introduces a review of the concept and of the components of the regulatory own funds required of entities. These consist of two elements: Tier 1 capital and Tier 2 capital. In turn, Tier 1 capital comprises Common Equity Tier 1 and Additional Tier 1 capital. Therefore, Tier 1 capital consists of instruments that are able to absorb losses when the entity is a going concern, while the elements of Tier 2 capital will absorb losses primarily when the entity is not viable.

Institutions must generally satisfy the following own funds requirements at all times:

i. A Common Equity Tier 1 capital ratio of 4.5% (CET 1).

ii. A Tier 1 capital ratio (Common Equity plus Additional Tier 1) of 6%.

iii. A total capital ratio of 8%.

In addition to these requirements, pursuant to the aforementioned legislation the Group must comply with the following capital requirements:

- Maintain a capital preservation buffer of 2.5% consisting of ordinary tier 1 capital.

- Maintain an anti-cyclical capital buffer that may total up to 2.5% of ordinary tier 1 capital. Since 2016, the level that this buffer must attain has been set on a quarterly basis by Spanish authorities based on macroeconomic variables when excessive credit growth that may be a source of systemic risk has been observed. Since its effective implementation on 1 January 2016 the Bank of Spain has maintained the capital buffer at 0% for credit exposures located in Spain.

- The Bank has not been designated as a systemic entity and no capital buffer has therefore been established.

In addition to the above requirements, Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions establishes powers for the Bank of Spain to require institutions to maintain capital levels higher than those indicated above. In this regard, on 18 December 2020, the Bank of Spain notified Cecabank, S.A. that it complied with the requirements of article 92.1 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, setting the Entity a requirement to maintain an overall consolidated and individual capital ratio of no less than 9.73% (TSCR ratio) (10.23% in its communication for the 2019 financial year), with the Entity and its Group also being subject to the total capital requirements (OCR) as defined in section 1.2 of the EBA/GL/2014/13 Guidelines which include, in addition to the TSCR ratio, the combined buffer requirement as defined in article 43 et seq. of Law 10/2014 and its implementing regulations.

This requirement is required as of 1 January 2020. At 31 December 2020, as well as during the financial year 2020, the consolidated and individual capital level of the Entity and its Group were above the requirement for that year.

The strategic capital management objectives set by Group management are as follows:

- To comply, at all times with the applicable regulations on minimum capital requirements.

- To seek maximum capital management efficiency so that, together with other profitability and risk variables, the use of capital is considered to be a key variable in any analysis related to the Group's investment decisions.

In order to meet these objectives, the Group has in place a series of capital management policies and processes, the main cornerstones of which are as follows:

- In the Group's strategic and operational planning, and in the analysis and follow-up of the operations of the Group to which it belongs, the impact of decisions on the Group's eligible capital and the use-profitability-risk relationship is considered to be a key decision-making factor.

- As part of its organisational structure the Group has monitoring and control units which at all times analyses the level of compliance with the applicable regulations on capital, with alerts in place to guarantee compliance with the applicable regulations.

On 20 May 2019, the new regulatory package was adopted, which is articulated through Regulation 2019/876 (hereinafter CRR II) and Directive 2019/878 (hereinafter CRD V). As a general rule, CRR II will enter into force as of 28 June 2021, with the exception of certain provisions that will enter into force over a period of time that began on 1 January 2019 and will end on 28 June 2023.

These provisions include the entry into force on 27 June 2019 of the main changes in the areas of own funds, capital deductions, standardised credit risk and IRB and authorisations. CRD V entered into force on 27 June 2019 but is not yet applicable, as Member States have until 28 December 2020 to transpose it into national law. CRD V includes significant changes such as the regulation of Pillar 2G ('guidance').

The Group's management of its capital, as far as conceptual definitions are concerned, is in keeping with Regulation (EU) No 575/2013. With a view to ensuring that the aforementioned objectives are met, the Group performs integrated management of these risks, in accordance with the policies and processes indicated above.

The Bank's Common Equity Tier 1 capital and its CET 1 plus Additional Tier 1 capital amounted to EUR 644,600 thousand at 31 December 2020, in both cases (31 December 2019: EUR 858,758 thousand), while total capital totalled EUR 644,600 thousand at that date (31 December 2019: EUR 858,758 thousand), representing a Tier 1 capital adequacy ratio and a total capital ratio of 26.61%, at 31 December 2020 (31 December 2019: 35.20%), above the minimum requirements.

Common Equity Tier 1 capital includes mainly share capital, share premium and the Group's reserves net of deductions (intangible assets) and the results of the year not distributable.

1.9. Minimum reserve ratio

Throughout 2020 and 2019, the Bank, only entity in the Group subject to this requirement, met the minimum reserve ratio required by applicable legislation.

At 31 December 2020 and 2019 the Group's cash balance with Bank of Spain for these purposes amounted to EUR 5,071,475 and 2,009,191 thousand respectively (see Note 7). This ratio is calculated on the basis of the daily ending balance held by the Group in this account during the required period.

1.10. Deposit guarantee fund

a) Deposit guarantee fund

The Group participates in the Deposit Guarantee Fund ("DGF"). The annual contribution to be made to this Fund, established by Royal Decree-Law 16/2011, of 14 October, creating the DGF, as amended by Final Provision Ten of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment services firms (in force since 20 June 2015), is determined by the Managing Committee of the DGF and is calculated based on the amount of each entity's guaranteed deposits and its risk profile.

The purpose of the DGF is to guarantee deposits at credit institutions up to the limit envisaged in the aforementioned Royal Decree-Law. In order to achieve its objectives, the DGF is funded by the aforementioned annual contributions, the extraordinary levies the Fund makes on member entities and by the funds obtained in the securities markets, loans and any other debt transactions.

Taking the foregoing into account, in order to reinforce the equity of the DGF, Royal Decree-Law 6/2013, of 22 March, on protection of holders of certain savings and investment products and other financial measures established an extraordinary levy equal to 3 per mil of the institutions' deposits at 31 December 2012. This extraordinary levy was paid in two tranches:

i. Two-fifths to be paid within 20 business days from 31 December 2013. The Group paid this contribution, which amounted to EUR 7 thousand, in the first few days of January 2014.

ii. Three-fifths to be paid within seven years in accordance with the payment schedule established by the Managing Committee of the DGF. In this regard, based on the contribution schedule approved by the Managing Committee of the DGF, the Group paid one-seventh of this second tranche on 30 September 2014, and on 17 December 2014 the Managing Committee approved payment of the remainder of the second tranche in two disbursements on 30 June 2015 and 2016 (which were settled on those dates).

In addition, the FGD Management Committee, at its meeting of 1 October 2020, pursuant to the provisions of article 6 of Royal Decree-Law 16/2011 of 14 October, which created the FGD, and article 3 of Royal Decree 2606/1996 of 20 December, on deposit guarantee funds for credit institutions, set the annual contributions of the institutions attached to the FGD for 2020 in the following terms:

a. The total annual contribution of all the institutions adhered to the deposit guarantee compartment of the DGF was set at 1.8/1,000 of the calculation base, made up of the guaranteed money deposits as indicated in section 2.a) of article 3 of Royal Decree 2606/1996 existing at 30 June 2020, with the contribution of each institution being calculated according to the amount of the guaranteed deposits and its risk profile.

b. The annual contribution of the institutions adhering to the FGD's deposit guarantee compartment was set at 2/1,000 of the calculation base, made up of 5% of the amount of the guaranteed securities as indicated in section 2.b) of Article 3 of Royal Decree 2606/1996 existing at 31 December 2020.

The expense incurred for the contributions accruing to the DGF during 2020 amounted to EUR 169 thousand (2019: EUR 98 thousand), which were recognised under “Other Operating Expenses” in the accompanying income statement (see Note 37 “Other operating expenses”).

b) Single Resolution Fund

In March 2014, the European Parliament and the Council reached a political agreement for the creation of the second pillar of the Banking Union, the Single Resolution Mechanism (“SRM”). The SRM's main purpose is to ensure an orderly resolution of failing banks in the future with minimal costs to taxpayers and to the real economy. The SRM's scope of activity is identical to that of the SSM, i.e., a central authority, the Single Resolution Board (“SRB”), is ultimately responsible for deciding whether to initiate the resolution of a bank, while the operational decision is implemented in cooperation with the national resolution authorities. The SRB commenced its work as an independent EU agency on 1 January 2015.

The purpose of the rules governing banking union is to ensure that bank resolutions will be financed first of all by the banks and their shareholders and, if necessary, partly by the bank's creditors. However, another source of funding will also be available to which recourse can be had if the contributions of the shareholders and of the bank's creditors are not sufficient. This is the Single Resolution Fund (“SRF”), which is administered by the SRB. The legislation requires banks to make the contributions to the SRF over eight years.

In this regard, on 1 January 2016, Regulation (EU) No 806/2014 of the European Parliament and of the Council, of 15 July 2014, came into force. Under this Regulation the SRB replaces the national resolution authorities with respect to the management of financing arrangements for the resolution mechanisms for credit institutions and certain investment firms within the framework of the SRM. As a result, the SRB is now responsible for administering the SRF and for calculating the ex-ante contributions of institutions within its scope of application.

The SRB calculates the contributions to be paid by each institution in accordance with the information sent to each institution in an official form for the calculation of the ex-ante contribution. The amount was the result of applying the calculation methodology specified in Commission Delegated Regulation (EU) 2015/63, of 21 October 2014, based on the uniform conditions of application indicated in Council Implementing Regulation (EU) 2015/81, of 19 December 2014.

The target level for all the contributions has been set at one-eighth of 1.05% of the quarterly average of covered deposits in the eurozone in 2015, resulting in a Europe-wide contribution target for the Fund of EUR 7,008 million in 2016. Article 69 of Regulation (EU) No 806/2014 establishes that the available financial means of the Fund (at least 1% of the amount of covered deposits) must be reached within eight years from 1 January 2016.

Article 8.1 of Council Implementing Regulation (EU) 2015/81 stipulates that 60% of the contributions shall be calculated on a national basis and the remaining 40% on a basis common to all participating member States.

The expense incurred by the Group in relation to the contribution made to the SRF in 2020 totalled EUR 4,426 thousand (2019: EUR 4,092 thousand) and is recognised under “Other Operating Expenses” in the accompanying income statement (see Note 37 “Other operating expenses”).

1.11. Changes in accounting policies

There have been no changes in accounting policies during 2020. The changes that have occurred in relation to the new regulations that apply to the Group are described in section 1.12 below.

1.12. Main regulatory changes during the period from 1 January to 31 December 2020

1.12.1. New Bank of Spain Circulars

Following is a summary of the main Bank of Spain Circulars issued in 2020:

Bank of Spain Circular 4/2020, of 26 June, on the advertising of banking products and services. (BOE of 15 July 2020).

Advertising is a key element in the marketing of banking products and services. In general, it is the first point of contact between an institution and its potential customer. Through advertising, institutions publicise their range of products and services, using specialised techniques to encourage customers to take out a contract, so that the information conveyed in advertising messages usually has a major impact on customers' expectations and the subsequent decision-making process. In this context, the regulation of financial advertising becomes an essential mechanism for the protection of bank customers. It is therefore necessary to articulate regulatory and supervisory measures aimed at ensuring that advertising is clear, sufficient, objective and not misleading, and that customers' relations with their institutions in the post-contracting phases are less conflictive.

Bank of Spain Circular 3/2020 of 11 June amending Circular 4/2017 of 27 November to credit institutions on public and confidential financial reporting standards and financial statement formats.

This amendment allows institutions subject to Circular 4/2017 of 27 November to make greater use of the flexibility implicit in the EBA Guidelines on credit risk management practices of credit institutions and accounting for expected credit losses (EBA/GL/2017/06), which indicate that the restructuring or refinancing of a transaction is one factor, among others, that institutions will analyse to assess whether or not there has been a significant increase in the credit risk of the transaction.

Bank of Spain Circular 2/2020 of 11 June amending Circular 4/2017 of 27 November to credit institutions on public and confidential financial reporting standards and financial statement formats.

This Circular meets the objective of adapting Circular 4/2017 to Commission Regulation (EU) 2020/429 of 14 February 2020 amending Regulation (EU) No 680/2014 laying down implementing technical standards regarding supervisory reporting by supervised entities in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 14 February 2013. No 575/2013 of the European Parliament and of the Council, as well as Regulation (EU) 2020/605 of the ECB on reporting of supervisory financial information, these changes affect the separate confidential financial statements FI 1 and FI 45.

Bank of Spain Circular 1/2020 of 28 January, amending Bank of Spain Circular 1/2013 of 24 May, on the Central Office for Risk Information.

1.12.2. Amendments to and adoption of new International Financial Reporting Standards and interpretations issued

The accounting polices used in preparing the consolidated financial statements for the year ended 31 December 2020 are the same as those applied in the consolidated financial statements for the year ended 31 December 2020, except for the standards and interpretations that have entered into force for use in the European Union, applicable to the years beginning on or after 1 January 2020, which are as follows:

Amendments to IAS 1 and IAS 8 - "Definition of Material (or relative importance)":

These amendments clarify the definition of "material" by introducing, in addition to omitted or inaccurate items that may influence users' decisions, the concept of "obscure" information. These amendments make IFRS more consistent, however are not expected to have a significant impact on the preparation of financial statements.

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

IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) "Interest rate benchmark reform":

These amendments provide certain exemptions in relation to interest rate reform benchmark (IBOR). The exemptions relate to hedge accounting and have the effect that IBOR reform should generally not cause hedge accounting to cease. However, any hedge ineffectiveness should continue to be recorded in the income statement.

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

IFRS 3 (Amendment) "Definition of a business":

These amendments will help to determine whether it is an acquisition of a business or a group of assets. The amended definition emphasises that the product of a business is to provide goods and services to customers, whereas the previous definition focused on providing returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to changing the wording of the definition, additional guidance has been provided. To be considered a business, an acquisition would have to include an input and a process that together contribute significantly to the ability to create products. The new guidance provides a framework for assessing when both elements are present (even for early stage businesses that have not generated outputs). To be a non-output business, it will now be necessary to have an organised workforce.

These amendments will apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to acquisitions of assets occurring on or after the beginning of that period.

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

Amendments to the references to the Conceptual Framework in IFRS:

The IASB has issued a revised conceptual framework to be used in the development of accounting standards. Although no changes are made to any existing accounting standards, entities that rely on the Conceptual Framework to determine their accounting policies for transactions, events or conditions that are not under the scope of the issued accounting standards will have to apply the revised Conceptual Framework from 1 January 2020.

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

IFRS 16 (Amendment) "COVID-19 related rent reductions":

The IASB has published an amendment to IFRS 16 "Leases" that provides an optional practical expedient for lessees in assessing whether a COVID-19 related rental concession is a lease modification. Lessees may choose to account for such lease concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment does not provide the same facility for lessors, who have to apply the current requirements of IFRS 16 and consider whether or not there has been a modification of the relevant lease.

The entry into force of this standard on 1 January 2020 has not had a material impact on the consolidated financial statements.

Standards, amendments and interpretations issued but not yet effective

At the date of preparation of these financial statements, the following are the most significant standards and interpretations that had been issued by the IASB but had not yet become effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they have not yet been adopted by the European Union:

New standards, amendments and interpretations		
Approved for use in the European Union		
IFRS 4 (Amended) "Extending the temporary exemption from IFRS 9".	In line with the deferral of the effective date of IFRS 17 "Insurance contracts", the amendment changes the expiry date for the temporary exemption in IFRS 4 "Insurance contracts" from the application of IFRS 9 "Financial instruments", requiring entities to apply IFRS 9 for annual periods beginning on or after 1 January 2023, rather than 1 January 2021. The entry into force of this standard is not expected to have a material impact on the consolidated financial statements in future periods.	1 January 2020
IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) "Benchmark Interest Rate Reform: Phase 2":	The IASB has undertaken a two-phase project to consider what exemptions, if any, to provide for the effects of interest rate reference rate reform ("IBOR"). The Phase 1 amendments, issued in September 2019, provided temporary exemptions from the application of specific hedge accounting requirements to relationships affected by uncertainties arising as a result of IBOR reform ("the Phase 1 exemptions"). The Phase 2 amendments address issues arising from the implementation of the reforms, including the replacement of one reference rate with an alternative reference rate. The entry into force of this standard is not expected to have a material impact on the consolidated financial statements in future periods.	
Not yet approved for use in the European Union		
IFRS 10 (Amended) and IAS 28 (Amended) "Sale or contribution of assets between an investor and its associates or joint ventures":	These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures depending on whether the non-cash assets sold or contributed to an associate or joint venture constitute a 'business'. The investor shall recognise the entire gain or loss when the non-cash assets constitute a 'business'. If the assets do not meet the definition of a business, the investor recognises gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. The entry into force of this standard is not expected to have a material impact on the consolidated financial statements in future periods.	A broader review that may result in simplifying the accounting for these transactions and other aspects of accounting for associates and joint ventures.
IFRS 17 Insurance Contracts.	It replaces IFRS 4 and sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts with the objective that an entity should provide relevant and reliable information to enable users of financial information to determine the effect of insurance contracts on the financial statements. The entry into force of this standard is not expected to have a material impact on the consolidated financial statements in future periods.	1 January 2021, with early application permitted if IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" are also applied. IFRS 17 is pending endorsement by the European Union.

IFRS 17 (Amendment) "Amendments to IFRS 17".	In response to some of the concerns and challenges raised in relation to the application of IFRS 17, the IASB has developed specific amendments and clarifications aimed at facilitating the implementation of the new standard, although the amendments do not change the fundamental principles of the standard. The entry into force of this standard is not expected to have a significant impact on the consolidated financial statements in future periods.	The mandatory effective date of IFRS 17 has been postponed to annual periods beginning on or after 1 January 2023. The amendment to IFRS 17 is pending endorsement by the European Union.
IAS 1 (Amendments) "Classification of liabilities as current or non- current":	These amendments clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting period end (e.g. receipt of a waiver or breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The effective date of these amendments is 1 January 2022, although earlier adoption is permitted. The entry into force of this standard is not expected to have a material impact on the consolidated financial statements in future periods.	In July 2020 there was an amendment to change the date of entry into force of the amendment to 1 January 2023. These amendments are pending approval by the European Union.
IAS 16 (Amendment) "Property, plant and equipment - Revenue before intended use":	It is prohibited to deduct from the cost of an item of property, plant and equipment any revenue from the sale of items produced while the entity is preparing the asset for its intended use. Revenue from the sale of such samples, together with production costs, is now recognised in profit or loss. The amendment also clarifies that an entity is testing whether the asset is functioning properly when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. The entry into force of this standard is not expected to have a material impact on the consolidated financial statements in future periods.	The effective date of these amendments is 1 January 2022. This modification is pending approval by the European Union.
IAS 37 (Amendment) 'Onerous contracts - Cost of fulfilling a contract'	The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to the performance of contracts. It also clarifies that before making a separate provision for an onerous contract, an entity shall recognise any impairment loss that has occurred on the assets used to fulfil the contract, rather than on the assets dedicated to that contract. The entry into force of this standard is not expected to have a material impact on the consolidated financial statements in future periods.	The effective date of these amendments is 1 January 2022. The amendment is pending endorsement by the European Union.
IFRS 3 (Amendment) "Reference to the Conceptual Framework	IFRS 3 has been updated to refer to the 2018 Conceptual Framework for determining what constitutes an asset or liability in a business combination (previously it referred to the 2001 LC). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities. The entry into force of this standard is not expected to have a material impact on the consolidated financial statements in future periods.	The effective date of these amendments is 1 January 2022. The amendment is pending endorsement by the European Union.
Annual Improvements to IFRS. Cycle 2018 - 2020.	The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after 1 January 2022. The main amendments relate to: • IFRS 1 "First-time adoption of IFRS": IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have taken this exemption to also measure cumulative translation differences using the parent's carrying amounts, based on the date of the parent's transition to IFRS. • IFRS 9 "Financial instruments": The amendment addresses which costs should be included in the 10% test for derecognition of financial liabilities. The costs or fees could be paid to third parties or to the lender. According to the amendment, costs or fees paid to third parties shall not be included in the 10% test. • IFRS 16 "Leases": Illustrative Example 13 accompanying IFRS 16 has been amended to remove the illustration of lessor payments in relation to leasehold improvements, thus eliminating any potential confusion about the treatment of lease incentives. • IAS 41 "Agriculture": This amendment removes the requirement to exclude cash flows for taxation when measuring fair value under IAS 41.	The annual improvements are pending endorsement by the European Union.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the Group's financial statements were as follows:

2.1. Consolidation principles

2.1.1. Subsidiaries

“Subsidiaries” are defined as entities over which the Group has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Entity owns directly or indirectly half or more of the voting rights of the investee or, even if this percentage is lower or zero, when there are other circumstances or agreements that give the Entity control.

As provided for in IFRS 10, “Consolidated Financial Statements”, an entity controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Annex I of this consolidated report provides relevant information on these companies.

The financial statements of the subsidiaries are consolidated with those of the Group using the full consolidation method as defined in IFRS 10. Consequently, the following methods, inter alia, were applied in the consolidation process:

1. All material balances and transactions between the consolidated companies, and any material gains or losses on intra-Group transactions not realised vis-à-vis third parties, were eliminated on consolidation.

2. The value of minority interests in equity and income of subsidiaries is presented in the "Minority Interests" caption on the liability side of the consolidated balance sheet and in the "Attributable to Minority Interest" caption in the loss account and consolidated earnings, respectively, if any.

3. The variation recorded from the date of acquisition in the net assets of the consolidated subsidiaries, which is not attributable to results for the year or to changes in their measurement adjustments, is included under "Other Reserves" in the consolidated balance sheet.

4. The consolidation of the results generated by the subsidiaries acquired in a fiscal year is carried out taking into account only those corresponding to the period between the date of acquisition and the close of that year. At the same time, the consolidation of the results generated by the subsidiaries disposed of in the year is carried out taking into account only those relating to the period between the beginning of the year and the date of disposal.

2.1.2. Joint ventures

“Joint ventures” are deemed to be ventures that are not subsidiaries but which are jointly control ed by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more entities (“venturers”) acquire interests in entities (“jointly controlled entities”) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

Interests in joint ventures are accounted for using the equity method as defined by IAS 28.

At 31 December 2020 and 2019, the Group does not have, and has not had during those years, any interests in joint ventures.

2.1.3. Associated Entities

Associates are companies over which the Group has the capacity to exercise significant influence, but not control or joint control. Frequently, this ability is evidenced by a participation (direct or indirect) of 20% or more of the voting rights of the investee.

However, investments in associates that qualify for classification as non-current assets held for sale are presented and, where appropriate, recognised under "Non-current assets and disposal groups classified as held for sale" in the consolidated balance sheet and are measured in accordance with the criteria applicable to these assets (see Note 2.16).

At 31 December 2020 and 2019, the Group does not have, and has not had during those years, any classified investments in associates.

2.2. Financial instruments - Initial recognition, derecognition, definitions of fair value and amortised cost and classification categories and measurement of financial assets and liabilities

2.2.1. Initial recognition of financial instruments

Financial instruments are initially recognised in the balance sheet when the Group becomes a party to the contract originating them in accordance with the terms and conditions thereof. Specifically, debt instruments, such as loans and cash deposits, are recognised from the date on which the legal right to receive or the legal obligation to pay cash arises. Derivative financial instruments are generally recognised from the trade date.

A regulated 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 and forward currency purchase and sale contracts, is 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, transactions performed in the spot currency market are recognised on the settlement date; equity instruments traded in Spanish secondary securities markets are recognised on the trade date and debt instruments traded in these markets are recognised on the settlement date.

2.2.2. Derecognition of financial instruments

A financial asset is derecognised when:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred (see Note 2.8).

Also, a financial liability is derecognised when the obligations it generates have been extinguished or when it is purchased by the Group, with the intention either to re-sell it or to cancel it.

2.2.3. Fair value and amortised cost of financial instruments

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

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

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading which are traded in organised, transparent and deep markets is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives or derivatives traded in thin or scantly transparent organised markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using measurement techniques 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 plus or minus, as appropriate, the principal and interest repayments and the cumulative amortisation (taken to the income statement), calculated using the effective interest method, of the difference between the initial cost and the maturity amount of such financial instruments. In the case of financial assets, amortised cost furthermore includes any reductions for impairment or uncollectibility.

The Group has contracted at 31 December 2020 and 2019 various reverse repurchase loan operations (see Note 10), for which it must return the securities making up the collateral to the former owner at expiration. At 31 December 2020 and 2019 the fair value of the securities received as collateral in these repo transactions does not differ significantly from the carrying amount of these operations.

The effective interest rate is the discount rate that exactly matches the initial amount of a financial instrument to the present value of all its estimated cash flows of all kinds during its remaining life, disregarding future losses from credit risk. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition or arrangement date adjusted, where applicable, for the fees, premiums, discounts, and transaction costs that must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined using a method similar to that for fixed rate transactions and is recalculated on each contractual interest reset date, taking into account any changes in the future cash flows.

2.2.4. Classification and measurement of financial assets and liabilities

Pursuant to IFRS 9, the classification and measurement of the financial assets is performed according to the business model considered by the Group for the management and the features of the contractual flows, as defined below:

a. The business model for the management of financial assets is the mechanism in which the Group jointly manages the groups of financial assets to generate cash flows. This model may consist in holding onto these financial assets so to receive their contractual cash flows, for the sale of these assets or a combination of both objectives.

b. The characteristics of the contractual cash flows of financial assets can be those whose contractual terms and conditions provide, on determined dates, cash flows and consist only of payments of principal and interest on the outstanding principal, commonly known as "Solely Payments of Principal and Interest (SPPI)", or those who do not comply such characteristic.

a. Business models

There are three types of business models, which are based on the treatment of cash flows for financial instruments:

- **Amortised cost - collection of contractual cash flows:** consists of holding assets for the purpose of collecting contractual cash flows (interests) during the term of the instrument.

- **Mixed - collection of contractual cash flows and the disposal of financial assets:** this mixed business model combines the objective of holding assets to collect contractual cash flows and the disposal of these assets.

- **Trade - sale of financial assets:** the business model consists of purchasing and disposal of assets. The Group makes its decisions based on the fair value of the assets and manages these in order to obtain their fair value.

b. SPPI Test

The purpose of the SPPI test is to determine whether or not, in accordance with the contractual characteristics of the instrument, cash flows are representative of only the repayment of the principal and interest, essentially understood as being the compensation for the time value of money and the credit risk of the debtor.

The main function of the test is to differentiate which products covered by the "collection of contractual cash flows" and "collection of contractual cash flows and the disposal of financial assets" business models can be measured at amortised cost and at fair value through other comprehensive income, respectively, or, on the contrary, that must be measured at fair value through profit or loss. Debt instruments that are measured at fair value through profit or loss, as well as equity instruments, are not subject to this analysis.

Specifically, financial assets based on its business model and the SPPI test can be classified as:

- **Financial assets at amortised cost:** when the instrument is managed in order to generate cash flows in the form of contractual collections during the life of the instrument while passing the SPPI test.

- **Financial assets at fair value through other comprehensive income:** when the instrument is managed to generate cash flows, i) in the form of contractual collections during the life of the instrument and ii) through their sale while passing the SPPI test. Moreover, it will be recorded in this portfolio those equity instruments that the Group voluntary and irrevocably designated from the beginning.

- **Financial assets held at fair value through profit or loss:** when the instrument is managed to generate cash flows through their sale or when it does not pass the SPPI test based on the business models of the previous sections. There are two categories for these assets:

    - **Financial assets held for trading**: This subcategory includes instruments that have any of the following characteristics: i) they are held for the purpose of converting them into cash in the short term; ii) they are part of a group of financial instruments identified and jointly managed and there is evidence of recent actions to achieve short-term profit taking and iii) they are derivative instruments that do not meet the definition of a financial guarantee agreement nor have they been classified as hedging instruments.

    - **Non-traded financial assets designated at fair value through profit or loss:** This subcategory includes the rest of financial assets.

The Group may decide at the time of initial recognition, and irrevocably, to include any equity instruments that cannot be classified as held for trading in the "Financial assets at fair value through other comprehensive income" portfolio. This option will be carried out on an instrument by instrument basis. Also, during the initial recognition, and irrevocably, the Group may choose to designate any financial asset as fair value through profit or loss, and by doing so eliminates or significantly reduces any inconsistency in the measurement or recognition (accounting asymmetry) that would otherwise arise, for the measurement of assets or liabilities, or the recognition of their gains and losses, on different bases.

Regardless of the frequency and importance of sales, certain types of sales are not incompatible with the category held to receive contractual cash flows: such as sales due to a reduction in credit quality, sales close to the expiration of operations, so that any changes to market prices would not have a significant effect on the cash flows of the financial asset, sales in response to a change in the regulatory or taxation rules, sales in response to an internal restructuring or significant business combination, derivative sales during the execution of a liquidity crisis plan when the crisis event is not reasonably expected.

The Group has defined the business models and has segmented its financial instrument portfolio for the purposes of performing the SPPI test, making a distinction between: i) families of instruments that group together fully homogeneous products ("umbrella families") in such a way that, while testing a sample of portfolio products, a conclusion could be drawn whether or not the other products of the same family pass the test and ii) products, due to their nature, requiring an individual analysis ("case by case") that the Group has to make for all the SPPI tests.

Nevertheless, financial instruments that should be considered as non-current assets and disposal groups classified as held for sale are recognised in the financial statements as explained in section 2.16 of this Note.

As for the classification of financial liabilities, they are included for the purpose of measurement in some of the following three portfolios:

- **Financial liabilities at fair value through profit or loss:** this category includes financial liabilities designated as such from initial recognition, the fair value of which may be determined reliably, and which meet the same conditions than for the financial assets at fair value with changes in profit or loss previously described.

- **Financial liabilities held for trading:** include those that have been issued with an intention to repurchase them in the near term or that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking; short positions arising from sales of temporary purchased assets under non-optional repurchase agreements or borrowed securities, and derivatives other than as hedging instruments.

- **Financial liabilities at amortised cost:** this category includes all financial instruments except for those qualified for being included in the other portfolios.

2.3. Reclassification between financial instrument portfolios

These occur only and exclusively when there is a change in the business model that manages financial assets, in accordance with the regulations in force. This reclassification is done prospectively on the date of reclassification, without it being appropriate to state any gains, losses or interests previously recognised again. Generally, the business model is not changed very often.

2.4. Hedge accounting and mitigation of risk

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate. When these transactions meet the requirements stipulated in IAS 39, they qualify for hedge accounting.

When the Group designates a transaction as a hedge it does so upon initial recognition of it, documenting it appropriately. The hedge accounting documentation includes identification of the hedged item(s) and the hedging instrument(s), the nature of the risk to be hedged and the criteria or methods used by the Group to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A hedge is considered to be highly effective if, during its expected life, the changes in fair value or cash flows of the hedged item that are attributable to the risk hedged in the hedging of the financial instrument(s) are almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s).

To measure the effectiveness of hedges defined as such, the Group analyses whether, from the beginning to the end of the term defined for the hedge, the Group 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 almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item.

The hedging operations carried out by the Group are classified in the fair value hedge category. These cover exposure to changes in the fair value of financial assets and liabilities or firm commitments not yet recognized, or an identified portion of such assets, liabilities or commitments, attributable to a particular risk and whenever they affect to the consolidated income statement.

In relation to the financial instruments designated as hedged items and hedge accounting in fair value hedges such as those made by the Group, the differences produced in fair value, both in the hedged items and in the hedged items (in this case, those associated with the risk covered) are recognised directly under "Gains or losses arising from the accounting of hedges, net" in the consolidated income statement (Note 33).

The Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer meets the requirements for hedge accounting or the designation as a hedge is revoked.

When, as explained in the preceding paragraph, hedge accounting is discontinued for a fair value hedge, in the case of hedged items carried at amortized cost, the value adjustments made as a result of the hedge accounting described above are recognized in the consolidated income statement through maturity of the hedged items, using the effective interest rate recalculated as at the date of discontinuation of hedge accounting.

Note 11 details the nature of the main positions hedged by the Group and the financial hedging instruments used.

2.5. Foreign currency transactions

2.5.1. Functional currency

The functional and reporting currency of the Group is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in “foreign currency”.

The detail, by currency and item, of the equivalent value in thousand euros of the main asset and liability balances denominated in foreign currencies in the consolidated balance sheets at 31 December 2020 and 2019, taking into account the nature of the items involved and the most significant currencies in which they are denominated, is as follows:

Equivalent Value in Thousand euro (*)

	2020		2019	
Nature of Foreign Currency Balances:	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Amount in US Dollars-				
Cash	59,341	-	65,641	-
Financial assets and liabilities held for trading	5,413	573	4,500	1,367
Financial assets at fair value through other comprehensive income	131,883	-	178,619	-
Demand deposits and financial assets at amortised cost	411,206	-	289,715	-
Financial liabilities at amortised cost	-	2,234,401	-	2,049,120
Derivatives - hedge accounting	-	4,816	-	
Other assets and liabilities	224	25	12	5,898
	608,067	**2,239,815**	**538,487**	**2,056,385**
Balances in Japanese yen-				
Cash	724	-	985	-
Demand deposits and financial assets at amortised cost	58,569	-	26,120	-
Financial liabilities at amortised cost	-	272,207	-	191,667
Other assets and liabilities	-	-	-	25
	59,293	**272,207**	**27,105**	**191,692**
Balances in pounds sterling-				
Cash	25,389	-	49,859	-
Financial assets/liabilities held for trading	-	-	-	-
Demand deposit and financial assets at amortised cost	69,908	-	80,558	-
Financial liabilities at amortised cost	-	203,036	-	154,566
Other assets and liabilities	304	-	23	1.134
	95,601	**203,036**	**130,440**	**155,700**
Balances in Swiss francs-				
Cash	3,308	-	3,282	-
Demand deposit and financial assets at amortised cost	35,616	-	44,325	-
Financial liabilities at amortised cost	-	37,209	-	68,380
Other assets and liabilities	-	36	2	2
	38,924	**37,245**	**47,609**	**68,382**
Balances in Norwegian krone-				
Cash	784	-	1,118	-
Demand deposit and financial assets at amortised cost	1,719	-	2,287	-
Financial liabilities at amortised cost	-	5,509	-	9,635
	2,503	**5,509**	**3,405**	**9,635**
Balances in Swedish krone-				
Cash	1,013	-	1,032	-
Demand deposit and financial assets at amortised cost	1,652	-	3,587	-
Financial liabilities at amortised cost	-	8,471	-	11,419
Other assets and liabilities	19	-	-	1
	2,684	**8,471**	**4,619**	**11,420**
Balances in other currencies-				
Cash	9,098	-	11,456	-
Demand deposits and loans and receivables	23,890	-	23,266	-
Financial liabilities at amortised cost	-	55,865	-	52,730
Other assets and liabilities	11	1	-	26
	32,999	**55,866**	**34,722**	**52,756**
Total foreign currency balances	**840,071**	**2,822,149**	**786,387**	**2,545,970**

(*) Equivalent value calculated by applying the exchange rates at 31 December 2020 and 2019 respectively.

In addition to the currency positions recognised in the consolidated balance sheets at 31 December 2020 and 2019 shown in the preceding table, the Group recognised various currency derivatives and forward foreign currency contracts which are used to manage the exchange rate risk to which it is exposed and which should be considered together with the consolidated balance sheets positions for a correct understanding of the Group's exposure to such risks (see Note 23).

2.5.2. Translation of foreign currency balances

Translation of foreign currency to the functional currency: foreign currency transactions performed by Group companies are initially recognised in the financial statements at the equivalent value in their functional currencies, translated using the exchange rates prevailing at the transaction date. Subsequently, the following rules are applied:

- Monetary assets and liabilities are translated at the closing rate, which is taken to be the average spot exchange rate at the date of the financial statements.

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

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

- Incomes and expenses are translated at the exchange rate prevailing at the transaction date.

2.5.3. Exchange rates

The exchange rates used by the Group in translating the foreign currency balances to euros for the purpose of preparing the financial statements, taking into account the methods mentioned above, were those published by the European Central Bank.

2.5.4. Recognition of exchange differences

The exchange differences arising on the translation of foreign currency balances, in accordance with the aforementioned methods, to the Group 's functional currency are generally recognised at their net amount under “Exchange Differences, Net” in the consolidated income statement, except for exchange differences arising on financial instruments designated at fair value through profit or loss, which are recognised, without distinguishing them from other changes in the instruments' fair value, under “Gains or Losses on Financial Assets and Liabilities Recognised at fair value through Profit or loss, Net” in the consolidated income statement, according to the category in which the instruments are classified.

However, exchange differences arising on non-monetary items measured at fair value through equity are recognised, where appropriate, in equity under “Accumulated Other Comprehensive Income – Items that May Be Reclassified to Profit or Loss” in the consolidated balance sheet until they are realised. Exchange differences recognised in the Group's equity are taken to the consolidated income statement when realised.

2.6. Recognition of income and expenses

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

2.6.1. Interest income, interest expense, dividends and similar items

Interest income, interest expense and similar items are generally recognised on an accrual basis using the effective interest method. Dividends received from other companies, are recognised as income when the Group's right to receive them arises.

2.6.2. Commissions, fees and similar items

Fee and commission income and expenses that are not to be included in the calculation of the effective interest rate of transactions and/or are not included in the acquisition cost of financial assets or liabilities other than those classified as at fair value through profit or loss are recognised in the income statement using criteria that vary according to their nature. The main criteria are as follows:

- The ones relating to the acquisition of financial assets and liabilities measured at fair value through profit or loss are recognised in the income statement when collected or paid.

- Those arising from transactions or services that are performed over a period of time such as fee and commission income for securities depository services are recognised in the income statement over the life of these transactions or services.

- Those relating to a single act are recognised in the income statement when the single act is carried out.

2.6.3. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

2.7. Offsetting

Asset and liability balances are offset, i.e. reported in the balance sheet at their net amount, when, and only when, they arise from transactions in for which the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

In this regard, the presentation required by the applicable legislation in these consolidated financial statements in respect of the financial assets subject to measurement adjustments for decline in value or impairment, i.e. net of these adjustments, is not deemed to be "offsetting".

2.8. Transfers and derecognition of financial assets and liabilities

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 Group transfers substantially all the risks and rewards of the transferred assets to third parties - unconditional sale of financial assets, sale of financial assets with a repurchase agreement at its fair value at the repurchase date, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders and other similar cases, the transferred financial asset is derecognized and any rights or obligations retained or created in the transfer are recognized simultaneously.

- It is considered that the Group substantially transfers the risks and benefits if the risks and rewards transferred represent the majority of the total risks and rewards of the transferred assets.

- If the Group retains substantially all the risks and rewards associated with the transferred financial asset - sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitization of financial assets in which a subordinated debt or another type of credit enhancement is retained that absorbs substantially all the credit losses on the securitized assets, and other similar cases-, the transferred financial asset is not derecognized and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognized, without offsetting:

   - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortized cost, or, if the aforementioned requirements for classification of other financial liabilities at fair value through profit or loss are met, at fair value, in accordance with the aforementioned criteria for this type of financial liability (Note 2.2.4).

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

- If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of financial assets in which the transferor retains a subordinated debt or another type of credit enhancement for a portion of the transferred asset, and other similar cases- the following distinction is made:

   - If the transferor does not retain control, the transferred financial asset is derecognized and any right or obligation retained or created in the transfer is recognized.

   - If the transferor retains control, it continues to recognize the transferred financial asset in the consolidated balance sheet for an amount equal to its exposure to changes in value and recognizes a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized when the cash flows they generate have been extinguished or when substantially all the significant inherent risks and rewards have been transferred to third parties.

Notes 27.2 and 27.4 contain a summary of the main circumstances of the principal transfers of assets outstanding at 2020 and 2019 year-end which did not lead to the derecognition of the related assets (securities lending transactions and repurchase agreements under non-optional repurchase agreements).

2.9. 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:

- 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.

- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident. Except for financial assets at fair value through other comprehensive income, which accounting will be recognised against “other comprehensive income”. The reversal, if any, of previously recognised impairment losses is recognised in the consolidated income statement for the period in which the impairment is reversed or reduced to “accumulated other comprehensive income”.

When the recovery of any recognised amount is considered unlikely, the amount is written off (“written-off asset”), without prejudice to any actions that the Group may initiate to seek collection until their contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The criteria applied by the Group to determine possible impairment losses in each of the various financial instrument categories and the method used to recognise such impairment losses are as follows:

2.9.1. Debt instruments carried at amortised cost

The amount of an impairment loss incurred on a debt instrument carried at amortised cost is equal to the positive difference between its carrying amount and the all the cash flows at the effective original interest rate. The market value of quoted debt instruments is deemed to be a reliable estimate of the present value of their future cash flows.

The expected credit losses will be the weighted average of the credit losses, using as weights the respective risks of default events. The following distinction will be taken into account: i) Expected credit losses in the life of the operation: these are the expected credit losses resulting from all possible events of default during the entire expected life of the operation. ii) Expected credit losses in twelve months: they are the part of the credit losses expected during the life of the operation that corresponds to the expected credit losses resulting from the events of default that may occur in the operation in the following twelve from the reference date.

The hedging amount for impairment shall be calculated according to whether or not there has been a significant increase in the credit risk since initial recognition and whether or not default has occurred. Accordingly, impairment hedging shall be equal to:

- The expected twelve-month credit losses when the risk of default has not significantly increased since initial recognition.

- The lifetime expected credit losses if the risk of default has significantly increased since initial recognition.

- Expected credit losses when default has occurred.

Financial instruments are grouped into three categories based on the impairment method applied, in accordance with the following structure:

- **Stage 1** – Normal risk: those transactions the credit risk of which has not significantly increased since initial recognition. Impairment hedging shall be equal to the twelve-month expected credit losses. Interest revenue shall be calculated applying the effective interest rate to the gross carrying amount of the transaction.

- **Stage 2 -** Normal risk under special surveillance: those transactions the credit risk of which has significantly increased since initial recognition, but without default. Impairment hedging shall be equal to the lifetime expected credit losses of the transaction. Interest revenue shall be calculated applying the effective interest rate to the gross carrying amount of the transaction.

- **Stage 3 -** Non-performing: credit-impaired transactions, i.e. there has been default. Hedging shall be equal to the expected credit losses. Interest revenue shall be calculated by applying the effective interest rate at amortised cost (i.e. adjusted for an impairment allowance) of the financial instrument.

The measurement of whether or not there has been any significant increase in credit risk must be based on reasonable and supportable information that is available free of charge or disproportionate effort, which shall indicate the credit risk increases since initial recognition and must reflect historical, actual and forward-looking information.

The definitions established to measure the significant credit risk are in keeping with the following criteria:

- Adverse changes in the financial situation, such as a significant increase in debt levels, as well as significant increases in debt service ratios.

- Significant falls in turnover or, in recurring cash flows.

- Significant narrowing of operating margins.

- Significant changes in the cost of credit risk, due to changes in this risk subsequent to initial recognition.
- A real or expected reduction of the internal or external credit rating of the operation or of the owner thereof.
- Adverse changes in the economy, in market conditions or worsening of the operation owner's financing terms.
- Business slowdown or unfavourable trends in the owner's operations, which may cause a significant change in their ability to meet their payment obligations.
- For operations with real guarantee, significant worsening of the relationship between the risk amount and the value of the guarantee.
- Significant increases in the credit risk of other operations of the same owner.

In any case, Stage 2 is considered with respect to instruments in which any of the following circumstances occur:

- Defaults of over 30 days.
- Financial instruments that are subject to special surveillance by the risk units because they show negative signs in their credit quality, although there is no objective evidence of impairment.
- Refinances or restructuring operations that do not show impairment evidence.

Method to calculate expected losses

The measurement process for possible impairment losses for these instruments that involve the risk of insolvency for obligors (credit risk) is done:

- Individually, for all debt instruments classified as doubtful risks and which are significant by exceeding a certain threshold or for which specific information from the borrower that allows carrying out its evaluation is available.
- Collectively, for operations classified as normal risk, by applying the alternative solutions contained in Appendix 9 to Circular 4/2017, calculated on the bases of the parameters established by Bank of Spain based on sector information and its accrued experience.

The amount for impairment losses, estimated in accordance with the criteria set forth above, are registered in the headings “Impairment losses or reversals on financial assets not at fair value through profit or loss – Financial assets at amortised cost”.

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

The amount of the impairment losses on debt instruments included in the portfolio of financial assets at fair value through other comprehensive income is determined on the basis of the criteria described in section 2.9.1 above for debt instruments carried at amortised cost, and is recognised in “Other Comprehensive Income - Items that May Be Reclassified to Profit or Loss - Fair Value Changes of Debt Instruments Measured at Fair Value through Other Comprehensive Income”.

The amount of any impairment losses on equity instruments included in the portfolio of financial assets at fair value through other comprehensive income is the positive difference between their acquisition cost and their fair value less any impairment loss previously recognised in the consolidated income statement. Any impairment losses must be recognised under “Other Comprehensive Income - Items that Will not Be Reclassified to Profit or Loss - Fair Value Changes of Equity Instruments Measured at Fair Value through Other Comprehensive Income”.

2.10. Financial guarantees and provisions for financial guarantees

“Financial guarantees” are contracts whereby an entity undertakes to pay specific amounts on behalf of a third party if the latter fails to do so, irrespective of the form in which the obligation is instrumented: guarantee, financial guarantee, irrevocable documentary credit issued or confirmed by the Group, etc.

In accordance with EU-IFRS, financial guarantee contracts provided by the Group are treated as financial instruments.

Upon initial recognition, the Group recognises financial guarantees provided on the liability side of the consolidated balance sheet at fair value plus directly attributable transaction costs, which generally equals the amount of the premium received plus, where applicable, the present value of the fee and commission income, the present value of the fee and commission income receivable on these contracts over their term, with a balancing entry, on the asset side of the consolidated balance sheet, for the amount of fees and similar income collected at the inception of the transactions and receivables for the present value of the fees and commissions receivable. Subsequent to their initial recording, these contracts are valued on the liabilities side of the consolidated balance sheet at the higher of the following two amounts:

- The amount determined in accordance with IAS 37. In this regard, financial guarantees, regardless of their holder, instrumentation or other circumstances, are analysed periodically in order to determine the credit risk to which they are exposed and, where appropriate, to estimate the need to recognise a provision for them, which is determined by applying criteria similar to those established for quantifying impairment losses on debt instruments measured at amortised cost as explained in Note 2.9. above.

- The amount initially recognised for these instruments, less the amortisation of this amount which, in accordance with IFRS 15, is taken to the consolidated income statement on a straight-line basis over the term of these contracts.

Provisions made for these transactions are recorded under "Provisions - Commitments and guarantees given" on the liability side of the consolidated balance sheet (see Note 17). These provisions are recognised and reversed with a balancing entry under "Provisions or reversal of provisions" in the consolidated income statement.

In case of, as indicated above, a provision is required for these financial guarantees, the unearned commissions associated with these transactions, which are recognised under "Financial liabilities at amortised cost - Other financial liabilities" on the liability side of the consolidated balance sheet, are reclassified to the related provision.

2.11. Staff costs

2.11.1. Short-term remuneration

Short-term employee remuneration consists of monetary and non-monetary remuneration such as wages, salaries and social security contributions earned in the year and paid or payable to employees in the twelve months following the end of the reporting period.

Short-term employee remuneration is generally recognised as staff costs in the income statement for the period in which the employees have rendered their services. It is measured at the undiscounted amount payable for the services received, and it is recognised while the employees render their services at the Group, as an accrued expense after deducting any amounts already paid.

2.11.2. Post-employment obligations

Under the Collective Agreement currently in force and some labour intern agreement, the Group is required to supplement the social security benefits accruing to its employees or their beneficiary right holders in the event of retirement, window(er)hood and death of its serving employees.

The Group’s post-employment obligations to its employees are deemed to be "defined contribution plans" when it 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”.

To cover its pension commitments to employees, the Group promoted a pension plan called the Cecabank Employees' Pension Plan, under the Pension Plans and Funds Act and its implementing legislation.

The Management Company of the "Cecabank Employees' Pension Plan" is Caser Pensiones, Entidad Gestora de Fondos de Pensiones, S.A. This pension plan is attached to the Cecabank Employees' Pension Fund AD, Pension Fund and to the Cecabank Employees' Pension Fund PD, Pension Fund.

The Cecabank Employees Pension Plan includes three sub-plans:

Sub-plan 1 is a defined benefit plan for all its contingencies and includes all beneficiaries under the defined benefit scheme who were born before 1 January 2019. All benefits are insured with an external insurance company who.se policyholder is the Control Committee of the Cecabank Employees' Pension Plan.

In 2010, the Control Committee of the CECA Employees' Pension Plan, pursuant to the obligations previously acquired, resolved to take out an insurance policy to cover the supplementary vested pension income payable to the beneficiaries of the pension plan of defined benefit. The policy is in line with the benefits payable to the group of beneficiaries of the pension plan in order to ensure these obligations are met.

Sub-plan **2** is a defined contribution plan for the retirement contingency and includes employees who joined CECA after 30 May 1986 and up to 11 November 2012, as well as employees who joined Cecabank, S.A. after 12 November 2012. This subplan also includes participants who joined CECA prior to 30 May 1986 and who, in accordance with the provisions of the Labour Agreement of 27 January 2010, voluntarily opted to remain in Subplan 2.

This subplan is a defined benefit plan for the contingencies of death and disability of active employees. These defined benefits are covered by an insurance policy taken out by the Cecabank Employees' Pension Plan Control Committee.

Finally, subplan 3 covers all employees who joined CECA before 29 May 1986 and who, not being entitled to take advantage of the early retirement plan established in the collective labour agreement for specific matters dated 2 April 2001, voluntarily and irreversibly requested to be included in the plan.

This subplan is a defined contribution plan for the contingency of retirement and a defined benefit plan for the contingencies of death and disability of active personnel. These defined benefits are insured through an insurance policy taken out by the Control Committee of the Cecabank Employees' Pension Plan.

In 2019, the Group and all labour representatives reached a labour agreement that led to significant changes in the regulation of the Cecabank Employees' Pension Plan. Following the signing of this labour agreement, the system of death and disability benefits was changed, which are no longer linked to the pension recognised by the Social Security and are now linked to the salary of each participant.

Likewise, subplan 1 was closed to the group of pensioners existing at 31 December 2018, and active members remaining in defined benefit subplan 1 were transferred to subplan 3.

Lastly, contributions for the defined contribution retirement contingency were improved, at least in the five-year period 2020-2024 for subplan 2, while a series of extraordinary contributions linked to length of service and level of remuneration in the Entity were recognised for all participants.

In addition, Cecabank has taken out various insurance policies suitable for externalising pension commitments, whether or not supplementary to the Cecabank Employees' Pension Plan.

The accompanying Note 35 "Administrative expenses - Personnel expenses" provides additional information on these commitments, relating to reconciliations, sensitivities and other information required by the regulations applicable to the Group.

As at 31 December 2020, the total amount of the Group's accrued unearned pension commitments and accrued pension commitments amounted to EUR 170,341 thousand (31 December 2019: EUR 177,731 thousand), which are hedged with the external pension fund whose fair value as at 31 December 2020 amounts to EUR 176,222 thousand (31 December 2019: EUR 180,004 thousand), and the Group has therefore recognised EUR 5,881 thousand and EUR 2,273 thousand, respectively, under "Other assets - Rest of Other assets" in the accompanying consolidated balance sheets at 31 December 2020 and 2019 (see Notes 15.1 "Other assets" and 36 "Administrative expenses - Staff costs").

Recognition of defined benefit post-employment obligations

The accounting treatment of the defined benefit obligations is as follows:

a. The legal obligations assumed by the Group are taken into consideration according to the formal terms and conditions of the plans.

b. The present value of the legal obligations is calculated at the reporting date by a qualified actuary, together with the fair value estimates of the plan assets.

c. The fair value of the plan assets, which, pursuant to the requirements established in the applicable legislation, meet this definition at the reporting date, is deducted from the present value of the obligations.

d. If the figure obtained in c) above is positive, it is recognised as a provision for defined benefit pension funds.

e. If the figure obtained in c) above is negative, it is recognised as "Other assets-Rest of other assets". The Group measures, where appropriate, the recognised asset at the lower of the following two values:

    i. The figure obtained in c) above, in absolute terms.

    ii. The present value of the cash flows available to the Group, in the form of plan redemptions or reductions in future contributions to the plan.

f. Any changes in the recognised provision are recognised when they occur in line with d) above (or, where appropriate, the asset according to c) above) as follows:

    i. In the consolidated income statement: the cost of the services rendered by the employees, those referring to both the year in question and prior years not recognised in those years, the net interest on the provision, and the gain or loss arising upon settlement. When these amounts are to form part of the cost of an asset pursuant to applicable legislation, these amounts are recognised additionally as “other operating income”.

    ii. In the statement of changes in equity: the new measurements of the provision as a result of the actuarial gains and losses, of the return on any plan assets not included in the net interest on the provision, and changes in the present value of the asset as a result of the changes in the present of the cash flows available to the entity, which are not included in the net interest on the provision.

The amounts recognised in the statement of changes in equity should not be reclassified to the consolidated income statement in a future year.

As regards the preceding paragraph, it should be noted that due to application of the regulatory changes in the legislation applicable to the Group contained in Bank of Spain Circular 5/2013, since 2013, the actuarial gains and losses arising on the measurement of the defined benefit pension obligations have been recognised by the Group in the period in which they arise with a charge or credit, as applicable, to “Accumulated Other Comprehensive Income – Items that Will Not Be Reclassified to Profit or Loss” in the accompanying consolidated balance sheets.

The defined contribution obligations are generally recognised at the amount of the contributions made by the Group in the year in exchange for the services rendered by employees in the same period and are recognised as an expense for the year. In 2020 the portion of the accrued expense for the contributions to the external pension fund relating to defined contribution obligations amounted to EUR 631 thousand (2019: EUR 958 thousand), and this amount was recognised under “Administrative Expenses - Staff Costs” in the consolidated income statement (see Note 35).

There are no active recipients of the defined benefits at the end of 2020 since they were moved to defined contributions (Subplan 3) on 1 January 2019.

Furthermore, contributions to the pension plan in excess of the current legal and tax ceilings are covered by two insurance policies taken out with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (“Caser”) and no premium accrued or was paid in 2020 and 2019.

Additionally, the premiums on these policies and on other insurance policies covering pension obligations and other obligations to employees totalled EUR 176 thousand in 2020 (2019: EUR 244 thousand), and this amount was recognised under “Administrative Expenses - Staff Costs” in the consolidated income statement (see Note 35).

2.11.3. Other long-term benefits

2.11.3.1. Early retirements

Through several agreements entered into in previous years by the Bank and CECA (to which the bank was subrogated by virtue of the spin-off of Bank’s activity as indicated in Note 1.1 above) and the Workplace Trade Union Branch and the representatives of the Works Council, various pre-retirement offers were made to the employees. The following paragraphs contain a summary of the main features of these agreements:

Pre-retirement agreements prior to 2013

On 7 April 2011, an agreement was entered into between the CECA, the Workplace Trade Union Branch and the representatives of the Workers' Committee, under which a Pre-Retirement Plan was established for all employees who at 31 December 2011 were at least 55 years of age and had been in the CECA employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 13 May 2011. As a result of the spin-off mentioned in section 1.1, Cecabank was subrogated to these obligations.

25 June 2012, an agreement additional to the one mentioned in the previous paragraph was entered into between the entity, the Workplace Trade Union Branch and the representatives of the Works Council, under which a Pre-Retirement Plan was established for all employees who at 31 December 2012 were at least 53 years of age and had been in the entity's employ for at least ten years.

The general registration period for employees wishing to participate in this plan ended on 20 July 2012. This agreement also includes other measures such as termination benefits for the group of employees not included in the pre-retirement plans mentioned above (for which the deadline for participating was 30 September 2012), unpaid leave and reduced working hours (the deadline for participating was 30 October 2012).

Pre-retirement agreements in 2013

Also, on 29 October 2013, another agreement was entered into between the Group, the Workplace Trade Union Branch and the representatives of the Works Council, to extend the agreement entered into on 25 June 2012 for a maximum of 129 employees who at 31 December 2013 were at least 50 years of age and had been in the entity's employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 12 November 2013. 54 employees availed themselves of this offer. The pre-retirements are taking effect between 1 December 2013 and 31 March 2014. The period of pre-retirement begins on the date of termination of the employment contract and ends on the date on which the employee reaches 63 years of age, with a limit of nine years from the pre-retirement date, whichever occurs first.

The amount receivable by the employee during pre-retirement is equal to 75% of his/her annual gross fixed remuneration while in employment, with a maximum annual benefit limit of EUR 150,000 and a minimum annual limit of EUR 27,119. At the discretion of the pre-retired employee, this benefit may be received either in a single lump sum payment or in 14 monthly payments up until the age established in the Agreement. In addition, regardless of the chosen form of payment, the employees who avail themselves of this offer are entitled to receive a gross incentive of EUR 16,000 in a single payment. Also, any employees who would have been paid a 25-year service bonus had they remained in the entity's employ until 31 March 2014 continue to be entitled to receive this bonus.

For the participants of pension sub-plans two and three integrated in ‘Cecabank employees Pensions plan, the Group will continue to make contributions to the employee pension plan and the policies provided for in the insurance protocol relating to this plan, where appropriate, solely for retirement cover. The amount of this contribution will be the same as that made in the year immediately prior to the pre-retirement and will be made until the employee reaches 63 years of age, with a limit of nine years from the pre-retirement date, whichever occurs first. In particular, the participants of sub-plan three will continue to be entitled to the contributions provided for in the Caser policy, for past service, until the age of 65. In the case of the employees who are participants in defined benefit sub- plan one, for retirement cover, the Group will continue to make the contributions required to maintain coverage of the retirement benefit established by the Group until the date on which pre- retirement benefits cease to be paid, and the benefits received in the twelve months prior to retirement. Alternatively, participants in sub-plan one who take pre-retirement pursuant to the pre- retirement plan may transfer their consolidated rights in the plan at the pre-retirement date to sub- plan three and convert the benefit regime into a defined contribution regime. For these participants, contributions are not payable to the Caser policy provided for in the insurance protocol of the bank's Employees’ Pension Plan.

Social Security Special Agreement payments are payable by the employees, although the Group will pay these amounts into the employees' salary until they meet the established age requirements and limits. The Special Agreement will be entered into at the employees' maximum contribution rate on the date immediately preceding the retirement date, with a maximum limit of the contribution base that would have been applicable to the employees had they remained in the bank's employ.

Pre-retirement agreements in 2015

On 18 December 2015, the Board of Directors of the Cecabank approved a formal pre-retirement plan for certain employees of the bank who met certain requirements, and this fact was communicated to all the employees on 23 December 2015 by the Works Council.

This plan was formalised in a collective agreement signed in 2016 between the bank, the Workplace Trade Union Branch and the representatives of the Works Council, using as a basis the pre-retirement plan of 29 October 2013, which established a three-year period (2016-2018) for pre-retirements to take place. Employees aged 56 or over prior to 31 December 2018 with at least ten years' service at the date of departure from the bank can avail themselves of the plan.

The amount receivable by the employee during pre-retirement is equal to 75% of his/her annual gross fixed remuneration while in employment, with a maximum annual benefit limit of EUR 150,000 and a minimum annual limit of EUR 27,119. At the discretion of the pre-retired employee, this benefit may be received either in a single lump sum payment or in 14 monthly payments up until the age established in the Agreement.

With regard to the accounting criteria applied to these aforementioned pre-retirement obligations, it should be noted that they are the same as those explained in Note 2.11.2 for the defined benefit post-employment obligations, except for the fact that the actuarial gains and losses are recognised directly in the Group's consolidated income statement in the year in which they are disclosed.

The obligations in respect of future salaries, future social security costs and study aids relating to early retirees corresponding to commitments given in the preceding paragraphs as well as the obligations for future contributions to the Pension Plan (all of which were considered as defined benefit obligations) were covered by an internal provision amounting to EUR 29,051 thousand (EUR 41,656 thousand at 31 December 2019), which was recognised under “Provisions - Other long-term employee benefits” in the consolidated balance sheet (see Notes 16 and 35) and related to early retirement obligations incurred as a result of the aforementioned Agreement dated 7 April 2011, 25 June 2012, 29 October 2013 and 18 December 2015. At 31 December 2020 and 2019 this provision covered the full amount of the Group's early retirement obligations at those dates.

Note 35 to these notes to the financial statements includes additional information relating to these obligations.

2.11.3.2. Death and disability

The commitments assumed by the Group for death or disability of current employees for the period they remain active are included in the benefits covered by the Cecabank Employee Pension Plan, in accordance with its rules and they are fully covered by a policy obtained by the Control Committee of the Pension Plan from an insurance company.

2.11.3.3. Long-service bonuses

The Group has undertaken to pay a bonus to employees reaching 25 years of service at the Group.

The amount paid in this connection at 2020 year-end was approximately EUR 30 thousand (2019 year- end: EUR 16 thousand) and is recognised under “Administrative Expenses - Staff Costs” in the accompanying consolidated income statement.

2.11.4. Termination benefits

Any termination benefits are recognised as a staff cost only when the Entity is demonstrably committed to terminating the employment relationship with an employee or group of employees.

The termination benefit expense charged to profit or loss in 2020, amounting to EUR 2,812 thousand, is recognised under “Administrative Expenses - Staff Costs” in the consolidated income statement (see Note 35). At 31 December 2019, EUR 2,250 thousand expenses were recognised in this connection.

Also, the Group has agreements with some of its executives and/or directors to pay them certain benefits in the event that they are terminated without just cause. The amount of the benefit, which in any case would not have a material effect on the Group, would be charged to the consolidated income statement when the decision to terminate the employment of the executive or director was made.

Under current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

2.11.5. Loans to employees

Under the collective labour agreement in force and the additional agreements entered into in 2008 and 2016 with the Group's employees, employees are entitled to apply for mortgage loans from the bank for a maximum period of 40 years and a variable interest rate, which will remain fixed during each natural semester.

Under the applicable industry collective labour agreement and pursuant to collective agreements reached by the Group implementing it, employees of the Group may, in specific cases, apply for interest free advances and other “welfare” loans or loans for the expansion of their residence, with a repayment period of 10 and 15 years, respectively, at the 12-month Euribor interest rate.

In the event of exceptional circumstances requiring an employee of the Group to apply for a type of loan that does not fully or partially comply with the regulations stipulated in the industry collective labour agreement, or its implementing regulations, the employee may apply for the loan indicating the exceptional circumstances.

These loans are recognised at amortised cost under “Financial assets at amortised cost - Loans and Advances to Customers” in the consolidated balance sheet.

2.12. Income tax

The income tax expense is recognised in the consolidated income statement, except when it results from a transaction recognised directly in the equity, in which case the income tax is also recognised in the Group’s equity.

The current income tax expense is calculated as the tax payable with respect to the taxable profit for the year, adjusted by the amount of the changes in the year in the assets and liabilities (deferred taxes) recognised as a result of temporary differences and tax credit and tax loss carry forwards (see Note 20).

The Group considers that there is a temporary difference when there is a difference between the carrying amount of an asset or liability and its tax base expected to reverse in the future. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right for the Group to a refund or a reduction in its tax charge in the future.

Tax credit and tax loss carry forwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met and the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within 12 months from the balance sheet date. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities in over 12 months from the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. However, deferred tax liabilities arising from the initial recognition of goodwill are not recognised.

The Group only recognises deferred tax assets arising from deductible temporary differences and from tax credit and for tax loss carryforwards when the following conditions are met:

- If it is considered probable that the Group will obtain sufficient future taxable profit against which the deferred tax assets can be utilised; or they are deferred tax assets that the Group might in the future have the right to convert into credits receivable from the tax authorities pursuant to Article 130 of Spanish Income Tax Law 27/2014, of 27 November (called “monetizable tax assets”); and

- In the case of any deferred tax assets arising from tax loss carryforwards, the tax losses result from identifiable causes which are unlikely to recur.

No deferred tax assets or liabilities are recognised if they arise from the initial recognition of an asset or liability, not arising from a business combination and that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

The Group files consolidated tax returns pursuant to Chapter VI of Title VII of Spanish Income Tax Law 27/2014, of 27 November, as part of tax group 0508/12, the parent of which is CECA. For each entity that files consolidated tax returns, the Group Confederación Española de Cajas de Ahorros recognises the income tax expense that the entity would have had to pay if it had filed an individual tax return, adjusted for the tax losses generated by each entity from which other Group entities benefit, taking into consideration the consolidated tax adjustments to be made.

2.13. Property, plant and equipment

2.13.1. Property, plant and equipment for own use

Property, plant and equipment for own use includes the assets that are held by the Group for present or future administrative purposes other than those of community projects, or for the production or supply of goods and services and which are expected to be used for more than one year. Property, plant and equipment for own use is stated in the consolidated balance sheet at cost less:

- The related accumulated depreciation, and
- Any estimated impairment losses (net carrying amount higher than recoverable amount).

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

The annual provisions of tangible asset depreciation charge is recognised under “Amortisation” in the consolidated income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual Rate
Property	2% to 4%
Furniture and office equipment	10% to 15%
Computer hardware	15% to 25%
Fixtures	8% to 12%
Transport equipment	16%

The Group assesses at the reporting date whether there is any internal or external indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life must be re-estimated). When necessary, the carrying amount of property, plant and equipment for own use is reduced with a charge to “Impairment or Reversal of Impairment on Non-Financial Assets” in the consolidated income statement.

Similarly, if there is an indication of a recovery in the value of a previously impaired tangible asset, the Group recognises the reversal of the impairment loss recognised in prior periods with the related credit to

“Impairment or Reversal of Impairment on Non-Financial Assets” in the consolidated income statement and adjusts the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least once a year with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognised in the consolidated income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognised as an expense under “Administrative Expenses – Other General Administrative Expenses” in the consolidated income statement in the year in which they are incurred.

Assets for own use that are no longer intended for such use and for which there is a sale plan by the Management, which is estimated to be carried out within a maximum period of one year, are classified as non-current assets held for sale and are valued according to the criteria indicated in Note 2.16.

2.13.2. Investment property

“Property, plant and equipment - Investment Property” in the consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

The criteria used to recognise the acquisition cost of investment property, to calculate its depreciation and its estimated useful life and to recognise any impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use (see Note 2.13.1).

2.14. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the Group. Only intangible assets whose cost can be estimated reasonably objectively and from which the Group considers it probable that future economic benefits will be generated are recognised.

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

The annual intangible asset amortisation charge is recognised under “Amortisation Charge” in the consolidated income statement.

2.14.1. Other intangible assets

Intangible assets other than goodwill are recognised in the consolidated balance sheet at acquisition or production cost, less the related accumulated amortisation and any accumulated impairment losses.

"Intangible Assets - Other Intangible Assets" includes, primarily, the acquisition cost, net of accumulated amortisation and when applicable impairment.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives, which range from three to ten years for computer software, depending on the asset concerned.

For their part, the management rights of the depository business recognised as intangible assets are amortised over the term of the contracts in which they are acquired, using the straight-line method or a diminishing balance method, depending on the estimated revenue associated with these contracts over time.

The Group assesses at the reporting date whether there is any internal or external indication that an intangible asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future amortisation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated). This reduction of the carrying amount of intangible assets is recognised, if necessary, with a charge to “Impairment or Reversal of Impairment on Non-Financial Assets” in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for property, plant and equipment for own use (see Note 2.13.1).

2.15. Provisions and contingent liabilities

The Group’s financial statements include all the material provisions, if any, required to cover certain risks to which the Group is exposed as a result of its business activity and which are certain as to their nature but uncertain as to their amount and/or timing. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, if there.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed its case and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

The provisions considered necessary pursuant to the foregoing criteria and their eventual reversal, should the reasons for their recognition disappear, are recognised with a charge or credit, respectively, to “Provisions or reversal of provisions” in the consolidated income statement.

2.15.1. Litigation and/ or claims in process

At the end of 2020 certain litigation and claims were in process against the Group arising from the ordinary course of its operations. The Group's legal advisers and directors consider that the outcome of the litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

2.16. Non-current assets and Disposal Groups Classified as Held for Sale

“Non-Current Assets Held for Sale and Disposal Groups Classified as Held for Sale” in the consolidated balance sheet includes the carrying amount of items - individual items, disposal groups or items forming part of a business unit earmarked for disposal (“discontinued operations”) - which, because of their nature, are estimated to have a realisation or recovery period exceeding one year, but are earmarked for disposal by the Group and whose sale in their present condition is highly probable to be completed within one year from the date of the financial statements.

Investments in associates or joint ventures that meet the requirements set forth in the foregoing paragraph are also considered to be non-current assets held for sale.

Therefore, the carrying amount of these items -which can be of a financial nature or otherwise- will foreseeably, be recovered through the proceeds from their disposal rather than from continuing use.

Specifically, property or other non-current assets received by the Group as total or partial settlement of its debtors' payment obligations to it are deemed to be non-current assets held for sale, unless the Group has decided use them and classify them as investment property (see Note 2.13.2).

In general, non-current assets held for sale and disposal groups classified as held for sale are measured at the lower of their carrying amount calculated as at the classification date and their fair value less net estimated costs to sell. Tangible and intangible assets that are depreciable and amortisable by nature are not depreciated or amortised during the time they remain classified in this category.

If the carrying amount of the assets exceeds their fair value less costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to “Gains/(Losses) on Non- Current Assets

Held for Sale not Classified as Discontinued Operations" in the consolidated income statement. If the fair value of such assets subsequently increases, the Group reverses the losses previously recognised and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with a credit to "Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations" in the consolidated income statement.

The gains or losses arising on the sale of non-current assets held for sale are presented under "Profit or Loss from Non-Current Assets and Disposal Groups Classified as Held for Sale Not Qualifying as Discontinued Operations" in the consolidated income statement.

Despite the foregoing, financial assets, assets arising from remuneration to employees and any deferred tax assets that are part of a disposal group or of a discontinued operation are not measured as described in the preceding paragraphs, but rather in accordance with the accounting policies and rules applicable to these items, which were explained in previous sections of Note 2.

2.17. Cash flow statements

The following terms are used in the cash flow statements with the meanings specified:

- **Cash flows:** inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- **Operating activities:** the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. Operating activities also include interest paid on any financing received, even if this financing is considered to be financing activity. Activities performed with the various financial instrument categories detailed in Note 2.2.4 above are classified, for the purpose of this statement, as operating activities.

- **Investing activities**: the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents, such as Property, plant and equipment, intangible assets, investments, non-current assets held for sale and associated liabilities, equity instruments classified as financial assets at fair value through other comprehensive income which are strategic investments if any.

- **Financing activities**: includes the cash flows from activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

For cash flow statement preparation purposes, the balance of "Cash, Cash Balances at Central Banks and other demand deposits" on the asset side of the consolidated balance sheet, disregarding any impairment losses, was considered to be "cash and cash equivalents".

2.18. Statement of changes in equity

The consolidated statement of changes in equity presented in these financial statements shows the consolidated total changes therein in equity during the year. This information is disclosed to turn in two statements: the consolidated statement of comprehensive income and the consolidated statement of changes in equity. The following explains the main features of the information contained in both parts of the statement:

2.18.1. Consolidated statement of recognised income and expense

The statement of recognised income and expense presents the income and expenses generated by the Group as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the consolidated income statement for the year and the other income and expenses recognised, in accordance with current regulations, directly in equity, making a distinction among the latter, in turn, between items that may be reclassified to the income statement, pursuant to applicable legislation, and those that may not.

Accordingly, this statement presents:

a. Profit for the year.

b. The net amount of income and expense recognised that will not be reclassified into income.

c. The net amount of income and expenses recognised that can be reclassified into income.

d. The total of income and expense recognised, calculated as the sum of (a+b+c).

Changes in income and expenses recognised in equity as items that can be reclassified to income are broken down as follows:

a. Measurement gains or losses taken to equity: includes the amount of the income, net of the expenses incurred in the year, recognised directly in equity. The amounts recognised in equity in the year remain under this item, even if in the same year they are transferred to the consolidated income statement or to the initial carrying amount of assets or liabilities or are reclassified to another line item.

b. Amounts transferred to the income statement: includes the amount of the restatement gains and losses previously recognised in equity, albeit in the same year, which are recognised in the consolidated income statement.

c. Amount transferred to the initial carrying amount of hedged items: includes the amount of the restatement gains and losses previously recognised in equity, albeit in the same year, which are recognised in the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d. Other reclassifications: includes the amount of the transfers made in the year between measurement adjustment items in accordance with current regulations.

The amounts of these items are presented gross, and the corresponding income tax is included in a separate line item both at the end of the items that may be reclassified to profit or loss and at the end of those that will not.

2.18.2. Consolidated statement of changes in total equity

The consolidated statement of changes in total equity presents all the changes in equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the equity items, and the changes in the year are grouped together on the basis of their nature into the following items:

a. Effects of corrections of errors and changes in accounting policies: this category includes the adjustments to equity arising as a result of the retrospective restatement of the financial statements, making a distinction between the adjustments that relate to changes in accounting policies and those relating to corrections of errors.

b. Total comprehensive income for the year: this category includes the amount of the line item with the same name in the statement of recognised income and expense relating to the same date.

c. Other changes in equity: includes the changes recognised directly in equity relating to increases and reductions in capital or other equity instruments (including the expenses incurred in such transactions), the distribution of dividends or shareholder remuneration, the reclassification of financial instruments from equity to liabilities or vice-versa, transfers among equity items which, due to their nature, were not included in other line items, increases or decreases in equity resulting from business combinations, share-based payments, and any other increase or decrease in equity that cannot be included in the aforementioned categories.

3. Cecabank, S.A.

Cecabank is the parent of the Group. Its separate financial statements are prepared by applying the accounting principles and rules included in Bank of Spain Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting rules and formats and subsequent amendments.

The financial statements of the Bank, the head of the group for 2020 and 2019, for informative purpose, are as follows:

Balances (thousand euros):

Assets	2020	2019
Cash, cash balances at central banks and other demand deposits	**5,348,908**	**2,268,107**
Financial assets held for trading	**1,857,991**	**1,849,540**
Derivatives	961,056	981,563
Equity instruments	146,992	379,531
Debt securities	749,943	488,446
Memorandum item: loanedor advanced as collateral with right to sell or pledge	90,560	99,786
Non-trading financial assets mandatorily at fair value through profit or loss	**28,791**	**39,017**
Equity instruments	6,451	8,497
Debt securities	21,720	30,117
Loans and advances	620	403
Memorandum item: loanedor advanced as collateral with right to sell or pledge	488	-
Financial assets designated at fair value through profit or loss	**-**	**-**
Financial assets at fair value through other comprehensive income	**2,462,912**	**2,072,461**
Equity instruments	2,638	14,269
Debt securities	2,460,274	2,058,192
Loans and advances	-	-
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	1,381,955	823,287
Financial Assets at amortised cost	**3,886,709**	**5,074,354**
Debt securities	299,012	307,700
Loans and advances	3,587,697	4,766,654
Credit institutions	2,497,154	4,038,453
Customers	1,090,543	728,201
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	1,042,859	464,711
Derivatives - hedge accouting	**694**	**12,784**
Fair value changes of hedged items in portfolio hedge of interest rate risk hedge of interest rate risk	**-**	**-**
Investment in subsidiaries, joint ventures and associates	**312**	**312**
Subsidiaries	312	312
Joint Ventures	-	-
Associates	-	-
Tangible assets	**51,962**	**52,627**
Property, plant and equipment	45,140	45,622
For own use	45,140	45,622
Investment property	6,822	7,005
Of which: assigned in operating lease	-	-
Memorandum item: acquired in finance lease	2,177	2,694
Intangible assets	**491,594**	**195,334**
Goodwill	-	-
Other intangible assets	491,594	195,334
Tax assets	**76,154**	**86,391**
Current tax assets	2,216	3,492
Deferred tax assets	73,938	82,899
Other assets	**58,729**	**65,571**
Remainder of other assets	58,729	65,571
Non-current assets and disposable groups of items classified as held for sale	**3,032**	**3,002**
Total assets	**14,267,788**	**11,719,500**

Liabilities and equity	2020	2019
Financial liabilities held for trading	**1,293,973**	**1,211,746**
Derivatives	1,088,340	1,021,166
Short positions	205,633	190,580
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	**11,639,413**	**9,211,764**
Deposits	11,404,436	9,063,006
Central Banks	464,729	445,990
Credit Institutions	1,571,405	1,673,014
Customers	9,368,302	6,944,002
Other financial liabilities	234,977	148,758
Derivatives - hedge accounting	**16,473**	**13,463**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Liabilities under insurance and reinsurance contracts	-	-
Provisions	**80,900**	**101,848**
Pensions and other post-employment defined benefit obligations	-	-
Other remuneration to long-term employees' obligations	29,051	41,656
Pending legal issues and tax litigations	7,621	9,011
Commitments and guarantees given	288	303
Other provisions	43,940	50,878
Tax liabilities	**19,935**	**14,329**
Current liabilities	4,075	-
Deferred tax liabilities	15,860	14,329
Other liabilities	**56,397**	**59,666**
Liabilities included in disposal groups classified as held for sale	-	-
Total liabilities	13,107,091	10,612,816

Liabilities and equity	2020	2019
Shareholders' equity	**1,136,282**	**1,087,635**
Share capital	**112,257**	**112,257**
Paid up capital	112,257	112,257
Share premium	615,493	615,493
Retained earnings	339,382	309,108
Other reserves	14,796	5,592
Profit for the year	54,354	45,185
Accumulated other comprehensive income	**24,415**	**19,049**
Items that will not be reclassified to profit or loss	**11,218**	**13,016**
Actuarial gains or losses on defined benefit pensions plans	9,894	7,274
Changes of fair value of equity instruments measured at fair value through other comprehensive income	1,324	5,742
Items that may be reclassified to profit or loss	13,197	6,033
Changes of fair value of debt instruments measured at fair value through other comprehensive income	13,197	6,033
Total equity	1,160,697	1,106,684
Total liabilities and equity	14,267,788	11,719,500
Memorandum item		
Commitments from loans granted	**570,499**	**713,894**
Financial guarantees granted	-	-
Other obligations granted	**1,060,366**	**1,516,957**

Income Statements

(thousand euros):

	2020	2019
Interest income	**100,465**	**79,300**
Financial assets at fair value through other comprehensive income	31,334	20,444
Financial assets at amortised cost	10,793	13,326
Other interest income	58,338	45,530
Interest expenses	**(85,832)**	**(92,784)**
Net interest income	**14,633**	**(13,484)**
Dividend income	3,667	12,756
Fee and commission income	163,432	142,716
Fee and commission expenses	(25,696)	(21,437)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	24,126	29,340
Financial assets at amortised cost	3	3
Financial liabilities at amortised cost		-
Other financial assets and liabilities	24,812	29,337
Gains or losses on financial assets and liabilities held for trade, net	(14,725)	(47,978)
Gain or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(3,141)	2,728
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or losses from hedge accounting, net	(1,199)	680
Exchange differences, net	43,219	75,248
Other operating income	46,769	33,959
Other operating expenses	(5,153)	(4,275)
Gross income	**245,932**	**210,253**
Administrative expenses	**(117,050)**	**(114,066)**
Staff costs	(49,942)	(44,337)
Other administrative expenses	(67,108)	(69,729)
Cash contributions to resolution funds and deposit guarantee schemes	(4,595)	-
Amortisation	(57,367)	(44,297)
Provisions and reversal of provisions	8,636	11,561
Impairment or reversal of impairment and gains or losses due to changes in cash flows of financial assets not measured at fair value through profit or loss or net gains or losses (-) due to changes	**(5,770)**	**(1,421)**
Financial assets at fair value through other comprehensive income	(3,146)	(788)
Financial Assets at amortised cost	(2,624)	(633)
Impairment loss or reversal of impairment loss of investments in subsidiaries, joint ventures or associates	-	-
Impairment loss or reversal of impairment loss of non-financial assets	-	-
Tangible assets	-	-
Intangible assets	-	-
Others	-	-
Gains or losses on derecognition of non-financial assets and investments, net	**(10)**	**(4)**
Negative goodwill recognised in profit or loss	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	1,031
Profit or loss before tax from continuing operations	**74,371**	**63,057**
Tax expense or income related to profit or loss from continuing operations	(20,017)	(17,872)
Profit or loss after tax from continuing operations	**54,354**	**45,185**
Profit or loss after tax from discontinued operations	-	-
Profit for the year	**54,354**	**45,185**

Statements of recognised income and expense

(thousand euros)

	2020	2019
Profit for the year	**54,354**	**45,185**
Other comprehensive income	**5,366**	**9,281**
Items that will not be reclassified to profit or loss	**(1,798)**	**(1,518)**
Actuarial gains or losses on defined benefit pension plans	3,743	(5,967)
Non-current assets and disposal groups held for sale	-	-
Changes of fair value of equity instruments measured at fair value through other comprehensive income	(6,312)	3,799
Tax on gains related to the items that will not be reclassified	771	650
Items that may be reclassified to profit or loss	**7,164**	**10,799**
Foreign currency translation	-	-
Translation gains or losses taken to equity	-	-
Cash flow hedges	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Debt instruments at fair value through other comprehensive income	10,234	15,427
Valuation gains or losses taken to equity	31,864	44,764
Transferred to profit or loss	(21,630)	(29,337)
Tax on gains related to the items that may be reclassified in profit or loss	(3,070)	(4,628)
Total comprehensive income for the year	**59,720**	**54,466**

Statement of changes in equity

(thousand euros)

	Shareholders' equity								
	Share capital	Share premium	Retained earnings	Other reserves	(-) Treasury shares	Profit for the year (Note 3)	(-) Interim dividends	Accumulated other comprehensive income	Total equity
Opening balance (before restatement) at 1 January 2019	**112,257**	**615,493**	**266,567**	**5,591**	**-**	**63,494**	**-**	**9,768**	**1,073,170**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2019	**112,257**	**615,493**	**266,567**	**5,591**	**-**	**63,494**	**-**	**9,768**	**1,073,170**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**45,185**	**-**	**9,281**	**54,466**
Other changes in equity	**-**	**-**	**42,541**	**1**	**-**	**(63,494)**	**-**	**-**	**(20,952)**
Dividends (or remuneration of members)	-	-	(20,953)	-	-	-	-		(20,953)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	63,494	-	-	(63,494)	-	-	-
Other increase or decrease in equity	-	-	-	1	-	-	-		1
Closing balance at 31 December 2019	**112,257**	**615,493**	**309,108**	**5,592**	**-**	**45,185**	**-**	**19,049**	**1,106,684**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2020	**112,257**	**615,493**	**309,108**	**5,592**	**-**	**45,185**	**-**	**19,049**	**1,106,684**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**54,354**	**-**	**5,366**	**59,720**
Other changes in equity	**-**	**-**	**30,274**	**9,204**	**-**	**(45,185)**	**-**	**-**	**(5,707)**
Dividends (or remuneration of members)	-	-	(14,911)	-	-	-	-	-	(14,911)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	45,185	6,081	-	(45,185)	-	-	6,081
Other increase or decrease in equity	-	-	-	3,123	-	-	-	-	3,123
Closing balance at 31 December 2020	**112,257**	**615,493**	**339,382**	**14,796**	**-**	**54,354**	**-**	**24,415**	**1,160,697**

Statement of cash flows

(thousand euros)

	2020	2019
Cash flows from operating activities	**3,448,678**	**(947,440)**
Profit for the year	**54,354**	**45,185**
Adjustments made to obtain the cash flows from operating activities	**90,035**	**13,324**
Amortisation	57,367	44,297
Other adjustments	32,668	(30,973)
Net (increase)/decrease in operating assets	**(842,779)**	**(3,009,317)**
Financial assets held for trading	893	(123,204)
Non trading financial Assets mandatory measured at fair value through profit and loss	(7,245)	(22,570)
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	362,833	582,762
Financial assets at amortised cost	(1,186,343)	2,576,558
Other operating assets	(12,917)	(4,229)
Net increase/(decrease) in operating liabilities-	**2,471,756**	**2,008,341**
Financial liabilities held for trading	82,227	(165,111)
Financial liabilities at amortised cost	2,427,649	2,265,424
Other operating liabilities	(38,120)	(91,972)
Income tax recovered/(paid)	**(10,247)**	**(4,973)**
Cash flows from investing activities	**(352,966)**	**(30,577)**
Payments:	**(352,966)**	**(32,429)**
Tangible assets	(3,179)	(2,134)
Intangible assets	(349,787)	(30,295)
Investments in subsidiaries, joint ventures and associates	-	-
Non-current assets and liabilities classified as held for sale	-	-
Proceeds:	**-**	**1,852**
Tangible assets	-	-
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	-
Non-current assets and liabilities classified as held for sale	-	1,852
Cash flows from financing activities	**(14,911)**	**(20,953)**
Payments:	**(14,911)**	**(20,953)**
Dividends	(14,911)	(20,953)
Subordinated liabilities	-	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Proceeds:	**-**	**-**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**-**	**-**
Net increase (decrease) in cash and cash equivalents	3,080,801	(998,970)
Cash and cash equivalents at beginning of year	2,268,107	3,267,077
Cash and cash equivalents at end of year	5,348,908	2,268,107
Memorandum item		
Components of cash and cash equivalents at end of year		
Cash	122,057	153,912
Cash balances at central banks	5,071,475	2,009,191
Other demand deposits	155,376	105,004
Less: Bank overdrafts refundable on demand	-	-

4. Distribution of the Bank's profit

The proposal for the distribution of the parent´s company net profit for 2020, which the Board of Directors will propose to the General Shareholders' Meeting for approval, is as follows (the balances for 2019 are presented exclusively for comparative purposes):

Thousand euro

	2020	2019
Voluntary Reserve	49,510	30,274
Dividends	4,844	14,911
Net profit for the year	54,354	45,185

As a consequence of the economic impacts generated by Covid-19, and with the aim of preserving the regulatory capital of credit institutions, the European Central Bank issued a recommendation on 27 March 2020 urging European banks to refrain, at least until 1 October 2020, from distributing dividends or entering into irrevocable commitments to distribute dividends for the financial years 2019 and 2020, as well as from share buybacks to remunerate shareholders; this recommendation was updated on 27 July 2020, extending this limitation until 1 January 2021. On 15 December 2020, the European Central Bank again amended its recommendation, urging banks to be very prudent in deciding on the amounts of dividends or share buybacks to remunerate shareholders until 30 September 2021, thus limiting investor remuneration to the following two options: a maximum of 20 basis points of the Common Equity Tier 1 (CET 1) ratio or 15% of the result of the 2020 financial year.

After analysing both options, the Bank found that the lower of the two options was the one with a maximum Common Equity Tier 1 (CET 1) ratio of 20 basis points.

Therefore, it was agreed to distribute a dividend in the amount of 4,844 thousand euros, taking into consideration the recommendations described above. With regard to the 2019 dividend, the Cecabank General Shareholders' Meeting held on 27 March 2020 approved the distribution of EUR 14,911 thousand to its shareholders.

5. Information by business segments

Cecabank, S.A.'s wholesale business, which is carried on in Spain, represents substantially all the Group's activities, of which the retail business accounts for less than 1%.

Below is a breakdown of the main revenues for 2020 and 2019 of customers external to the Group broken down by geographical areas in which they have their origin:

2020:

Thousand euro

	Spain	Rest of Europe	Rest of the World	Total
Interest income (Note 28)	100,463	-	-	100,463
Commission income (Note 31)	162,330	-	-	162,330
Gains/losses on financial assets and liabilities (net) (Note 33)	5,061	-	-	5,061
Other operating income (Note 34)	46,769	5,622	-	52,391

2019:

Thousand euro

	Spain	Rest of Europe	Rest of the World	Total
Interest income (Note 28)	79,298	-	-	79,298
Commission income (Note 31)	141,194	-	-	141,194
Gains/losses on financial assets and liabilities (net) (Note 33)	(15,230)	-	-	(15,230)
Other operating income (Note 34)	33,959	8,515	-	42,474

Note 26 contains information on geographical distribution, by counterparty, of the Group's main activities.

At 31 December 2020 and 2019 and in those years, the Group did not have any single customer which individually accounted for 10% or more of its revenue.

6. Remuneration of directors and senior executives

6.4. Remuneration of the Board of Directors

The members of the Bank's Board of Directors receive an attendance fee for attending meetings of the Board and its support committees, the detail of which for 2020 and 2019 is shown in the following table:

Thousand euro

	2020	2019
Azuaga Moreno, Manuel	25	23
Carbó Valverde, Santiago	60	52
García Lurueña, Francisco Javier	33	31
Gómez de Miguel, José Manuel	-	14
Iglesias Ruiz, Víctor Manuel	33	21
Méndez Álvarez-Cedrón, José María	24	23
Motellón García, Carmen	58	47
Pano Riera, Javier	25	27
Ruano Mochales, Jesús	41	35
Salaverría Monfort, Julia	48	52
Sarro Álvarez, María del Mar	56	52
	403	377

The aforementioned attendance fees for 2020 relating to the participation of an executive of Bankia, S.A. on the Board of Directors of Cecabank, S.A. amounted to EUR 27 thousand and were paid directly to that entity (2019: EUR 29 thousand).

Note 40 details the Group's other balances with its directors and persons related to them.

6.5. Remuneration of senior executives and of members of the Board of Directors

For the purposes of the preparation of these financial statements, the Bank's senior executives were considered to be the members of the Management Committee, which comprised 8 members at 31 December 2020 and 2019.

The remuneration earned by the senior executives and the members of the Board of Directors in their capacity as executives of the Bank totalled EUR 2,141 thousand in 2020, of which EUR 1,993 thousand related to short-term remuneration for 2020, including the amount that will be paid by Phantom Shares (see note 35) and EUR 148 thousand related to post-employment benefits (EUR 2,232 thousand in 2019, of which EUR 2,019 thousand related to short-term remuneration and EUR 213 thousand to post-employment benefits).

The amount of the consolidated pension rights for senior management and the members of the Board of Directors in their capacity as Bank executives at 31 December 2020 totals EUR 2,966 thousand (EUR 2,720 thousand at 31 December 2019).

The Group has taken out accident insurance for directors and third-party liability insurance for directors and senior executives under the customary terms and conditions for these insurance policies. The premium for 2020 amounted to EUR 252 thousand (2019: EUR 156 thousand).

Note 40 to these financial statements provides disclosures of the amounts of the demand deposits held with the Group by senior executives and Board members and of the loans granted to them by the Bank.

6.6. Transparency obligations

Article 229 of the Consolidated Spanish Limited Liability Companies Law establishes that the directors must disclose any direct or indirect conflict they might have with the interests of the company in which they discharge their duties as directors.

During financial year 2020, there were three occasions on which certain directors of Cecabank, S.A. abstained from participating in the deliberation and/or voting on a matter. The breakdown of the three occasions is as follows: on two occasions resolutions were adopted on the formalisation of financial transactions and on another occasion a resolution was adopted to review the remuneration of the executive director.

During 2019, the Bank's directors, as defined in the Capital Companies Act, notified the Board of Directors of five situations of direct or indirect conflict that they or persons related to them might have with the Bank's interests.

7. Cash, Cash Balances at Central Banks and other demand deposits

The breakdown of the balance of “Cash, Cash Balances at Central Banks and other demand deposits” in the balance sheets at 31 December 2020 and 2019 is as follows:

		Thousand euro
	2020	2019
Cash in euro	22,400	20,541
Cash in foreign currency (Note 2.5)	99,657	133,373
Cash balances at central banks (Note 1.10) (*)	5,071,475	2,009,191
Other sight deposits in euro	156,329	106,588
Of which: in foreign currency	137,519	86,998
Of which: in Euros	18,810	19,590
Other sight deposits (Note 22.7)	640	-
Valuation adjustments -		
Impairment losses (Note 22.4.2 and 22.8)	(409)	-
	5,350,092	2,269,693

(*) This balance corresponds entirely to the balance in cash at the Bank of Spain.

At 31 December 2020, doubtful positions with correspondents were classified under this heading. Impairment losses also include EUR 288 thousand of individually assessed impairment losses, EUR 24 thousand collectively assessed impairment losses and EUR 97 thousand in country risk allowances.

8. Financial assets and liabilities at fair value through profit or loss

8.1. Financial instruments held for trading-assets and liabilities

8.1.1. Financial assets and liabilities held for trading - Breakdown

Following is a detail of the balances of “Financial Assets/Liabilities Held for Trading” in the balance sheets at 31 December 2020 and 2019:

Thousand euro

	Debtor balances		Creditor balances	
	2020	2019	2020	2019
Debt securities	**749,943**	**488,446**	**-**	**-**
Government securities	148,633	168,749	-	-
Treasury Bills	-	-	-	-
Other public entities	10,293	109,487	-	-
Non-resident public administrations	6,776	48,696	-	-
Spanish credit institutions	150,127	46,237	-	-
Private sector (Spain)	146,568	83,873	-	-
Private sector (rest of the world)	287,546	31,404	-	-
Doubtful assets	-	-	-	-
Equity instruments	**146,992**	**379,531**	**-**	**-**
Shares listed on the Spanish Market	145,535	377,213	-	-
Shares listed on markets in the rest of the world	1,457	2,318	-	-
Derivatives held for trading-	**961,056**	**981,563**	**1,088,340**	**1,021,166**
Derivatives traded on organised markets	-	32	-	22
Derivatives not traded on organised markets	961,056	981,531	1,088,340	1,021,144
Short securities positions	**-**	**-**	**205,633**	**190,580**
	1,857,991	**1,849,540**	**1,293,973**	**1,211,746**

Note 22 provides information on the credit risk assumed by the Group in relation to the financial assets, other than equity instruments, included in this category. In addition, notes 23 and 24 include information on the market and liquidity risks, respectively, associated with the financial instruments included in this category.

Note 21 provides information on the fair value of the financial instruments included in this category. Note 26 includes information on the concentration of risk relating to the financial assets held for trading. Note 25 shows information on the exposure to interest rate risk.

8.1.2. Trading derivatives (assets and liabilities)

Following is a breakdown, by type of risk, of the fair value of the trading derivatives arranged by the Group and of their notional amount (on the basis of which the future payments and collections on these derivatives are calculated) at 31 December 2020 and 2019:

Thousand euro

	2020			2019		
	Fair Value			Fair Value		
	Asset balances	Liability balances	Notional amount	Asset balances	Liability balances	Notional amount
Interest rate risk	929,847	968,241	20,385,128	934,299	976,286	23,373,357
Foreign currency risk	31,004	116,121	5,262,020	47,232	42,099	3,508,354
Share price risk	-	-	147,569	32	647	436,107
Credit risk	205	3,978	120,000	-	2,134	75,000
	961,056	**1,088,340**	**25,914,717**	**981,563**	**1,021,166**	**27,392,818**

The notional amount of the contracts entered into does not reflect the actual risk assumed by the Group for these contracts, since the net position in these financial instruments is the result of offsetting and/or combining them and of offsetting and/or combining them with other asset or liability positions.

8.1.3. Financial liabilities held for trading - Short positions

The detail, by type of transaction, of the balance of this item in the balance sheets at 31 December 2020 and 2019, is as follows:

	Thousand euro	
	2020	2019
Classification:		
For securities lending-	-	-
Equity instruments	-	-
Overdrafts on disposals-repurchase agreement		
Debt securities	205,633	190,580
	205,633	**190,580**

“Short Positions - Short Sales – Equity Instruments” and “Short positions - Overdrafts on disposals- repurchase agreement - Debt securities” in the foregoing table includes the fair value of the Group’s debt instruments purchased under repurchase agreements and, therefore, under non-optional resale as such not recognised on the asset side of the balance sheet, which have been sold and will be repurchased by the Group before maturity of the repurchase agreement in which they are used as collateral, in order for the Group to return them to his owner at the maturity date.

8.2. Non trading financial asset mandatorily at fair value through profit or loss

The detail, by nature, of the financial assets included in “Non trading financial asset mandatorily at fair value through profit or loss” in the balance sheets at 31 December 2020 and 2019 is as follows:

	Thousand euro	
	2020	2019
Equity instruments	**6,451**	**8,497**
Shares listed in organised markets	1,576	1,087
Shares listed in rest of the world markets	-	-
Unquoted shares	4,875	7,410
Debt securities	**21,720**	**30,117**
Private sector (rest of the world)	21,720	30,117
Loans and advances	**620**	**403**
	28,791	**39,017**

Note 22 includes information on the Group’s exposure to credit risk at 31 December 2020 and 2019 associated with these financial instruments other than equity instruments.

Note 21 includes information on the fair value of these financial instruments at 31 December 2020 and 2019. Note 25 includes information about the exposure to interest rates.

Note 24 contains information on the liquidity risk associated with the financial instruments owned by the Group at 31 December 2020 and 2019.

Note 26 includes information on the concentration risk relating to these financial instruments at 31 December 2020 and 2019.

8.3. Financial assets and liabilities designated at fair value through profit or loss

At 31 December 2020 and 2019 there are no assets or liabilities in this heading:

9. Financial assets at fair value through other comprehensive income

Following is a detail of the balances of "Financial assets at fair value through other comprehensive income" in the consolidated balance sheets at 31 December 2020 and 2019:

Thousand euro

	2020	2019
Debt securities		
Securities - Spanish Public Administrations	1,017,434	518,171
Treasury Bills	501,073	-
Government debt	516,361	518,171
Non-resident public institutions	969,276	911,631
Spanish credit institutions	124,903	55,070
Credit institutions not residing in Spain	-	153,701
Private sector (Spain)	158,133	260,504
Private sector (rest of the world)	151,498	145,413
	2,421,244	**2,044,490**
Measurement adjustments-		
Accrued interest	13,252	9,340
Results due to measurement and other	29,591	5,761
Impairment losses (Notes 22.8 and 38)	(3,813)	(1,399)
	39,030	13,702
	2,460,274	**2,058,192**
Equity instruments-		
Shares not traded on organised markets	17,992	23,391
	17,992	23,391
Measurement adjustments-		
Results due to measurement and other	2,043	8,379
Impairment losses (Notes 22.8 and 38)	(17,397)	(17,501)
	(15,354)	(9,122)
	2,638	**14,269**
	2,462,912	**2,072,461**

Note 21 contains certain information on the fair value of the financial instruments included in this category.

Note 22 includes information on the credit risk to which the debt instruments included in this financial instrument category are subject.

Note 23 shows certain information on the market risk to which the Group is exposed in relation to these financial assets. Note 25 discloses certain information on interest rate risk.

Note 26 shows information on the concentration risk associated with these financial assets.

In 2020, the Group sold its stake in Caser Seguros S.A. for 18,572 thousand euro, thus recognising a derecognition of 5,420 thousand euro under financial assets at fair value through other comprehensive income - equity instruments, as well as the corresponding net gain in reserves of 9,206 thousand euro (Note 18.3).

10. Financial assets at amortised cost

Following is a detail of the financial assets included in "Loans and Receivables" in consolidated the balance sheets at 31 December 2020 and 2019:

Thousand euro

Debt instruments-	2020	2019
Debt securities issued by Spanish Public Administrations	-	284,299
Debt securities issued by entities other than Spanish Public Administrations	302,241	24,277
Doubtful assets	-	-
	302,241	**308,576**
Measurement adjustments-		
Impairment losses (Notes 22.8 and 38)	(4,648)	(2,408)
Accrued interest	1,419	1,532
	(3,229)	(876)
	299,012	**307,700**
Loans and prepayments to credit institutions-		
Reverse repurchase agreements	1,521,350	3,214,725
Other term loans	45,187	45,052
Advances different from loans	931,315	778,749
Non-performing assets	25	739
	2,497,877	**4,039,265**
Measurement adjustments-		
Impairment losses (Notes 22.8 and 38)	(25)	(403)
Accrued interest	(698)	(409)
	(723)	(812)
	2,497,154	**4,038,453**
Loans and prepayments to customers-		
On demand	5,493	3,866
Credit card debt	572	651
Trade receivables	1,638	957
Reverse repurchase agreements	309,138	89,927
Other term loans	630,253	460,160
Advances different from loans	134,056	161,021
Non-performing assets	429	450
	1,081,579	717,032
Measurement adjustments-		
Impairment losses	(513)	(305)
Acquisition Premium	8,303	10,707
Accrued interest	2,292	1,753
	10,082	12,155
	1,091,661	**729,187**
	3,887,827	**5,075,340**

"Financial Assets at Amortised Cost - Loans and Advances to Customers" includes mortgage loans to customers with a carrying amount of EUR 41,313 thousand at 31 December 2020 (31 December 2019:

EUR 42,105 thousand).

In Note 21 there is information about the fair value of included in this category of financial assets at 31 December 2020 and 2019. Note 22 includes information about the credit risk in this category of financial assets at 31 December 2020 and 2019.

Note 24 contains information on the liquidity risk associated with the Group's financial instruments.

Note 26 includes information on the concentration risk associated with the financial assets included in this category at 31 December 2020 and 2019. Note 25 includes information on the interest rate risk.

In addition, the Group applies the following average interest rates for loans (both mortgage and non-mortgage) for the years ending 2020 and 2019:

	2020	2019
Average interest rates:		
Covenant mortgage	Half-yearly Euribor + 0,50%	Half-yearly Euribor + 0,50%
Unrestricted mortgage	Annual Euribor + 0,40%	Annual Euribor + 0,40%
Unrestricted consumption	Annual Euribor + 2%	Annual Euribor + 2%
Property extension	Annual Euribor	Annual Euribor
Social	Annual Euribor	Annual Euribor

11. Hedging derivatives

The Group has entered into financial derivatives transactions with various counterparties of recognised creditworthiness which are considered fair value and cash flow hedges of certain balance sheet positions against fluctuations in market interest rates and also to comply with the requirements of the applicable regulation.

The Group's hedged consolidated balance sheet positions relate to fixed-rate debt instruments (guaranteed issues, government bonds and treasury bills). These securities are issued by the Spanish government, Spanish private sector financial institutions and other resident sectors.

Given that the positions giving rise to the risk are long-term transactions tied to a fixed interest rate, the main aim of the hedge is to change the returns of the hedged items from fixed to floating and, accordingly, their performance to changes in market interest rates. To this end, the Group uses OTC interest rate derivatives (basically swaps such as call money swaps).

The Group uses call money swaps to hedge each group of debt instruments, which are grouped on the basis of their sensitivity to changes in interest rates, and documents the related efficiency analyses of the hedges to verify that, at inception and throughout the life of these hedges, the Bank can expect, prospectively, that the changes in fair value of the hedged items attributable to the hedged risk will be almost fully offset by changes in the fair value of the hedging instruments and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item. The aforementioned hedges are highly effective.

Following is a detail, by instrument, of the fair value of the hedging instruments in fair value hedges:

Thousand euro

	2020		2019	
	Asset balances	Liability balances	Asset balances	Liability balances
Hedged instrument				
Financial assets at fair value through other comprehensive income	694	16,473	12,784	13,463
	694	**16,473**	**12,784**	**13,463**

Gains/losses on hedging instruments and hedged items are recognised under "Gains/Losses on Financial Assets and Liabilities (Net)" in the income statement of the Group (see Note 33).

The Note 21 discloses information on the fair value of these hedging derivatives at 31 December 2020 and 2019. Note 22 includes certain information on the credit risk associated with these derivatives at 31 December 2020 and 2019.

12. Non-current assets and disposal groups classified as held for sale

The breakdown of the balance of "Non-Current Assets Held and Disposal Groups Classified as Held for Sale" in the consolidated balance sheets at 31 December 2020 and 2019 is as follows:

Thousand euro

	2020	2019
Real properties	3,032	3,002
Equity instruments	-	-
	3,032	**3,002**

The changes in 2020 and 2019 in the items included in this heading in the consolidated balance sheets, and the related impairment losses, were as follows:

Thousand euro

	2020	2019
Cost:		
Balances at 1 January	4,913	16,416
Additions	30	11
Disposals	-	(11,543)
Transfers	-	29
Balances at 31 December	**4,943**	**4,913**
Impairment losses:		
Balances at 1 January	(1,911)	(12,625)
Additions	-	-
Disposals	-	10,716
Transfers	-	(2)
Balances at 31 December	**(1,911)**	**(1,911)**
Net Balances at 31 December	**3,032**	**3,002**

Properties

The Group continues to actively manage the items included in this heading and those that were initially recorded more than one year ago (consisting entirely of properties) in order to proceed with their sale in the short-term. Although the real estate market situation in Spain makes it difficult to dispose of these assets, the Group's management of them is intended to procure their sale in the short-term and it has reasonable expectations in this respect. Accordingly, since all of the other requirements established in Circular 4/2017 are met, they continue to be classified and measured as non-current assets held for sale.

Equity instruments

The company CEA Trade Services limited, which was wholly owned by the Group, was effectively liquidated on 4 March 2019. As a result of the liquidation situation affecting this investee company, in 2018 the Group reclassified its assets and liabilities to the heading "Non-current assets and disposal groups of assets classified as held-for-sale" in the consolidated balance sheet.

13. Property, plant and equipment

The changes in 2020 and 2019 in "Property, plant and equipment" in the consolidated balance sheets were as follow:

Thousand euro

	Property, Plant and Equipment for Own Use				
	Land and Buildings	Furniture, Fixtures and Vehicles	IT Equipment and Related Fixtures	Investment Property	Total
Cost:					
Balance at 1 January 2019	62,380	24,725	13,198	10,905	111,208
Additions	-	121	2,060	-	2,181
Disposals	-	(776)	(322)	-	(1,098)
Transfers	-	(29)	-	-	(29)
	1,993	4	1,285	-	3,282
Balance at 31 December 2019	**64,373**	**24,045**	**16,221**	**10,905**	**115,544**
Additions	7	764	2,415		3,186
Disposals	-	(98)	(176)		(274)
Transfers	-	-			
Balance at 31 December 2020	**64,380**	**24,711**	**18,460**	**10,905**	**118,456**
Accumulated depreciation:					
Balance at 1 January 2019	**(24,673)**	**(20,993)**	**(10,646)**	**(3,717)**	**(60,029)**
Charge for the year (Note 39)	(825)	(918)	(1,432)	(183)	(3,358)
Disposals	-	772	321	-	1,093
Transfers	-	2	-	-	2
Provision for first-time application of IFRS16 (Note 39)	(396)	-	(188)	-	(584)
Balance at 31 December 2019	**(25,894)**	**(21,137)**	**(11,945)**	**(3,900)**	**(62,876)**
Charge for the year (Note 39)	(1,162)	(773)	(1,731)	(183)	(3,849)
Disposals	-	86	176	-	262
Transfers	-	-	-	-	-
Balance at 31 December 2020	**(27,056)**	**(21,824)**	**(13,500)**	**(4,083)**	**(66,463)**
Property, plant and equipment, net:					
Net balance at 31 December 2019	**38,479**	**2,907**	**4,276**	**7,005**	**52,667**
Net balance at 31 December 2020	**37,324**	**2,889**	**4,958**	**6,822**	**51,993**

At 31 December 2020 and 2019, property, plant and equipment for own use totalling (gross) approximately EUR 28,878 and 26,924 thousand had been depreciated in full. The Group insures property, plant and equipment for own use through insurance policies.

Either at 31 December 2020 or at 31 December 2019, the Property, plant and equipment owned by the Group were not impaired or there were no changes in this connection in those years.

In 2020 the rental income earned from investment property owned by the Group amounted to EUR 1,298 thousand (2019: EUR 1,338 thousand) (see Note 34).

In 2020 and 2019, the losses on disposals arising under "Property, Plant and Equipment – For Own Use" totalled EUR 10 thousand, recognised under "Gains or Losses on Derecognition of Non-Financial Assets and Investments, Net" in the consolidated income statement for 2020 (2019: income of EUR 4 thousand).

While the Bank is exposed to changes in residual value at the end of existing leases, the Bank generally enters into new operating leases and therefore will not immediately experience any reduction in residual value at the end of these leases. Expectations about future residual values are reflected in the fair value of the properties.

The minimum lease payments receivable on investment property leases are as follows:

Thousands of Euros	2020	2019
Less than a year	1,298	1,338
Between one and five years	5,807	5,910
More than five years	6,477	6,454

Right of use:

The Group holds rights of use by lease mainly on offices in the foreign network for the conduct of its business abroad, as well as, to a lesser extent, for equipment for information processing. As at 31 December 2020 and 2019, the leasehold rights of use amount to EUR 2,177 thousand and EUR 2,694 thousand, respectively.

14. Intangible assets

14.4. Other intangible assets

The balance of this heading includes basically rights arising from the acquisition of certain depository businesses and custody of third party securities relating to collective investment undertakings and pension funds, as well as, to a lesser extent, computer software developed by the Group, which is amortised as indicated in Note 2.14 above. The detail of "Other Intangible Assets" in the consolidated balance sheets as at 31 December 2020 and 2019 is as follows:

Thousands of Euros	2020	2019
Intangible assets with finite useful life	**667,011**	**339,430**
Of which for acquired depository business	662,379	334,595
Of which by computer applications	4,632	4,835
Accumulated amortisation	**(175,319)**	**(143,886)**
Of which for acquired depository business	(171,185)	(140,294)
Of which by computer applications	(4,134)	(3,592)
Total net	491,692	195,544

At 31 December 2020, the balance of fully amortized intangible assets (computer applications) and in use was 2,123 thousand euros (2,224 thousand euros at 2019).

The changes in 2020 and 2019 in the consolidated balance sheets were as follows:

Cost:	Thousand euro
Balance at 1 January 2019	320,646
Additions and transfers	30,295
Disposals	(11,511)
Balance at 31 December 2019	**339,430**
Additions and transfers	349,787
Disposals and other movements	(22,206)
Balance at 31 December 2020	**667,011**
Accumulated amortisation:	
Balance at 1 January 2019	(114,933)
Charge for the year (Note 39)	(40,467)
Disposals and other movements	11,514
Balance at 31 December 2019	**(143,886)**
Charge for the year (Note 39)	(53,639)
Disposals and other movements	22,206
Balance at 31 December 2020	**(175,319)**
Intangible assets, net:	
Net balance at 31 December 2019	**195,544**
Net balance at 31 December 2020	**491,692**

The additions in 2020 and 2019 in the foregoing table relate mainly to the capitalisation of the cost of the new depository contracts that arose following the renewal of the rights and obligations resulting from businesses acquired in prior years for the management of depository and custody services for securities entrusted by third parties, as well as to the variable payments made as a result of the achievement of certain contractual objectives and to the inclusion in the cost of guaranteed amounts originating from those businesses. Parallel to this capitalisation, in 2020 and 2019 the Group derecognised the amortisation and impairment losses associated with the contracts that were renewed or derecognised, which had been amortised in full.

On 23 October 2019, the Entity reached a mediation agreement with Kutxabank S.A., whereby Cecabank was appointed Depositary of the collective investment institutions, pension funds and Voluntary Social Welfare Entities (EPSVs) that were deposited with Kutxabank, S.A. The provision of the depositary service began to be provided to Kutxabank S.A. in March 2020.

On 29 May 2020, the Entity reached a mediation agreement with Bankia S.A., whereby Cecabank was appointed depositary for investment funds, SICAVs and pension funds deposited with Bankia, S.A. The depositary service began to be provided to Bankia S.A. in December 2020.

At the time of each accounting closing, the Group determines whether or not there are any indications that the net value of its intangible assets (deposit and custody contracts) exceeds their recoverable value. If so, the carrying amount of the asset concerned is reduced to the recoverable value and future amortisation charges are adjusted in proportion to the adjusted carrying amount and the new remaining useful life, if a new estimate is required. The criteria for recognising the impairment of these assets and, if appropriate, any recovery of impairment losses recognised in prior years, are based on actual and projected equity, revenue, cost and variable payment figures, as well as the fixed price paid by Cecabank:

- The actual amount on deposit at the closing in December of the year being analysed and then the equity figures are taken into consideration based on the revenue estimated in the business plan for each transaction.

- Revenue is obtained from the business plan, which includes the accumulated amount of depository fees effectively collected by Cecabank in the year being analysed and reflecting the expected income based on the business plan.

- Variable payments relate to the amounts paid to customers in accordance with the revenue effectively obtained each year and the projections indicate the maximum amounts payable in the event that the business plan revenue projections are met, as is stipulated in the contracts.

- The net present value is calculated taking into consideration the estimated future cash flows that will be received by Cecabank up until the end of the transaction, using a discount rate in line with Cecabank's ROE before taxes.

During the first half of 2020, due to the COVID-19 pandemic, the assets under management were affected, decreasing compared to the usual volumes. However, at year-end, this variable had stabilised and did not have a significant impact on the valuation of the depository businesses, and therefore no impairment losses were recorded during the year.

15. Other assets and liabilities

15.4. Other assets

The breakdown of the balance of "Other Assets" and "Other Liabilities" in the consolidated balance sheets at 31 December 2020 and 2019 is as follows:

	Thousand euro	
	2020	2019
Other assets-		
Prepayments-		
Fees and commissions receivable	14,099	12,443
Non-accrued expenses	1,845	179
Other prepayments	1,138	1,037
Other assets-		
Transactions in transit	30,583	40,493
Nets Assets Post-Employment plans (Notes 2.11.2 and 35)	5,881	2,273
Other	5,373	9,224
	58,919	65,649

"Other assets - Prepayments and Accrued Income – Fees and Commissions Receivable" in the preceding table includes the accrued commissions receivable by the Group in relation to various services provided, basically in relation to the payment methods business and the custody business for collective investment undertakings and pension funds.

"Other - Other Assets - Transactions in Transit" and "Other liabilities – Transactions in Transit" mainly include temporary balances which relate basically to securities underwriting transactions and other unsettled OTC transactions.

15.5. Other liabilities

The composition of the balance in the consolidated balance sheets at 31 December 2020 and 2019 is as follows:

		Thousand euro
	2020	2019
Accrued expenses and deferred income-		
Fees and commissions payable	1,943	1,938
Accrued expenses	33,815	32,479
Accrued revenues	784	1,064
Other liabilities-		
Transactions in transit	16,223	20,549
Other	3,997	3,974
	56,762	**60,004**

The balance of the heading "Accruals - Accrued expenses " of "Other liabilities" in the foregoing table includes, among other items, as of December 31, 2020, balances amounting to EUR 13,081 thousand (EUR 10,657 thousand at 31 December 2019) that originate in variable remuneration paid by the outstanding staff.

“Other Liabilities - Transactions in Transit” in the above table relates mainly to temporary balances consisting basically of share subscription transactions and other transactions performed on organised markets pending settlement.

16. Financial liabilities at amortised cost

16.1. Breakdown

The detail of the items composing this heading in the consolidated balance sheets at 31 December 2020 and 2019 is as follows:

		Thousand euro
	2020	2019
Deposits-		
Central Banks	464,604	445,256
Credit institutions	1,572,145	1,673,637
Customer deposits	9,369,694	6,943,819
	11,406,443	9,062,712
Measurement adjustments	(2,362)	177
	11,404,081	9,062,889
Other financial liabilities	235,673	149,539
	11,639,754	**9,212,428**

Note 21 provides information on the fair value of these financial liabilities.

16.2. Financial liabilities at amortised cost - Deposits - Central Banks

The breakdown, by geographical area of residence of the counterparty and type of instrument, of the balances of this item in the consolidated balance sheets at 31 December 2020 and 2019 are as follows:

Thousand euro

	2020	2019
By geographical location:		
Spain	464,729	445,990
	464,729	**445,990**
By type of instrument:		
Time deposits		
Time deposits	464,604	445,256
	464,604	**445,256**
Measurement adjustments	125	734
	464,729	**445,990**

16.3. Financial liabilities at amortised cost - Deposits - Credit institutions

The breakdown, by geographical area of residence of the counterparty and type of instrument, of the balances of this item in the consolidated balance sheets at 31 December 2020 and 2019 are as follows:

Thousand euro

	2020	2019
By geographical location:		
Spain	1,104,906	1,002,437
Other EMU countries	374,161	523,078
Rest of the world	92,338	147,499
	1,571,405	**1,673,014**
By type of instrument:		
Demand deposits and other-		
Other accounts	734,046	730,884
Time deposits-		
Time deposits	501,285	456,182
Repurchase agreements	336,814	486,571
	1,572,145	**1,673,637**
Measurement adjustments	(740)	(623)
	1,571,405	**1,673,014**

16.4. Financial liabilities at amortised cost - Customer deposits

The breakdown, by geographical area of residence of the counterparty, type of instrument and type of Counterparty, of the balances of this item in the consolidated balance sheets at 31 December 2020 and 2019 are as follows:

Thousand euro

	2020	2019
By geographical location:		
Spain	9,158,997	6,938,052
Other EMU countries	168,853	4,477
Rest of the world	40,097	1,356
	9,367,947	**6,943,885**
By counterparty:		
Resident public sector	311,549	222,323
Non-resident public sector	-	-
Other resident sectors	8,849,156	6,715,663
Other non-resident sectors	208,989	5,833
	9,369,694	**6,943,819**
Measurement adjustments	(1,747)	66
	9,367,947	**6,943,885**
By type of instrument:		
Current accounts	7,511,939	6,401,327
Other demand deposits	-	-
Fixed-term deposits	603,972	424,226
Repurchase agreements	1,253,783	118,266
	9,369,694	**6,943,819**
Measurement adjustments	(1,747)	66
	9,367,947	**6,943,885**

16.5. Financial liabilities at amortised cost - Other financial liabilities

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2020 and 2019 is as follows:

Thousand euro

	2020	2019
Payment obligations	20,388	12,499
Liabilities associated with rights-of-use assets	2,265	2,754
Collateral received	1,420	3,631
Tax collection accounts	-	3
Special accounts	26,115	29,803
Other	185,485	100,849
	235,673	**149,539**

These items arise from operations carried out by certain credit institutions through the Bank. They are of a transitional nature and are settled on the first is this day following the date of origination.

The balance account “Other items” in the preceding table essentially records balances totalling EUR 145,156 thousand in repayments of loans granted to public administrations at 31 December 2020 (EUR 52,433 thousand at 31 December 2019). The most significant amount after repayments of loans granted to Public Administrations amounts to EUR 16,454 thousand items due to credit institutions (EUR 695 thousand at 31 December 2019).

The balance of "liabilities associated with right-of-use assets" (see Note 13) includes an amount of EUR 2,265 thousand and an amount of EUR 2,754 thousand in respect of future lease payments during the mandatory periods of the contracts in force at 31 December 2020 and 2019, respectively.

17. Provisions

The changes in the balances of these items in the consolidated balance sheets at 31 December 2020 and 2019 were as follows:

Thousand euro

	Other long-term employee remuneration (Note 35)	Commitments and guarantees granted (Notes 2.10, 22 and 27.1)	Procedural issues and tax litigation proceedings (Note 20.1)	Other provisions
Balances at 1 January 2019	**49,710**	**274**	**9,800**	**62,811**
Net addition/ (reversal) charged/ (credited) to income	237	29	(654)	(11,172)
Other net movements	(8,291)	-	(135)	(761)
Balances at 31 December 2019	**41,656**	**303**	**9,011**	**50,878**
Net addition/ (reversal) charged/ (credited) to income	422	(15)	(1,353)	(6,832)
Other net movements	(12,183)	-	(37)	(106)
Balances at 31 December 2020	**29,051**	**288**	**7,621**	**43,940**

“Other Changes, Net” under “Other Long-Term Employee Benefits” in 2020 consists mainly of the benefits paid to participants in the defined benefit plans totaling EUR 13,039 thousand (2019: EUR 13,521 thousand) (see Note 35). This item also includes EUR 462 thousand (2019: 5,230 thousand) reclassified from the heading “Other liabilities” to this heading since it related to commitments acquired with Cecabank personnel that no longer work at the bank.

At year-end 2020, the difference between the actuarial value of the defined benefit obligations and the fair value of the assets assigned to the defined benefit plans in the amount of Euros 5,881 thousand is recognised on the asset side of the balance sheet. Actuarial gains or (-) losses on defined benefit pension plans (Note 18.2). In addition, as a result of the global financial situation produced by Covid-19, the Bank's management has concluded that the best estimate of the impact of Covid-19 amounts to 962 thousand euro, which has been recorded under the heading "Other provisions".

The heading “Litigation” includes provisions that have been recognised to cover potential litigation deriving from the Group’s business activity. “Other Provisions” at 31 December 2020 and 2019 includes basically the amount recorded, based on an internal model developed by the bank, to cater for the operational risk to which the directors consider the Group to be exposed as a result of the provision of custody and depository services for securities entrusted by third parties, as well as the provisions recognised in relation to operations involving certain interest rate derivatives.

In accordance with the control environment and the operational risk management systems in place, Cecabank calculates its capital requirements for operational risk using the standardised approach as the estimation methodology, and this Control Framework ensures compliance with the requirements established for this purpose in 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. The Operational Risk Unit has developed an internal qualitative assessment model. Risks and mitigation control points are systematically assessed to derive the residual operational risk in the various activities, products, and services, using qualitative techniques. Residual risk is understood to be that part of the risk not covered by the entity's internal control structure or insurance contracted with third parties, i.e. that part of the risk which, with a certain probability, may have a negative impact. In addition, the assessments are periodically checked on the basis of the results of the controls carried out by the second and third level control units.

In addition, apart from the qualitative assessment, the Group has a Loss Database, which functions as a repository of operational loss events, classified by organisational areas and types of risk, and whose objective is to identify the source of the loss in order to establish mitigating measures to prevent it from occurring.

Moreover, there is a series of risk indicators to provide the risk profile, both individually and grouped in baskets by risk type.

The main assumptions and variables used in the new model are as follows:

- International assets held in custody by delegation in a third party: 88,749,527 thousand euros at 31 July 2020.
- K-ASA factor: 0.04%.
- Loss component (LC), product of the average operating loss over the last 10 years multiplied by 15, resulting in an LC of 0.89 at 31 December 2020.

Based on the aforementioned methodology, Cecabank has recorded an amount of EUR 39,865 thousand as a provision for operational risk at 31 December 2020.

In addition, the internal control and operational risk management regularly performs sensitivity analyses and stress tests on the model for calculating the provision for this item, as a result of which no additional provisioning needs have been identified, even in the most restrictive scenario, to those established at 31 December 2020.

18. Other accumulated net income

18.1. Items that may be reclassified to profit or loss - Changes of fair value of debt instruments measured at fair value through other comprehensive income

This item in the balance sheets at 31 December 2020 and 2019 includes the amount, net accumulated of the related tax effect, of changes in the fair value of debt instruments measured at fair value through other comprehensive income (see Note 9) which, as stated in Note 2.2, should be recognised in the Group's equity; these changes are recognised in the income statements when the assets which gave rise to them are sold or when these assets become impaired. The accompanying statements of recognised income and expense show the changes in 2020 and 2019 in this item in the balance sheets at 31 December 2020 and 2019.

18.2. Items that will not be reclassified to profit or loss – Actuarial gains and losses from defined benefit pension obligations

This heading in the balance sheets at 31 December 2020 and 2019 included the net cumulative amount, adjusted for the related tax effect, of the actuarial gains and losses arising from the measurement of the provision for defined benefit pension obligations (see Notes 2.11.2 and 35). The accompanying statement of changes of equity shows the changes in 2020 and 2019 in this item in the balance sheets at 31 December 2020 and 2019.

18.3. Items that will not be reclassified to profit or loss - Changes of fair value of debt instruments measured at fair value through other comprehensive income

This heading in the balance sheets as at 31 December 2020 and 2019 includes the net accumulated amount, adjusted by the related tax effect, of changes in the fair value of equity instruments classified as financial assets measured at fair value through other comprehensive income since their acquisition (see Note 9), which, as indicated in Note 2.2, should be classified in the Group's equity. These changes are recognised under “Other Reserves” when the assets which gave rise to the changes are sold. The accompanying statement of changes in equity reflects the changes that took place in this heading of the consolidated balance sheets as at 31 December 2020 and 2019.

19. Share Capital, Share Premium and Minority

19.1. Share capital

The Bank was incorporated effective 1 January 2012 (see Note 1.1) with an initial share capital of EUR 100,000,000, represented by 100,000,000 registered shares with a par value of 1 euro each, and its single shareholder at the time of incorporation was CECA.

Subsequently, on 13 November 2012, under the spin-off process conducted by CECA in favour of the Bank (see Note 1.1), a capital increase amounting to EUR 78,932,117.60 was carried out by issuing 12,256,540 new shares with the same voting and economic rights and with the same par value of 1 euro and a share premium of EUR 5.44 per share. These shares were fully subscribed and paid by the previous owners of the non-voting equity units that were part of the equity of CECA, following acceptance of CECA's offer to repurchase the non-voting equity units and CECA's waiver of its pre-emptive subscription right on shares of the Bank. CECA thus retained an 89% ownership interest in the Bank's share capital.

In this regard, at 31 December 2020 and 2019, the Bank's share capital consisted of 112,256,540 fully subscribed and paid registered shares of EUR 1 par value each, all with the same dividend and voting rights. At 31 December 2020 and 2019, 89% of the Bank's share capital was held by Confederación Española de Cajas de Ahorros. The remaining 11% is owned by the entities that were holders of the non-voting equity units of CECA and accepted the repurchase offer mentioned above.

The Bank carried out a significant volume of transactions with its controlling shareholder, the Group of which it forms part (see Note 40) and with other shareholders.

The Bank's shares are not listed on official stock markets. Except for CECA's 89% ownership interest in the Bank's share capital, no entity owns more than 10% of the Bank. There are no rights on founder's shares, “rights” bonds, convertible debentures or similar securities or rights issued by the Bank or the Group. There are no payments payable on the Bank's shares, amounts authorised by the General Meeting for carrying out capital increases, or capital increases in progress. During the 2020 and 2019 years there were no increases in the number of shares issued by the Bank.

Of the 409 thousand euros recorded under the heading “Non-controlling interests”, 85 thousand euros relates to capital, 320 thousand euros to reserves and 5 thousand to profit for the year.

19.2. Retained earnings and Other reserves

An analysis of the balances of these captions in the consolidated balance sheets at 31 December 2020 and 2019 is as follows:

19.2.1 Retained earnings

This heading records the net amount of accumulated consolidated profit/(loss) recognized in prior years through the income statement that is pending distribution, or that will be taken to equity during the distribution of profits.

Legal Reserve

The Spanish Companies Act stipulates that companies that obtain profits during a year must apply at least 10% to the creation of the legal reserve. Appropriations must be made until the legal reserve reaches 20% of paid up share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Other than to increase capital, the legal reserve may only be used to offset losses provided that no other reserves are available. The legal reserve is fully funded at 31 December 2020 and 2019 with a balance of 22,451 thousand euros.

Capitalisation reserve

By virtue of Article 25 of Law 27/2014 (27 November), on Corporate Income Tax, at 31 December 2020 the Bank maintains a reserve that is restricted during 5 years after its allocation in 2016 and totals 19,224 thousand euros (18,959 thousand euros at 31 December 2019).

Voluntary reserves

These reserves are freely available to the Bank since there is no legal or bylaw restriction on their use. The balance at 31 December 2020 amounts to 297,707 thousand euros (267,698 thousand euros at 31 December 2019).

19.2.2. Other reserves

This heading includes the amount of reserves not recognized under other headings, such as the amounts originating from permanent adjustments made directly in equity as a result of the expenses incurred on the issue or reduction of its own equity instruments, disposals of its own equity instruments and the retroactive restatement of the financial statements due to errors and changes in accounting criteria, net of any tax effect. At 31 December 2020 these reserves mainly record the impact of the first application of the regulatory modification described in Note 1.4.

19.3 Earnings per share

Basic earnings per share are calculated by dividing the net earnings by the weighted average number of outstanding shares for the year, excluding the average number of treasury shares held during the year.

The dilution result per share is due to dividing net earnings by the weighted average number of outstanding shares during the year, adjusting for the dilution effect, which is deemed to be the existence of convertible debt and stock options. The Bank has not issued instruments with a potential dilution effect at 31 December 2020 and 31 December 2019.

The earnings per share at 31 December 2020 and 31 December 2019 are set out below according to IAS 33:

Thousand euro

	2020	2019
Profit/(loss) for the year	54,377	45,185
Weighted average number of shares	112,256,540	112,256,540
Basic earnings per share	**0.000484399**	**0.000402516**
Profit/(loss) for the year	54,377	45,185
Corrections to results due to issues of convertibles/options	-	-
Adjusted profit/(loss)	**54,377**	**45,185**
Weighted average number of shares	112,256,540	112,256,540
Diluted earnings per share	**0.000484399**	**0.000402516**

20. Tax matters

The Bank is part of the Tax Consolidation Group number 508/12 established on 1 January 2012, parented by the Confederación Española de Cajas de Ahorros.

The companies in the Group files its tax returns, according to the tax legislation.

20.1. Years open for review by the tax authorities

As of 31 December 2020, the returns filed by the Bank for the last four financial years since the end of the voluntary filing period for corporate income tax and other taxes are subject to inspection by the tax authorities.

Without prejudice to the foregoing, it should be noted that Royal Decree 463/2020, of 14 March, suspended from 14 March the computation of prescription and expiry periods for any actions and rights provided for in the tax regulations, with effect from 4 June 2020, by virtue of Royal Decree 537/2020, of 22 May.

Due to the different interpretations which may be given to certain tax rules applicable to the Bank's operations for the years not yet audited, the Directors of the Bank consider that the impact of such possible different interpretations would not be material to the figures recorded in these annual accounts.

20.2. Tax expense or income related to profit or loss from continuing operation

The detail of “Tax expense or income related to profit or loss from continuing operation” in the consolidated income statements for 2020 and 2019 is as follows:

Thousand euro

	Expenses/(Revenues)	
	2020	2019
Income tax expense for the year (Note 20.3)	20,505	18,390
Prior years’ and other adjustments	(488)	(518)
	20,017	17,872

20.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognised for 2020 and 2019 to the consolidated accounting profit before tax multiplied by the tax rate applicable to the Bank, and the income tax charge recognised at 31 December 2020 and 2019 is as follows:

Thousand euro

	2020	2019
Accounting profit before tax	74,394	62,851
Tax rate	30%	30%
	22,318	18,855
Permanent differences:		
Increases	451	1,120
Decreases	(2,264)	(1,586)
Total	20,505	18,390
(Tax credits)/(Tax relief)	-	-
Income tax expense for the year (Note 20.2)	20,505	18,390
Temporary differences effect:		
Increases	3,858	4,805
Decreases	(10,984)	(14,387)
Tax with holdings and prepayments	(10,066)	(9,946)
Limitation of 25% of the taxable base Group after integration of DTAs	(3,287)	(590)
Income tax charge for the year	26	(1,728)

The current income tax charge shown in the above table is recognised under “Tax Liabilities - Current Tax Liabilities” in the balance sheet attached at 31 December 2020 and under the heading “Tax Assets -Current Tax Assets” for the year 2019.

Transitional Provision Thirty-Nine of Law 27/2014 (27 November) relating to the inclusion of accounting adjustments in the tax base due to the first application of Bank of Spain Circular 4/2017 (27 November) by credit institutions, on public and reserved financial information standards and model financial statements, stipulates that “charges and credits to reserve accounts that are considered to be expenses or income, respectively, since they have tax effects in accordance with the provisions of this Law, as a result of the first application of the Bank of Spain Circular 4/2017 (27 November) by credit institutions, on public and reserved financial information standards and model financial statements, will be included equally in the tax base for each of the first three tax periods commencing on or after 1 January 2018, and including those items will not result in the application of the provisions of Article 130 of this Law.”

The final paragraph of that Law stipulates that mention must be made in the notes to the financial statements for the years covering those tax periods of the amounts included in the tax base and those that have yet to be included.

For these purposes, the amounts included in the Bank’s tax base in the financial years 2018 to 2020 amount to a total of EUR 1,043 thousand and there are not amounts to be included.

20.4. Tax recognised in equity

In addition to the income tax recognised in the consolidated income statement, in 2020 and 2019 the Group recognised the following deferred amounts of income tax in equity during those periods:

Thousand euro

	Increase / Decrease in Equity	
	2020	2019
Tax effect of actuarial gains and losses on pension plans to defined benefit	(1,123)	1,790
Tax effect of unrealised gains or losses on equity instruments at fair value through other comprehensive income	1,892	(1,140)
Tax effect of unrealised gains or losses on debt instruments measured at fair value through other comprehensive income	(3,070)	(4,628)
	(2,299)	**(3,978)**

20.5. Deferred taxes

Pursuant to tax legislation in force, in 2020 and 2019 certain temporary differences arose that must be taken into account when quantifying the related income tax expense. The deferred taxes recognised in the consolidated balance sheets at 31 December 2020 and 2019 were as follows:

Thousand euro

	2020	2019
Deferred tax assets arising from:		
Additions and contributions to pension provisions and funds and other long-term obligations to employees	6,873	7,452
Additions to provisions	13,701	15,583
Impairment losses	48,430	54,801
Other	4,934	5,063
	73,938	**82,899**

EUR 25,238 thousands of the total deferred tax assets recognised at 31 December 2020 (31 December 2019: EUR 27,787 thousand) relate to assets that meet the conditions of Article 130 of Spanish Income Tax Law 27/2014, of 27 November, to give rise to a possible right to convert them into credits receivable from the tax authorities.

The Group expects to recover non-monetizable deferred assets over the coming 10 years, in accordance with the projections made in Group's budgets and projections of the future.

		Thousand euro
	2020	2019
Deferred tax liabilities arising from:		
Restatement of property	7,873	7,934
Additions and contributions to pension provisions and funds and to provisions for other long-term obligations to employees	1,764	682
Other	6,223	5,713
	15,860	14,329

20.6. Restatement of assets

The Bank has not availed itself of the process for restating the tax value of certain properties as defined by Law 16/2012, of 27 December, adopting various tax measures aimed at consolidating public finances and boosting economic activity, which enables entities to restate certain assets on their balance sheets, provided certain requirements are met.

21. Fair value

21.1. Fair value of financial assets and liabilities

The fair value of the Group's financial instruments at 31 December 2020 and 2019 is broken down, by class of financial asset and liability into the following levels:

- **TIER 1**: financial instruments whose fair value is determined by reference to their quoted price in active markets.
- **TIER 2**: financial instruments whose fair value is estimated by reference to quoted prices in organised markets for similar instruments or using other measurement techniques in which all the significant inputs are based on directly or indirectly observable market data.
- **TIER 3**: instruments whose fair value is estimated using measurement techniques in which certain significant inputs are not based on observable market data.

The most objective reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market (quoted price or market price). If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and of commonly used measurement techniques.

The methodology used to calculate fair value for each class of financial assets and liabilities is as follows:

- Trading derivatives and hedging derivatives:
  - Financial derivatives traded in organised, transparent and deep markets: fair value is deemed to be their daily quoted price.
  - OTC derivatives or derivatives traded in scantly deep or transparent organised markets: fair value is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using measurement techniques accepted in the financial markets: "net present value" (NPV), option pricing models, etc.
- Debt instruments:

- Quoted debt instruments: their fair value is generally determined on the basis of price quotations on official markets, at the Bank of Spain Book-Entry Trading Central Office, on the Spanish AIAF fixed-income market, etc., or by applying prices obtained from information service providers, mainly Bloomberg and Reuters, which construct their quotes on the basis of prices reported by contributors.

- Unquoted debt instruments: their fair value is determined theoretically on the basis of discounted future cash flows and by using, for the specific instrument concerned, the corresponding measurement model recognised by the financial markets.

- Equity instruments:

  - Quoted equity instruments: their fair value was determined taking into account their price quotations on official markets.

  - Unquoted equity instruments: their fair value was determined taking into consideration valuations performed by independent experts, including intern control over their measurement, or directly using intern valuations. In both cases, there has been used:

    - Discounted cash flows.

    - Multiples of comparable listed companies.

    - Adjusted Net Asset Value (NAV).

- Loans and prepayments to customers:

  - The Group considered the fair value of these financial assets to be the same as their carrying amount, since, as a result of their maturity and interest rate features and the early repayment clause of most transactions, there are no material differences between the two values.

- Financial liabilities at amortised cost:
  - The Group considered the fair value of these financial liabilities to be the same as their carrying amount, since, as a result of their maturity and interest rate features, there are no material differences between the two values.

For the purposes of Tiers 2 and 3, the prices were obtained using standard quantitative models fed by market data, which are either directly observable or can be calibrated or calculated using observable data. The most widely used models are the Shifted lognormal, Libor Market and Hull-White models for derivates over interest rates, the Black Scholes model for derivates over equities and foreign currency, and the Jarrow-Turnbull, Black adapted to credit and LHP models for credit products; the most common directly observable data are the interest rate, exchange rate and certain implied volatilities, and correlations.

The fair value of the Group's financial instruments at 31 December 2020 and 2019, broken down as indicated above, is as follows: Financial assets and liabilities – fair value at 31 December 2020-

	Fair value hierarchy			Changes in fair value for the period		Accumulated change in fair value before taxes		
	Tier 1	Tier 2	Tier 3	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
ASSETS								
Financial assets held for trading	861,209	974,027	22,755	(9,256)	(10,909)	44,356	939,483	22,755
Derivatives	-	938,301	22,755	(9,566)	(10,909)	-	938,301	22,755
Equity instruments	146,992	-	-	-	-	(1,418)	-	-
Debt securities	714,217	35,726	-	310	-	45,774	1,182	-
Financial assets not held-for-trading mandatorily classified at fair value through profit or loss	1,576	27,215	-	(2,889)	-	(367)	23	-
Equity instruments	1,576	4,875	-	(2,535)	-	(367)	(65)	-
Debt securities	-	21,720	-	(261)	-	-	181	-
Loans and prepayments	-	620	-	(93)	-	-	(93)	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Loans and prepayments	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	2,338,244	124,668	-	-	-	29,033	2,600	-
Equity instruments	-	2,638	-	-	-	-	2,043	-
Debt securities	2,338,244	122,030	-	-	-	29,033	557	-
Derivatives - Hedge accounting	-	694	-	(540)	-	-	694	-
LIABILITIES								
Financial liabilities held for trading	205,646	1,065,649	22,678	(78,058)	10,874	(2,954)	1,065,649	22,678
Derivatives	13	1,065,649	22,678	(78,058)	10,874	13	1,065,649	22,678
Short positions	205,633	-	-	-	-	(2,967)	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivatives - Hedge accounting	-	16,473	-	(9,310)	-	-	16,473	-

Financial assets and liabilities – fair value at 31 December 2019-

	Fair value hierarchy			Changes in fair value for the period		Accumulated change in fair value before taxes		
	Tier 1	Tier 2	Tier 3	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
ASSETS								
Financial assets held for trading	727,904	1,087,972	33,664	56,824	(268)	32,524	951,190	33,664
Derivatives	32	947,867	33,664	54,950	(268)	32	947,867	33,664
Equity instruments	379,531	-	-	-	-	(1,926)		-
Debt securities	348,341	140,105	-	1,874	-	34,418	3,323	-
Financial assets not held-for-trading mandatorily classified at fair value through profit or loss	1,087	37,930	-	(124)	-	(182)	2,834	-
Equity instruments	1,087	7,410	-	(662)	-	(182)	2,470	-
Debt securities	-	30,117	-	538	-	-	364	-
Loans and prepayments	-	403	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1,826,942	245,519	-	-	-	5,574	8,566	-
Equity instruments	-	14,269	-	-	-		8,379	-
Debt securities	1,826,942	231,250	-	-	-	5,574	187	-
Derivatives - Hedge accounting	-	12,784	-	12,603	-	-	12,784	-
LIABILITIES								
Financial liabilities held for trading	190,602	987,592	33,552	(55,127)	251	(2,693)	987,592	33,552
Derivatives	22	987,592	33,552	(55,127)	251	22	987,592	33,552
Short positions	190,580	-	-	-	-	(2,715)	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivatives - Hedge accounting	-	13,463	-	(2,378)	-	-	13,463	-

For the purposes of the criteria explained in the foregoing paragraphs, an input is considered to be significant if it is important in determining the fair value in its entirety.

The level of the aforementioned fair value hierarchy (tiers 1, 2 or 3) within which the measurement of each of the Bank's financial instruments is categorised is determined on the basis of the lowest level input that is significant to the estimate of its fair value.

During 2020 there were no significant transfers from tier 2 to tier 3 and no relevant changes in the valuation of unlisted equity instruments have occurred. During 2019, certain securitisation swaps whose underlying assets were referenced to the IRPH were transferred from tier 2 to tier 3.

The breakdown of the securities portfolio with respect to debt securities is also included:

At 31 December 2020:

	Carrying amount		Latent capital losses				
	Total	Corrected acquisition price	Accumulated losses in fair value due to credit risk	Accumulated losses in fair value not due to credit risk	Latent capital gains €	Accumulated Impairment	Memorandum: Repo agreements
Debt securities	-	-	-	-	-	-	-
Financial assets held for trading	749,943	749,943	-	-	-	-	81,008
Financial assets not held for trading mandatorily classified at fair value	21,720	21,720	-	-	-	-	-
Financial assets at fair value trough other comprehensive income	2,460,274	2,434,497	-	(616)	30,206	(3,813)	1,381,955
Financial liabilitieas at amortised cost	299,012	303,660	-	-	-	(4,648)	199,615
Total	**3,530,949**	**3,509,820**	**-**	**(616)**	**30,206**	**(8,461)**	**1,662,578**
Of which: Spanish Public Administrations	1,198,612	1,197,495	-	(25)	1,142	-	827,687
Financial assets held for trading	158,925	158,925	-	-	-	-	81,008
Financial assets at fair value trought other comprehensive income	1,039,687	1,038,570	-	(25)	1,142	-	746,679
Of which: Public administrations not residing in Spain	1,276,385	1,259,414	-	-	16,971	-	824,112
Financial assets held for trading	6,777	6,777	-	-	-	-	-
Financial assets at fair value through otrher comprehensive income	989,114	972,143	-	-	16,971	-	624,497
Financial assetas at amortised cost	280,494	280,494	-	-	-	-	199,615

At 31 December 2019:

	Carrying amount		Latent capital losses				
	Total	Corrected acquisition price	Accumulated losses in fair value due to credit risk	Accumulated losses in fair value due to credit risk	Latent capital gains €	Accumulated Impairment	Memorandum: Repo agreements
Debt securities	-	-	-	-	-	-	-
Financial assets held for trading	488,446	488,446	-	-	-	-	75,632
Financial assets not held-for- trading mandatorily classified at fair value through profit or loss	30,117	30,117	-	-	-	-	-
Financial assets at fair value through other comprehensive income	2,058,192	2,053,830	-	(9,285)	15,046	(1,399)	823,287
Financial liabilities at amortised cost	307,700	310,108	-	-	-	(2,408)	-
Total	**2,884,455**	**2,882,501**	**-**	**(9,285)**	**15,046**	**(3,807)**	**898,919**
Of which: Spanish Public Administrations	919,719	923,661	-	(5,118)	1,176	-	498,139
Financial assets held for trading	278,236	278,236	-	-	-	-	75,632
Financial assets at fair value through other comprehensive income	641,483	645,425	-	(5,118)	1,176	-	422,507
Of which Public administrations not residing in Spain	1,202,687	1,203,227	-	(4,105)	3,565	-	388,617
Financial assets held for trading	3,213	3,213	-	-	-	-	-
Financial assetas at fair value through other comprehensive income	913,742	914,282	-	(4,105)	3,565	-	388,617
Financial assets at amortised cost	285,732	285,732					

21.2. Fair value of Property, plant and equipment

The only Property, plant and equipment (own-use properties and property investments) held by the Group whose fair value differs from their carrying amount are the properties owned by it. At 31 December 2020, the carrying amount of these properties amounted to EUR 45,428 thousand (31 December 2019: EUR 46,437 thousand) and their estimated fair value at that date was EUR 63,640 and 63,478 thousand at 31 December 2020 and 2019, respectively.

The aforementioned fair value was estimated by Instituto de Valoraciones, S.A. using generally accepted measurement techniques.

22.Exposure to credit risk associated with financial instruments

22.1. Credit risk management objectives, policies and processes

Credit risk is defined as the risk that affects, or might affect, results or capital as a result of non-compliance by a borrower with its contractual obligations, or of the borrower failing to act as agreed.

The Group has established certain procedures for the correct management of credit risk, the main features of which are as follows:

Credit risk analysis

At the Group, the process of assessing the credit quality of counterparties is closely linked with the assignment of limits. Thus, the Group assigns internal ratings to the various potential counterparties. This internal rating, together with the external agencies’ ratings, contributes to the establishment of the maximum risk to be assumed with each entity. It also constitutes the basis for the acceptance and monitoring of risk.

The rating is the result of an analysis of various quantitative and qualitative factors which are assessed independently and receive a specific weighting for the calculating of the final rating. The final rating results from an independent assessment performed by the Group's analysts, which brings together the perception of the credit quality of the entities with which the Group wishes to transact business.

Credit risk monitoring and control

Credit risk is monitored through active portfolio management. The main aim is to detect, sufficiently in advance, any counterparties whose creditworthiness might be deteriorating. Systematic monitoring allows the whole of the portfolio to be classified into standard risk counterparties and counterparties under special surveillance.

As in risk analysis, ratings constitute another element for the risk monitoring process together with other variables including the country and type of business, among others.

In addition, as part of the monitoring of the credit risk and the adequacy of the contractual documentation supporting these operations is actively managed and monitored in conjunction with the Legal Department.

The control process comprises all the activities relating to the permanent checking of compliance with the established credit, counterparty and settlement risk limits, the management and reporting of overruns and the maintenance and update of parameterisations of products, customers, countries, economic groups, ratings, contractual offsetting agreements and financial guarantees in the control tools.

Risk limit structure

The Group's general credit risk limit structure is divided into two major groups. On one hand, there are the limits individually assigned to a counterparty. There are also a series of limits associated with certain activities, as country risk limits and operating limits for private-sector fixed-income securities and equity securities, among others.

Credit Risk Measurement Methodology

Cecabank calculates credit risk exposure by applying the standardised approach provided in current regulations. Also, for products subject to counterparty risk, the Entity values the position at the market prices of the various transactions, to which it adds certain add-ons which, applied to the notional amounts, include in the measurement the potential risk of each transaction until maturity.

The management tools provide real-time information on the utilisation of credit risk limits for each counterparty and economic group, thus facilitating the ongoing monitoring of any change and/or overrun of these limits.

In accordance with current legislation, the existence of guarantees and collateral reduces the credit risk of transactions for which they are provided.

Concentration risk

Regarding credit risk, concentration risk is an essential management tool. It is constantly monitoring the extent of its credit risk concentration under various salient classifications: countries, ratings, sectors, economic groups, guaranties, etc.

The Group uses conservative risk criteria for the management of concentration risk which enable it to manage the available limits sufficiently comfortably with respect to the legally established concentration limits.

According to the regulations in force, as at 31 December 2020 the Group holds positions with two counterparties with which the large exposures threshold is exceeded. As at 31 December 2019, the Group did not hold positions exceeding the large exposure threshold.

At 31 December 2020, with regard to distribution by country, the largest exposure was located in Spain (74%), followed by the other European Union countries (21%) rising the exposure in the other countries of the world to 5%. At 31 December 2019, the distribution by country was 59%, 39%, and 2% respectively.

In Note 26 information on the risk of geographical concentration of the Group as of December 31, 2020 and 2019 is presented.

Regarding the high level of industry concentration, it is due to the Group's focus and the conducting of many activities, operations and services within the banking business in general, or indirectly related to it. Also, the risks in the financial services industry account for more than 73% of the total risk exposure at 31 December 2020 (excluding government exposure), although when evaluating this level of industry concentration, it should be taken into account that this exposure is to a highly regulated and supervised segment.

22.1.1. Maximum credit risk exposure level

The maximum level of credit risk exposure assumed by the Group at 31 December 2020 and 2019 for each class and category of financial instrument is indicated in each of the notes to the various portfolios in the balance sheet included in these notes to the financial statements.

Contingent liabilities are presented at the maximum amount guaranteed by the Group. In general, it is considered that most of these balances will expire without any actual financing obligation arising for the Bank. The collateral on these transactions must also be taken into account (see Note 22.3 below). The balances of contingent liabilities are presented at the maximum amounts available by counterparties.

22.1.2. Collateral received and other credit enhancements

The general policy with regard to the arrangement of transactions involving financial derivative products, repos, sell/buy backs and securities lending is to enter into contractual netting agreements drafted by national or international associations. These agreements enable the transactions performed thereunder to be terminated and settled early in the event of default by the counterparty in such a way that the parties can only claim the net balance resulting from the settlement of such transactions.

Derivative financial instruments are arranged using ISDA Master Agreements, which are subject to the laws of England and Wales or the State of New York, or the Framework Agreement for Financial Transactions (CMOF) which is subject to Spanish law, depending on the counterparty. Financial guarantee agreements, namely the Credit Support Annex for ISDA Master Agreements and Appendix III for CMOFs, are entered into to hedge derivative financial instruments exceeding certain risk levels.

Standard Global Master Repurchase Agreements (GMRA) are entered into for repo and sell/buy back transactions, while standard European Master Agreement (EMA) or Global Master Securities Lending Agreements (GMSLA) are used for securities lending transactions. The clauses of these types of contractual netting agreements include regulations on the financial guarantees or spreads on the transactions.

Details of the item "Loans and prepayments" are set out below, indicating the maximum amount of the real or personal guarantee that may be taken into consideration for each of the exposures at 31 December 2020 and 2019:

31 December 2020:

	Maximum amount of real or personal guarantees that may be considered				
	Loans secured by property		Others loans with real guarantees		
	Residential properties	Commercial properties	Cash (debt instruments issued)	Other	Financial guarantees granted
Loans and prepayments	**40,808**	**-**	**-**	**1,847,909**	**25**
Of which: Other financial companies	-	-	-	305,888	-
Of which: Non-financial companies	-	-	-	-	-
Of which: Households	40,808	-	-	-	25
Of which: Home acquisition loans	40,808	-	-	-	8
Of which: consumer credit	-	-	-	-	4

31 December 2019:

	Maximum amount of real or personal guarantees that may be considered				
	Loans secured by property		Others loans with real guarantees		
	Residential properties	Commercial properties	Cash (debt instruments issued)	Other	Financial guarantees granted
Loans and prepayments	**41,454**	**-**	**-**	**-**	**74**
Of which: Other financial companies	-	-	-	-	-
Of which: Non-financial companies	-	-	-	-	4
Of which: Households	41,454	-	-	-	70
Of which: Home acquisition loans	41,454	-	-	-	28

21.3. Credit quality of unimpaired, non-past-due financial assets

22.4.1. Analysis of credit risk exposure by credit rating

At 31 December 2020, 80.4% of the exposure had been rated by a credit rating agency recognised by the Bank of Spain (76.6% at 31 December 2019). The distribution, by rating, of the rated exposure is as follows:

Tier	Rating (*)	Percentage	
		2020	2019
1	AAA-AA	4.5%	8.0%
2	A	40.1%	33.2%
3	BBB	43.8%	53.4%
4	BB	10.8%	5.4%
5	B	0.8%	0.0%
6	CCC and below	-	-
		100%	100%

(*) The exposures were classified taking the most conservative of the ratings granted by the two rating agencies used to manage the Bank's risk: Moody's and S&P.

This distribution of rated exposure excludes positions in government debt securities and guaranteed debt, debt of regional administrations and other public organisms, and that corresponding to central counterparties, all of which are exempt for the purposes of the limits to the great risks.

22.4.2. Classification of credit risk exposure by counterparty

Following is a detail, by counterparty, of the maximum credit risk exposure (excluding impairment losses and other measurement adjustments recognised) in connection with financial assets not past-due or impaired at 31 December 2020 and 2019:

31 December 2020:

	Gross carrying amount						Accumulated negative changes in impairment due to credit risk deriving from doubtful exposures
	Total	Of which: held for trading	Of which: financial assets susceptible to impairment	Of which: restructured or refinanced debt	Of which: doubtful	Accumulated impairment (including stage 1)	
Derivatives	**961,751**	**961,056**	**694**	**-**	**-**	**-**	**-**
Of which: credit institutions	603,557	602,862	694	-	-	-	-
Of which: other financial companies	357,380	357,380	-	-	-	-	-
Equity instruments	**156,080**	**146,992**	**2,638**	**-**	**-**	**-**	**-**
Of which: credit institutions	37,437	31,998	-	-	-	-	-
Of which: other financial companies	4,094	3,137	957	-	-	-	-
Of which: other non-financial companies	114,550	111,857	1,681	-	-	-	-
Debt securities	**3,539,411**	**749,943**	**2,767,749**	**-**	**-**	**(8,460)**	**-**
Central banks	-	-	-	-	-	-	-
Public administrations	2,474,997	165,701	2,309,296	-	-	-	-
Credit institutions	279,852	150,127	129,725	-	-	-	-
Other financial companies	234,892	103,132	110,041	-	-	(5,082)	-
Non-financial companies	549,670	330,983	218,687	-	-	(3,378)	-
Loans and prepayments	**8,816,108**	**-**	**8,815,488**	**342**	**1,094**	**(942)**	**-**
Central banks	5,071,475	-	5,071,475	-	-	-	-
Public administrations	511,602	-	511,602	-	-	-	-
Credit institutions	2,652,963	-	2,652,963	-	665	(434)	-
Other financial companies	531,864	-	531,864	-	-	(306)	-
Non-financial companies	2,079	-	1,459	-	-	(4)	-
Of which: small and medium sized companies	1,168	-	548	-	-	(4)	-
Households	46,125	-	46,125	342	429	(198)	-
Of which: loans secured by residential properties	41,386	-	41,386	298	366	(72)	-
Of which: consumer loans	2,537	-	2,537	-	14	(47)	-

31 December 2019:

	Gross carrying amount						Accumulated negative changes in impairment due to credit risk deriving from doubtful exposures
	Total	Of which: held for trading	Of which: financial assets susceptible to impairment	Of which: restructured or refinanced debt	Of which: doubtful	Accumulated impairment (including stage 1)	
Derivatives	**994,347**	**981,563**	**12,784**	**-**	**-**		**-**
Of which: credit institutions	599,837	587,053	12,784	-	-	-	-
Of which: other financial companies	381,681	381,681	-	-	-	-	-
Equity instruments	**402,296**	**379,531**	**14,268**	**-**	**-**	**-**	**-**
Of which: credit institutions	140,535	132,375	-	-	-	-	-
Of which: other financial companies	22,480	10,172	12,308	-	-	-	-
Of which: other non-financial companies	239,281	236,983	1,960	-	-	-	-
Debt securities	**2,888,262**	**488,446**	**2,369,699**	**-**	**-**	**(3,806)**	**-**
Central banks	43,971	-	43,971	-	-	-	-
Public administrations	2,122,406	281,449	1,840,957	-	-	-	-
Credit institutions	216,145	46,237	169,908	-	-	-	-
Other financial companies	182,759	29,890	122,752	-	-	(2,898)	-
Non-financial companies	322,981	130,870	192,111	-	-	(908)	-
Loans and prepayments	**6,881,955**	**-**	**6,881,553**	**-**	**1,189**	**(702)**	**-**
Central banks	2,009,191	-	2,009,191	-	-	-	-
Public administrations	417,532	-	417,532	-	-	-	-
Credit institutions	4,143,859	-	4,143,859	-	739	(403)	-
Other financial companies	253,638	-	253,638	-	-	(74)	-
Non-financial companies	10,512	-	10,110	-	-	(48)	-
Of which: small and medium sized companies	1,317	-	915	-	-	(3)	-
Of which: loans secured by commercial properties	-	-	-	-	-	-	-
Households	47,223	-	47,223	-	450	(177)	-
Of which: loans secured by residential properties	42,178	-	42,178	-	403	(73)	-
Of which: consumer loans	2,663	-	2,663	-	25	(57)	-

22.5. Information on non-performing loans ratios

In view of the activities carried on by the Group and the risk profile assumed by it, its non- performing loans ratios, measured as non-performing assets as a percentage of total credit risk, is 0.01% at 31 December 2020 and 2019.

22.6. Financial assets renegotiated in the year

At 31 December 2020, the Group had five refinanced transactions, related to two employees and which arose due to the defaulted repayments on the loans which these employees had been granted by the Entity. The gross carrying amount of these transactions at 31 December 2020 was EUR 342 thousand, with a specific allowance of EUR 96 thousand, there were no refinanced operations at the end of 31 December 2019.

22.7. Impaired assets

Following is a detail, by method used to calculate impairment losses (non-performing assets), of the financial assets at 31 December 2020 and 2019:

At 31 December 2020:

	Assets with no significant increase in credit risk since initial recognition (stage 1)			Assets with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2)			Assets with credit impairment		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Total debt instruments	-	-	-	5	74	-	1	-	69
Debt securities	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Loans and prepayments	-	-	-	5	74	-	1	-	69
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Households	-	-	-	5	74	-	1	-	69
Loans and prepayments for products, real guarantees and subordinated items	-	-	-	-	-	-	-	-	-
Sight and with brief notice periods (current account)	-	-	-	-	-	-	1	-	-
Credit card debt	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-
Reverse repo loans	-	-	-	-	-	-	-	-	-
Other term loans	-	-	-	5	74	-	-	-	69
Prepayments other than loans	-	-	-	-	-	-	-	-	-
Of which: loans secured by property	-	-	-	-	74	-	-	-	69
Of which: other loans with real guarantees	-	-	-	-	-	-	-	-	-
Of which: home acquisition loans	-	-	-	-	74	-	-	-	69
Of which: project financing loans	-	-	-	-	-	-	-	-	-

At 31 December 2019:

	Assets with no significant increase in credit risk since initial recognition (stage 1)			Assets with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2)			Assets with credit impairment		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Total debt instruments	**159**	**-**	**-**	**-**	**186**	**-**	**1**	**-**	**356**
Debt securities	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Loans and prepayments	159	-	-	-	186	-	1	-	356
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Households	159	-	-	-	186	-	1	-	356
Loans and prepayments for products, real guarantees and subordinated items	-	-	-	-	-	-	-	-	-
Sight and with brief notice periods (current account)	-	-	-	-	-	-	1	-	-
Credit card debt	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-
Reverse repo loans	-	-	-	-	-	-	-	-	-
Other term loans	159	-	-	-	186	-	-	-	356
Prepayments other than loans	-	-	-	-	-	-	-	-	-
Of which: loans secured by property	159	-	-	-	186	-	-	-	352
Of which: other loans with real guarantees	-	-	-	-	-	-	-	-	-
Of which: home acquisition loans	159	-	-	-	186	-	-	-	354
Of which: project financing loans	-	-	-	-	-	-	-	-	-

In connection with the information provided in the foregoing tables, it should be noted that financial assets classified as at fair value through profit or loss which might be impaired due to credit risk were not included, since when such assets are measured at fair value, any impairment losses are recognised as an adjustment to fair value in the Bank's financial statements.

Details of impaired financial assets (doubtful) and not doubtful are presented below based on their maturity dates.

Gross carrying amount/ nominal amount

At 31 December 2020	Not doubtful				Dudosas								
	Total	Total not doubtful	Not due or outstanding ≤ 30 days	Outstanding > 30 days ≤ 90 days	Total not doubtful	Improbable payment not due our utstanding ≤ 90 days	Outstanding > 1 years ≤ 2 years	Outstanding > 2 years ≤ 5 years	Outstanding > 5 years ≤ 7 years	Of which: unpaid	Of which: impaired	Real guarantees received on non doubtful exposures	Real guarantees received on doubtful exposures
Debt instruments at amortised cost	9,120,270	9,119,176	9,119,102	74	1,094	990	2	77	25	1,094	1,094	1,888,404	314
Cash balances at central banks and other demand deposits	5,228,444	5,228,444	5,228,444	-	640	640	-	-	-	640	640	-	-
Debt securities	303,661	303,661	303,661	-	-	-	-	-	-	-	-	-	-
Public administrations	280,517	280,517	280,517	-	-	-	-	-	-	-	-	-	-
Other financial companies	24,263	24,263	24,264	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	3,588,230	3,587,776	3,587,702	74	454	350	2	77	25	454	454	1,888,404	314
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	511,602	511,602	511,602	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,497,179	2,497,154	2,497,154	-	25	-	-	-	25	25	25	1,542,021	-
Other financial companies	531,864	531,864	531,864	-	-	-	-	-	-	-	-	305,888	-
Non-financial companies	1,460	1,460	1,460	-	-	-	-	-	-	-	-	-	-
Of which: small and medium sized companies	547	547	547	-	-	-	-	-	-	-	-	-	-
Households	46,125	45,696	45,622	74	429	350	2	77	-	429	429	40,495	314
Of which: loans secured by residential propierties	41,387	41,020	40,946	74	367	298	-	69	-	366	366	40,495	314
Of which: consumer loans	2,537	2,523	2,523	-	14	3	2	9	-	14	14	-	-
Debt instruments at fair value through other comprehensive income	2,464,087	2,464,087	2,464,087	-	-	-	-	-	-	-	-	-	-
Debt securities	2,464,087	2,464,087	2,464,087	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	2,028,801	2,028,801	2,028,801	-	-	-	-	-	-	-	-	-	-
Credit institutions	129,726	129,726	129,726	-	-	-	-	-	-	-	-	-	-
Other financial companies	86,873	86,873	86,873	-	-	-	-	-	-	-	-	-	-
Non-financial companies	218,687	218,687	218,687	-	-	-	-	-	-	-	-	-	-
Non-traded debt instruments mandatorily measured at fair value through profit or loss or designated at fair value through profit or loss	22,340	22,340	22,340	-	-	-	-	-	-	-	-	-	-
Debt securities	21,720	21,720	21,720	-	-	-	-	-	-	-	-		-
Other financial companies	21,720	21,720	21,720	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	620	620	620	-	-	-	-	-	-	-	-	-	-
Non-financial companies	620	620	620	-	-	-	-	-	-	-	-	-	-
Debt securities other tan held for trading	11,605,578	11,604,484	11,604,410	74	1,094	990	2	77	25	1,094	1,094	1,888,404	314
Off balance sheet exposures	1,630,865	1,630,864	1,630,864	-	-	-	-	-	-	-	-	25,857	-
Loan commitments granted	570,499	570,499	570,499	-	-	-	-	-	-	-	-	-	-
Public administrations	464,940	464,940	464,940	-	-	-	-	-	-	-	-	-	-
Other financial companies	16,051	16,051	16,051	-	-	-	-	-	-	-	-	-	-
Non-financial companies	86,869	86,869	86,869	-	-	-	-	-	-	-	-	-	-
Households	2,639	2,639	2,639	-	-	-	-	-	-	-	-	-	-
Other commitments granted	1,060,366	1,060,365	1,060,365	-	-	-	-	-	-	-	-	25,857	-
Public administrations	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	1,057,271	1,057,271	1,057,271	-	-	-	-	-	-	-	-	25,857	-
Other financial companies	430	430	430	-	-	-	-	-	-	-	-	-	-
Non-financial companies	2,564	2,564	2,564	-	-	-	-	-	-	-	-	-	-
Households	100	100	100	-	-	-	-	-	-	-	-	-	-

Gross carrying amount/ nominal amount

At 31 December 2019	Total	Not doubtful			Dudosas							Real guarantees received on non doubtful exposures	Real guarantees received on doubtful exposures
		Total not doubtful	Not due or outstanding ≤ 30 days	Outstanding > 30 days ≤ 90 days	Total not doubtful	Improbable payment not due our utstanding ≤ 90 days	Outstanding > 1 years ≤ 2 years	Outstanding > 2 years ≤ 5 years	Outstanding > 5 years ≤ 7 years	Of which: unpaid	Of which: impaired		
Debt instruments at amortised cost	**7,191,660**	**7,190,471**	**7,190,281**	**190**	**1,189**	**726**	**-**	**346**	**117**	**-**	**1.189**	**1,189**	**352**
Cash balances at central banks and other demand deposits	310,108	310,108	310,108	-	-	-	-	-	-	-	-	-	-
Debt securities	285,732	285,732	285,732	-	-	-	-	-	-	-	-	-	-
Public administrations	24,376	24,376	24,376	-	-	-	-	-	-	-	-	-	-
Other financial companies	6,881,552	6,880,363	6,880,173	190	1,189	726	-	346	117	-	1,189	1,189	352
Loans and prepayments	2,009,191	2,009,191	2,009,191	-	-	-	-	-	-	-	-	-	-
Central banks	417,532	417,532	417,532	-	-	-	-	-	-	-	-	-	-
Public administrations	4,143,860	4,143,121	4,143,121	-	739	707	-	-	32	-	739	739	-
Credit institutions	253,637	253,637	253,637	-	-	-	-	-	-	-	-	-	-
Other financial companies	10,109	10,109	10,109	-	-	-	-	-	-	-	-	-	-
Of which: small and medium sized companies	915	915	915	-	-	-	-	-	-	-	-	-	-
Households	47,223	46,773	46,583	190	450	19	-	346	85	-	450	450	352
Of which: loans secured by residential propierties	42,179	41,775	41,585	190	404	-	-	335	69	-	403	403	352
Of which: consumer loans	2,663	2,638	2,638	-	25	10	-	-	15	-	25	25	-
Debt instruments at fair value through other comprehensive income	**2,059,592**	**2,059,592**	**2,059,592**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities	2,059,592	2,059,592	2,059,592	-	-	-	-	-	-	-	-	-	-
Central banks	43,971	43,971	43,971	-	-	-	-	-	-	-	-	-	-
Public administrations	1,555,226	1,555,226	1,555,226	-	-	-	-	-	-	-	-	-	-
Credit institutions	169,909	169,909	169,909	-	-	-	-	-	-	-	-	-	-
Other financial companies	98,375	98,375	98,375	-	-	-	-	-	-	-	-	-	-
Non-financial companies	192,111	192,111	192,111	-	-	-	-	-	-	-	-	-	-
Non-traded debt instruments mandatorily measured at fair value through profit or loss or designated at fair value through profit or loss	**30,519**	**30,519**	**30,519**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities	30,117	30,117	30,117	-	-	-	-	-	-	-	-	-	-
Other financial companies	30,117	30,117	30,117	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	402	402	402	-	-	-	-	-	-	-	-	-	-
Non-financial companies	402	402	402	-	-	-	-	-	-	-	-	-	-
Debt securities other tan held for trading	**9,281,771**	**9,280,582**	**9,280,392**	**190**	**1,189**	**726**	**-**	**346**	**117**	**-**	**1,189**	**1,189**	**352**
Off balance sheet exposures	**2,230,850**	**2,230,850**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments granted	713,894	713,894	-	-	-	-	-	-	-	-	-	-	-
Public administrations	611,429	611,429	-	-	-	-	-	-	-	-	-	-	-
Other financial companies	17,752	17,752	-	-	-	-	-	-	-	-	-	-	-
Non-financial companies	81,224	81,224	-	-	-	-	-	-	-	-	-	-	-
Households	3,489	3,489	-	-	-	-	-	-	-	-	-	-	-
Other commitments granted	1,516,956	1,516,956		-	-	-	-	-	-	-	-	-	-
Public administrations	100,000	100,000		-	-	-	-	-	-	-	-	-	-
Credit institutions	1,408,941	1,408,941		-	-	-	-	-	-	-	-	-	-
Other financial companies	5,315	5,315		-	-	-	-	-	-	-	-	-	-
Non-financial companies	2,606	2,606		-	-	-	-	-	-	-	-	-	-
Households	94	94		-	-	-	-	-	-	-	-	-	-

The transactions considered to be impaired (doubtful assets) by the Group at 31 December 2020 that are classified into the categories of “Loans and prepayment to credit institutions” and “Loans and prepayments to customers” total EUR 1,094 thousand (EUR 1,189 thousand at 31 December 2019).

22.8. Changes in, and distribution of, impairment losses

Following are the changes in the impairment losses due to credit risk recognised by the Group in 2020 and 2019. Excluding value adjustments for overnight deposits in Note 5:

At 31 December 2020:

	Opening balance	Origination and acquisition increases	Decreases due to derecognition of accounts	Changes to the variance in credit risk	Changes due to modifications without derecognition (net)	Decrease in the value adjustment Account for written-off write-offs	Other adjustments	Closing balance
Total adjustment for debt instruments	**(4,139)**	**(11)**	**733**	**(2,549)**	**(3,171)**	**6**	**135**	**(8,996)**
Adjustments for financial assets without an increase in credit risk since initial recognition	**(1,609)**	**-**	**-**	**(147)**	**(3)**	**-**	**-**	**(1,759)**
Debt securities (Note 7)	(1,400)	-	-	36	-	-	-	(1,364)
Loans and prepayments (Note 8)	(209)	-	-	(183)	(3)	-	-	(395)
Of which: measurement adjustments jointly calculated	(1,609)	-	-	(147)	(3)	-	-	(1,759)
Of which: measurement adjustments individually calculated	-			-	-		-	
Adjustments due to debt instruments with a significant increase in credit risk since initial recognition, but without credit impairment (stage 2)	**(2,412)**	**-**	**733**	**(2,376)**	**(3,179)**	**-**	**135**	**(7,099)**
Debt securities (Notes 7 and 8)	(2,408)	-	733	(2,376)	(3,182)	-	-	(7,098)
Loans and prepayments (Note 8)	(4)	-	-	-	3	-	-	(1)
Of which: measurement adjustments jointly calculated	(4)	-	-	-	3	-	-	(1)
Of which: measurement adjustments individually calculated	(2,408)	-	733	(2,376)	(3,182)	-	135	(7,098)
Adjustments due to debt instruments with credit impairment (stage 3)	**(118)**	**(11)**	**-**	**(26)**	**11**	**6**	**-**	**(138)**
Debt securities	-			-	-		-	
Loans and prepayments (Note 8)	(118)	(11)	-	(26)	11	6	-	(138)
Of which: measurement adjustments jointly calculated	(86)	(11)	-	(33)	11	6	-	(113)
Of which: measurement adjustments individually calculated	(32)	-	-	7	-	-	-	(25)

At 31 December 2020:

Gross carrying amount/ nominal amount

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Total debt instruments	10,070	190	-	-	50	19
Debt securities	-	-	-	-	-	-
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Loans and prepayments	10,070	190	-	-	50	19
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	9,990	-	-	-	-	-
Households	80	190	-	-	50	19
Commitments and financial guarantees granted	-	-	-	-	-	-

At 31 December 2019:

	Opening balance	Changes to the variance in credit risk	Other adjustments	Closing balance
Total adjustment for debt instruments	**(3,006)**	**(1,421)**	**(82)**	**(4,509)**
Adjustments for financial assets without an increase in credit risk since initial recognition	**(1,000)**	**(661)**	**-**	**(1,661)**
Debt securities (Note 7)	(612)	(788)	-	(1,400)
Loans and prepayments (Note 8)	(388)	126	-	(262)
Of which: measurement adjustments jointly calculated	(1,000)	(661)		(1,661)
Of which: measurement adjustments individually calculated	-	-	-	-
Adjustments due to debt instruments with a significant increase in credit risk since initial recognition, but without credit impairment (stage 2)	**(1,744)**	**(586)**	**(82)**	**(2,412)**
Debt securities (Note 8)	(1,744)	(582)	(82)	(2,408)
Loans and prepayments (Note 8)		(4)	-	(4)
Of which: measurement adjustments jointly calculated	(1,744)	(586)	(82)	(2,412)
Of which: measurement adjustments individually calculated	-	-	-	-
Adjustments due to debt instruments with credit impairment (stage 3)	**(262)**	**(174)**	**-**	**(436)**
Debt securities	-	-	-	-
Loans and prepayments (Note 8)	(262)	(174)	-	(436)
Of which: measurement adjustments jointly calculated	(228)	(174)	-	(402)
Of which: measurement adjustments individually calculated	(34)	-	-	(34)

At 31 December 2019:

Gross carrying amount/ nominal amount

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Total debt instruments	190	-	-	-	707	397
Debt securities	-	-	-	-	-	-
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Loans and prepayments	190	-	-	-	707	397
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	707	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Households	190	-	-	-	-	397
Commitments and financial guarantees granted	-	-	-	-	-	-

22.9. Past-due but not impaired assets

At 31 December 2020 and 2019 the Bank had not recognised any material past-due but not impaired assets in its financial statements.

22.10. Write-off of impaired financial assets

At 31 December 2020 and 2019 the Bank did not have any material financial assets that, pursuant to the criteria set forth in Note 2, had been written off due to credit risk, and there were no significant changes in this connection during those years.

22.11. Exposure to real estate risk

The only operations granted by the Bank at 31 December 2020 and 2019 concerning real state exposure are those loans intended to be used for housing acquisition, which are granted to its employees. Following is a detail of the latter:

At 31 December 2020:

		Carrying amount					
	Gross carrying amount	Central banks	Public administrations	Credit institutions	Other financial companies	Non-financial companies	Households
LOANS AND PREPAYMENTS	8,816,109	5,071,475	511,602	2,652,529	531,558	2,075	45,927
Real guarantees	-	-	-	-	-	-	-
Of which: loans secured by property	41,386	-	-	-	-	-	41,313
Of which: other loans with real guarantees	1,874,281	-	-	1,565,181	308,933	-	-

At 31 December 2019:

	Gross carrying amount	Carrying amount					
		Central banks	Public administrations	Credit institutions	Other financial companies	Non-financial companies	Households
Loans and prepayments	6,881,954	2,009,191	417,531	4,143,456	253,563	10,465	47,046
Real guarantees	-	-	-	-	-	-	-
Of which: loans secured by property	42,178	-	-	-	-	-	42,105
Of which: other loans with real guarantees	3,336,719	-	-	3,246,801	89,863	-	-

Following is the breakdown of credit with mortgage guarantee to households for house purchase, according to the percentage represented by the total risk over the amount of the last available measurement (loan to value) included in this balance sheets heading as of 31 December 2020 and 2019:

At 31 December 2020:

Carrying amount

	Assets without a significant increase in credit risk since initial recognition (phase 1)			Assets with a significant increase in credit risk since initial recognition, but no credit deterioration (phase 2)			Credit impaired assets (phase 3)		
	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days
Real guarantees	-	-	-	-	-	-	-	-	-
Other term loans	-	-	-	5	74	-	-	-	69
Of which: loans secured by property	-	-	-	-	74	-	-	-	69
Of which: other loans with real guarantees	-	-	-	-	74	-	-	-	69

At 31 December 2019:

Carrying amount

	Assets without a significant increase in credit risk since initial recognition (phase 1)			Assets with a significant increase in credit risk since initial recognition, but no credit deterioration (phase 2)			Credit impaired assets (phase 3)		
	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days	≤ 30 days
Real guarantees	-	-	-	-	-	-	-	-	-
Other term loans	159	-	-	-	186	-	-	-	356
Of which: loans secured by property	159	-	-	-	186	-	-	-	352
Of which: other loans with real guarantees	159	-	-	-	186	-	-	-	354

22.12. Other disclosures on credit risk

The amount of accrued, past-due uncollected receivables on impaired financial assets was not material at 31 December 2020 and 2019 or in the years then ended.

In 2020 and 2019 no guarantees associated with financial assets owned by the Bank were executed in order to guarantee the collection thereof.

23. Exposure to market risk

Market risk is defined as the risk that affects results or capital as a result of adverse changes in the prices of bonds, securities and commodities and in the exchange rates of transactions recognised in the trading book. This risk arises in market making and trading activities and the taking of positions in bonds, securities, foreign currencies, commodities and derivatives (on bonds, securities, currencies and commodities). This risk includes foreign currency risk, which is defined as the actual or potential risk that affects results or capital as a result of adverse changes in exchange rates in the banking book.

The exposure direct to market risk arises from several financial factors affecting market prices. These factors include mainly, but not only, the following:

Interest rates risk

Interest rate risk is the exposure to market fluctuations due to changes in the general level of interest rates.

Currency risk

The currency risk to which the Bank is exposed arises from its FX activities in the international capital markets.

Variable income

Represents the risk of incurring losses as a result of a change in stock prices.

Value at Risk (“VaR”) provides an integrated measure of market risk and encompasses the basic elements thereof: interest rate risk, foreign currency risk, equity risk and the risk of volatility of the foregoing factors.

The distribution of the VaR of the trading book by desk at 31 December 2020 and 2019 is as follows:

Thousand euro

	2020	2019
Money and currency markets	283	1,263
Forex products	319	254
Debt table	44	730
Variable income table	286	247
Derivatives products	220	130
Credit table	319	147
Banknotes	36	19

For the operation in certain types of complex exotic options, for which risk management and measurement is very complicated, the general policy is to eliminate this portfolio risk by contracting back to back operations (mirror) in the market.

The Board of Directors establishes global limits as part of the establishment of the risk tolerance framework. The limit structure is based on the VaR methodology mentioned above and on the values of maximum real loss authorised with different time horizons.

24. Liquidity risk

Liquidity risk is defined as:

- The uncertainty regarding the availability, at reasonable prices, of funds to enable the Group to meet its commitments when recourse to external financing is difficult for a particular period of time.

- The maintenance or generation of levels of liquidity required to finance future business growth.

In other words, this risk reflects the probability of incurring losses or having to reject new business or growth in current business as a result of being unable to meet commitments normally when they fall due or being unable to finance additional needs at market rates. In order to mitigate this risk, the Group periodically monitors its liquidity conditions and assesses any action that may be required. Furthermore, the Group has planned measures to enable it to restore the Group's overall financial equilibrium in the event of a possible shortfall in liquidity.

Liquidity risk management consists of ensuring the availability at all times of the instruments and processes that will enable the Group to meet its payment commitments on a timely basis, in such a manner that it will have the resources required to maintain sufficient liquidity levels to meet its payments without significantly compromising the Group's results and maintain the mechanisms which will enable it to meet those payment commitments if various possible scenarios should arise.

Generally speaking, the Group has traditionally had various means of raising liquidity, including that of attracting customer deposits, the use of various cash facilities made available by official agencies, and the obtainment of liquidity through the interbank market.

The liquidity gap is the profile of maturities and settlements by risk type (assets and liabilities classified by residual maturity plus the interest flows arising from all the balance sheet aggregates) and shows the mismatch structure in the balance sheet in terms of cash inflows and outflows.

The Group also monitors the available liquid assets in order to identify possible sources of liquidity to be used in the event of a liquidity contingency.

The Board of Directors, as part of its oversight function, establishes a framework of liquidity risk limits geared towards ensuring that the Bank complies comfortably with regulatory requirements vis-à-vis its liquidity position, and that it continues to perform transactions on the markets and conduct its business activity in such a way as to ensure the sufficient diversification of its sources of funds. These limits are set on the basis of a series of liquidity ratios whose purpose is to assess and measure the Group's on-balance-sheet liquidity.

Stress tests are also carried out, combining various scenarios involving restricted access to capital markets, a mass withdrawal of demand deposits, the drawdown of contingent liquidity commitments, and other external market conditions.

In addition, a series of liquidity-crisis early-warning and intensity indicators are monitored on a daily basis and a detailed, permanently updated inventory is kept of the on-balance-sheet assets that are readily convertible into cash.

25. Interest rate risk

Structural on-balance-sheet interest rate risk can be defined as the exposure of an entity's financial and economic position to adverse changes in interest rates, resulting from timing mismatches between the maturity and repricing dates of global balance sheet items. This risk is a quintessential element of the banking business and can have a major effect on the financial margin and the economic value of equity. Consequently, a risk management capable of maintaining interest rate risk at prudent levels is indispensable in order to safeguard and bolster the Group's position (see Notes 2.4 and 11).

The Group's business and management efforts focus on achieving a stable, recurring earnings structure and are geared towards preserving the economic value of equity, with a view to guaranteeing the orderly growth of the Group in the long term.

To attain the objectives described above the Group has created an on-balance-sheet structural risk limit structure to guarantee that risk exposure levels are within the tolerance level set by senior management. The Board of Directors defines the general framework for the management of the balance sheet and approves the risk limits based on its risk tolerance. Structural risks are managed at short, medium- and long-term using limits that are approved by the Board itself and monitored on a monthly basis.

Thus, certain limits are set in terms of sensitivity to changes in market interest rates. These changes affect both net interest income and economic value.

Senior management is actively involved in on-balance-sheet risk management through the Asset-Liability Committee (ALCO). This committee is responsible for taking the action required to correct any possible on-balance-sheet risk imbalances.

In order to measure, analyse and control the structural risk management of the balance sheet, an analysis is carried out to measure the excess or defect of the volume of sensitive assets against the sensitive liability, such as unmatched volume (and therefore not covered) and subject to possible variations in interest rates. In this way, exposure to risk is identified by studying the concentration of masses with risk of repricing for temporarily significant periods.

Similarly, in order to include a dynamic analysis of the balance sheet with respect to various interest rate scenarios, it performs simulations of the performance of the net interest margin over a time horizon of one year. This enables it to analyse the effect of changes due to fluctuations in interest rates based on the repricing gaps of the various balance sheet items.

To complete these sensitivity measures, a methodology which is similar to Market VaR is applied to allow the economic value of the capital at risk to be calculated for a one-month time horizon with a confidence level of 99%, taking into account all the risk factors which affect the balance sheet.

26. Risk concentration

26.1 Risk concentration by activity and geographical area

Following is a detail, by geographical area of counterparty residence and type and category of financial instrument, of the distribution of the carrying amount of the Group’s financial assets at 31 December 2020 and 2019 (including measurement adjustments):

Risk Concentration by activity and geographical area. Total activity (book value):

31 December 2020:

Thousand euro

	Total	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	**8,713,910**	**7,029,101**	**1,246,764**	**98,249**	**339,796**
Public institutions	**2,986,624**	**1,710,216**	**1,276,408**	**-**	**-**
Central administration	2,313,165	1,036,757	1,276,408	-	-
Other public administrations	673,459	673,459	-	-	-
Other financial institutions	**1,124,025**	**866,166**	**162,423**	**21,143**	**74,293**
Non-financial companies and individual businesses	**666,292**	**385,643**	**213,610**	**24,790**	**42,249**
Construction and real estate development (including land)	-	-	-	-	-
Execution of civil works	-	-	-	-	-
Other purposes	666,292	385,643	213,610	24,790	42,249
Large companies	649,732	381,922	200,797	24,790	42,223
SME's and self-employed	16,560	3,721	12,813	-	26
Other homes	**46,027**	**45,915**	**2**	**-**	**110**
Homes	43,211	43,101	-	-	110
Consumption	2,489	2,487	2	-	-
Other purposes	327	327	-	-	-
Total	**13,536,878**	**10,037,041**	**2,899,207**	**144,182**	**456,448**

31 December 2019:

Thousand euro

	Total	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	**7,214,535**	**4,143,589**	**2,921,675**	**87,653**	**61,618**
Public institutions	**2,539,957**	**1,337,251**	**1,202,706**	**-**	**-**
Central administration	1,520,481	317,775	1,202,706	-	-
Other public administrations	1,019,476	1,019,476	-	-	-
Other financial institutions	838,867	612,802	194,767	31,297	1
Non-financial companies and individual businesses	**587,252**	**513,240**	**63,915**	**10,097**	**-**
Construction and real estate development (including land)	-	-	-	-	-
Execution of civil works	-	-	-	-	-
Other purposes	587,252	513,240	63,915	10,097	-
Large companies	569,335	495,699	63,539	10,097	-
SME's and self-employed	17,917	17,541	376	-	-
Other homes	**47,139**	**46,986**	**153**	**-**	**-**
Homes	44,100	43,976	124	-	-
Consumption	2,606	2,604	2	-	-
Other purposes	433	406	27	-	-
Total	**11,227,750**	**6,653,868**	**4,383,216**	**129,047**	**61,619**

Risk Concentration by activity and geographical area. Total activity (book value):

31 December 2020:

Thousand euro

	Total	Autonomous communities								
		Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla León	Cataluña
Credit Institutions	**7,029,101**	**109,417**	**478**	**-**	**3,249**	**-**	**557,990**	**-**	**-**	**-**
Public Administrations	**1,710,216**	**71,124**	**84,041**	**88,637**	**29,740**	**-**	**-**	**86,219**	**60,087**	**-**
Central Administration	1,036,757	-	-	-	-	-	-	-	-	-
Other	673,459	71,124	84,041	88,637	29,740	-	-	86,219	60,087	-
Other Credit Institutions	**866,166**	**3,964**	**-**	**-**	**2,802**	**-**	**-**	**-**	**16,025**	**2,747**
Non financial societies and individual entrepreneurs	**385,643**	**-**	**-**	**700**	**350**	**-**	**11,497**	**-**	**-**	**52,368**
Construction and property development	-	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-	-
Other purposes	385,643	-	-	700	350	-	11,497	-	-	52,368
Large companies	381,922	-	-	700	350	-	11,497	-	-	52,229
SMEs and individual entrepreneurs	3,721	-	-	-	-	-	-	-	-	139
Rest of households	**45,915**	**-**	**-**	**1**	**-**	**-**	**-**	**500**	**169**	**1**
Houses	43,101	-	-	-	-	-	-	482	169	-
Consumption	2,487	-	-	-	-	-	-	18	-	-
Other purposes	327	-	-	1	-	-	-	-	-	1
Total	**10,037,041**	**184,505**	**84,519**	**89,338**	**36,141**	**0**	**569,487**	**86,719**	**76,281**	**55,116**

Thousand euro

	Autonomous communities								
	Extremadura	Galicia	Madrid	Murcia	Navarra	Com, Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit Institutions	**18**	**115,096**	**5,851,463**	**-**	**-**	**289,746**	**101,644**	**-**	**-**
Public Administrations	**102,463**	**-**	**196**	**-**	**-**	**93,488**	**-**	**57,465**	**-**
Central Administration	-	-	-	-	-	-	-	-	-
Other	102,463	-	196	-	-	93,488	-	57,465	-
Other Credit Institutions	**-**	**18,641**	**821,987**	**-**	**-**	**-**	**-**	**-**	**-**
Non financial societies and individual entrepreneurs	**-**	**19,010**	**271,308**	**-**	**936**	**38**	**29,382**	**54**	**-**
Construction and property development	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-
Other purposes	-	19,010	271,308	-	936	38	29,382	54	-
Large companies	-	19,010	267,818	-	936	-	29,382	-	-
SMEs and individual entrepreneurs	-	-	3,490	-	-	38	-	54	-
Rest of households	**-**	**-**	**45,240**	**-**	**-**	**4**	**-**	**-**	**-**
Houses	-	-	42,450	-	-	-	-	-	-
Consumption	-	-	2,465	-	-	4	-	-	-
Other purposes	-	-	325	-	-	-	-	-	-
Total	**102,481**	**152,747**	**6,990,194**	**-**	**936**	**383,276**	**131,026**	**57,519**	**-**

31 December 2019:

Thousand euro

	Total	Autonomous communities: Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla León	Cataluña
Credit Institutions	**4,143,589**	**112,554**	**1,110**	**-**	**2,578**	**-**	**442,958**	**136,871**	**-**	**-**
Public Administrations	**1,337,251**	**104,120**	**100,458**	**75,227**	**-**	**1,050**	**-**	**117,338**	**139,987**	**-**
Central Administration	317,775	-	-	-	-	-	-	-	-	-
Other	1,019,476	104,120	100,458	75,227	-	1,050	-	117,338	139,987	-
Other Credit Institutions	**612,802**	**24,849**	**993**	**-**	**1,920**	**-**	**-**	**-**	**20,795**	**4,956**
Non-financial societies and individual entrepreneurs	**513,240**	**-**	**-**	**5,893**	**8,060**	**-**	**-**	**-**	**14,960**	**39,770**
Construction and property development	-	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-	-
Other purposes	513,240	-	-	5,893	8,060	-	-	-	14,960	39,770
Large companies	495,699	-	-	896	8,058	-	-	-	14,960	39,210
SMEs and individual entrepreneurs	17,541	-	-	4997	2	-	-	-	0	560
Rest of households	**46,986**	**-**	**-**	**-**	**-**	**-**	**-**	**299**	**186**	**1**
Houses	43,976	-	-	-	-	-	-	292	186	-
Consumption	2,604	-	-	-	-	-	-	7	-	-
Other purposes	406	-	-	-	-	-	-	-	-	1
Total	**6,653,868**	**241,523**	**102,561**	**81,120**	**12,558**	**1,050**	**442,958**	**254,508**	**175,928**	**44,727**

Thousand euro

	Autonomous communities: Extremadura	Galicia	Madrid	Murcia	Navarra	Com. Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit Institutions	**-**	**246,668**	**2,336,032**	**-**	**-**	**432,629**	**432,189**	**-**	**-**
Public Administrations	**39,165**	**140,328**	**16,598**	**4,404**	**92,760**	**122,269**	**65,772**	**-**	**-**
· Central Administration	-	-	-	-	-	-	-	-	-
· Other	39,165	140,328	16,598	4,404	92,760	122,269	65,772	-	-
Other Credit Institutions	**-**	**19,546**	**539,729**	**-**	**-**	**-**	**14**	**-**	**-**
Non- financial societies and individual entrepreneurs	**-**	**54,628**	**338,205**	**-**	**1,668**	**79**	**49,923**	**54**	**-**
· Construction and property development	-	-	-	-	-	-	-	-	-
· Construction of Civil Works	-	-	-	-	-	-	-	-	-
· Other purposes	-	54,628	338,205	-	1,668	79	49,923	54	-
- Large companies	-	54,628	328,297	-	1,668	-	47,982	-	-
- SMEs and Individual entrepreneurs	-	-	9,908	-	-	79	1,941	54	-
Rest of households	**-**	**-**	**46,492**	**-**	**-**	**7**	**-**	**1**	**-**
· Houses	-	-	43,498	-	-	-	-	-	-
· Consumption	-	-	2,589	-	-	7	-	1	-
· Other purposes	-	-	405	-	-	-	-	-	-
Total	**39,165**	**461,170**	**3,277,056**	**4,404**	**94,428**	**554,984**	**547,898**	**55**	**-**

26.2. Concentration of equity instruments

Following is a detail, by type of market listing, if any, and issuer, of the equity instruments held by the Group at 31 December 2020 and 2019. Details of financial instruments classified according to the market on which they are listed are provided in Notes 8, 9 and 10, respectively.

31 December 2020:

Thousand euro

	Financial assets held for trading (Note 6.1)	Non-trading financial assets mandatorily at fair value through profit or loss (Note 6.2)	Financial assets at fair value through other comprehensive income (Note 7)	Non-current assets and disposable groups of items classified as held for sale (Note 10)	Total
Depending on the type of issuer					
Spanish financial institutions	31,998	5,439	-	-	37,437
Other Spanish companies	113,537	1,012	2,392	-	116,941
Other foreign companies	1,457	-	246	-	1,703
	146,992	**6,451**	**2,638**	**-**	**156,081**

31 December 2019:

Thousand euro

	Financial assets held for trading (Note 6.1)	Non-trading financial assets mandatorily at fair value through profit or loss (Note 6.2)	Financial assets at fair value through other comprehensive income (Note 7)	Non-current assets and disposable groups of items classified as held for sale (Note 10)	Total
Depending on the type of issuer					
Spanish financial institutions	132,375	8,160	-	-	140,535
Other Spanish companies	244,838	337	13,997	-	259,172
Other foreign companies	2,318	-	272	-	2,590
	379,531	**8,497**	**14,269**	**-**	**402,297**

27. Other significant disclosures

27.1 Commitments and Contingent liabilities

“Financial Guarantees Provided” are defined as the amounts that would be payable by the Group on behalf of third parties as a result of the commitments assumed by the Group in the course of its ordinary business, if the parties who are originally liable to pay fail to do so.

Also, contingent commitments are possible obligations for the Group that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group and that may give rise to the recognition of financial assets.

The breakdown of the balance of Memorandum Items in the consolidated balance sheets at 31 December 2020 and 2019 is as follows:

	Thousand euro 2020	2019
Loan commitments granted		
Public administrations	464,940	611,429
Other financial companies	16,051	17,752
Non-financial companies	86,869	81,224
Households	2,639	3,489
	570,499	**713,894**
Financial guarantees granted		
Credit institutions	-	-
	-	**-**
Other commitments granted		
Credit institutions	1,057,271	1,408,941
Public entities	-	100,000
Other financial companies	430	5,315
Non-financial companies	2,564	2,606
Households	101	95
	1,060,366	**1,516,957**
	1,630,865	**2,230,851**

A significant portion of these guarantees will expire without any payment obligation materialising for the Group and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Group to third parties.

The heading "Other commitments granted" mainly includes commitments for the purchase of simultaneous and deposits lent in the amount of EUR 981,305 thousand as at 31 December 2020 (31 December 2019: EUR 1,389,970 thousand).

Furthermore, financial guarantees and surety in the amount of EUR 70,573 thousand are also recorded at 31 December 2020 (EUR 62,858 at 31 December 2019).

Fee and commission income received in connection with these guarantees granted is recognised under "Fee and commission income" in the consolidated income statement on an accruals basis (see Note 31).

The provisions made to cater for the financial guarantees provided, which were calculated using criteria similar to those applied in the calculation of the impairment of financial assets measured at amortised cost, of which amounted to EUR 288 thousand at 31 December 2020 (31 December 2019: EUR 303 thousand), were recognised under “Provisions - Provisions for Contingent Liabilities and Commitments” in the consolidated balance sheet (see Note 17).

Note 22 contains disclosures relating to the credit risk assumed by the Group in connection with such financial guarantees provided and contingent commitments made.

27.2. Assets delivered as security

At 31 December 2020 and 2019, assets owned by the Group had been provided as security for transactions performed by it, as well as for various liabilities and contingent liabilities assumed by the Group. The nominal amount, of the financial assets delivered as security for these liabilities, contingent liabilities and similar items at 31 December 2020 and 2019 was as follows:

	Thousand euro 2020	2019
Spanish Public Debt classified as financial assets at fair value through other comprehensive income	75,000	53,300
Other Assets classified as financial assets at fair value through other comprehensive income	10,000	19,917
Spanish Public Debt classified as financial Assets Held for Trading	-	-
Issued securities by other public organisms classified as financial assets at fair value through other comprehensive income	53,300	272,000
Issued securities by other public organisms classified as financial Assets Held for Trading	-	-
Issued Public Debt by no resident public administrations classified as financial assets at fair value through other comprehensive income	435,144	221,000
Issued Public Debt by no resident public administrations classified as financial Assets Held for Trading	74,000	24,000
	647,444	590,217

At 31 December 2020 and 2019, the Group had securities with a face value of EUR 109,460 and 126,250 thousand respectively as security for the performance of the Group's obligations relating to transactions with the clearing and settlement services.

In addition, at 31 December 2020, the Group had entered into repurchase agreements for securities in its portfolio and reverse repurchase agreements for a total amount of EUR 2,518,039 thousand (31 December 2019: EUR 1,390,478 thousand). "Memorandum Item: Loaned or Advanced as Collateral", which is shown in each of the Bank's financial asset categories in the balance sheets at 31 December 2020 and 2019, includes the amount of financial assets transferred, lent out or delivered as security in which the assignee is entitled, contractually or by custom, to retransfer them or pledge them as security, such as securities lending transactions or sales of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest.

27.3. Transactions on account of third parties

The breakdown of the most significant transactions on account of third parties at 31 December 2020 and 2019 is as follows:

	Thousand euro 2020	2019
Financial instruments granted to third parties-		
Debt instruments	82,792,033	90,063,960
Equity instruments	100,993,020	69,152,905
	183,785,053	159,216,865
Other financial assets	18,549,398	14,363,890
	202,334,451	173,580,755
Conditional bills and other securities received	108,403	120,427
Borrowed securities (Note 27.4)	122,388	114,904
	202,565,242	173,816,086

"Financial Instruments Entrusted by Third Parties" in the foregoing table includes mainly the debt securities and equity instruments held by the Bank under the contracts in force for third- party security depository and custody services.

27.4 Financial assets lent and borrowed

Pursuant to current legislation, the securities received by the Group in securities lending transactions are not recognised in the consolidated balance sheet unless the Group sells these securities in short sales transactions, in which case they are recognised as financial liabilities under "Financial Liabilities Held For Trading - Short Positions" on the liability side of the consolidated balance sheet.

Similarly, securities lending transactions in which the Group lends securities to third parties are not recognised in the consolidated balance sheet. The securities lent can be securities previously lent to the Group or securities owned by it, and in the latter case these are not derecognised.

Deposits provided or received as security or guarantee for the securities received or lent by the Group, respectively, are accounted for as a financial asset or a financial liability, respectively, and the interest associated therewith is recognised as interest and similar income or as interest expense and similar charges, respectively, in the consolidated income statement, by applying the corresponding effective interest rate.

Following is a detail of the fair value of the financial assets borrowed by the Group at 31 December 2020 and 2019:

		Thousand euro
	2020	2019
Equity instruments	263,265	261,401
Debt instruments	-	-
	263,265	261,401

Following is a detail of the fair value of the financial assets borrowed and lent by the Group in securities lending transactions at 31 December 2020 and 2019:

		Thousand euro
	2020	2019
Securities borrowed by the Bank-		
Debt instruments issued by Public sector - Spain (Note 27.3)	122,388	114,904
	122,388	114,904

27.5 The Bank's Customer Care Service

Set forth below is a summary of the complaints and claims received by the Group's Customer Care Service in 2020 and 2019. Certain claims submitted to the Service were not admitted for consideration in 2020 and 2019 because they were claims that affected entities other than the Group:

	2020	2019
Number of complaints and claims received	2	2
Number of complaints and claims not admitted for processing	2	1
Number of complaints and claims admitted for processing	-	1
Number of complaints and claims resolved	-	1
Number of resolutions in favour of claimants	-	-
Number of resolutions against claimants	-	1
Amount of the indemnity for favourable resolutions (euro)	-	-
Number of pending complaints and claims	-	-

28. Interest income

The breakdown of the most important interest income earned by the Group in 2020 and 2019, by type of instrument giving rise to it, is as follows:

		Thousand euro
	2020	2019
Financial assets held for trading	9,925	12,998
Non trading financial assets mandatorily at fair value through profit or loss	319	417
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	31,334	20,444
Financial assets at amortised cost	10,793	13,324
Derivatives - hedge accounting, interest rate risk	13,577	6,478
Interest income on financial liabilities	34,189	25,145
Other assets	326	492
	100,463	79,298

“Interest Income on Financial Liabilities” in the table above includes the income arising in 2020 and 2019, respectively, from the Group's on-consolidated balance-sheet financial liabilities that bore negative interest rates.

29. Interest expense

The detail of the balance of “Interest Expense” in the consolidated income statement for 2020 and 2019, by type of instrument giving rise to them, is as follows:

		Thousand euro
	2020	2019
Financial liabilities held for trading	5,998	9,924
Financial liabilities at amortised cost	7,603	29,505
Derivatives - hedge accounting, interest rate risk	15,922	13,973
Interest Expense on financial assets / other liabilities	55,344	39,212
Interest cost of pension funds (Note 35)	968	175
	85,835	92,789

“Interest Expense on Financial Assets / other liabilities” in the table above includes the expenses arising in 2020 and 2019 from the Group's on consolidated balance-sheet financial assets that bore negative interest rates.

30. Income from dividends

Below is a breakdown of this caption in the consolidated income statement for 2020 and 2019:

		Thousand euro
	2020	2019
Financial assets held for trading	3,394	10,443
Non-trading financial assets mandatorily at fair value through profit or loss	136	1,595
Financial assets at fair value through other comprehensive income	137	718
	3,667	12,756

31. Commission income

Following is a detail of the commission income earned in 2020 and 2019, classified on the basis of the main items giving rise thereto:

		Thousand euro
	2020	2019
Commissions arising from contingent liabilities (Note 27.1)	265	301
Commissions for contingent commitments	1,936	948
Commissions arising from collection and payment services	23,563	28,749
Commissions arising from securities services	127,653	100,109
Commissions arising from foreign exchange and foreign banknotes	168	229
Other commissions	8,745	10,858
	162,330	141,194

The balance of “Fees and Commissions Arising from Securities Services” in the foregoing table includes, inter alia, EUR 118,512 thousand earned in 2020 (2019: EUR 96,559 thousand) relating to the depository and custody services in connection with securities of third parties deposited at the Group.

32. Commission expenses

Following is a detail of the commission expenses incurred in 2020 and 2019, classified on the basis of the main items giving rise thereto:

		Thousand euro
	2020	2019
Commissions assigned to other entities and correspondents	7,478	10,172
Commission expenses on securities transactions	18,218	11,265
	25,696	21,437

33. Net gains/losses on financial assets and liabilities

The breakdown of the balance of “Gains/Losses on Financial Assets and Liabilities” in the consolidated income statement for the exercise 2020 and 2019, by type of financial instrument giving rise to them, is as follows:

		Thousand euro
	2020	2019
Net gains/losses on financial assets and liabilities held for trading	(14,725)	(47,978)
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(3,141)	2,728
Net gains/losses from unsubscribe financial assets and liabilities not valued at fair value through profit or loss, net-	-	-
Financial assets at fair value through other comprehensive income	24,812	29,337
Financial assets at amortised cost	3	3
Financial liabilities at amortised cost	(698)	-
Net gains/losses on financial assets and liabilities designated at fair value through profit or loss	-	-
Net gains/losses resulting from hedge accounting	(1,199)	680
	5,061	(15,230)

34. Other operating income

The breakdown of the balance of “Other Operating Income” in the consolidated income statement for exercise 2020 and 2019 is as follows:

Thousand euro

	2020	2019
Rental income (Note 13)	1,298	1,338
Income from expenses charged	3,984	5,372
Other income	47,109	35,764
	52,391	42,474

The balance of “Other income” in the foregoing table includes the dues collected from the services given to the Confederación Española de Cajas de Ahorros, which amounts in 2020 EUR 12,687 thousand (11,387 thousand in 2019) (see Note 40). This item also records the income from the different services that Cecabank provide to its customers (Kondor, e-banking, Business Intelligence, among others) that has increased significantly in 2020.

35. Administrative expenses – Staff Costs

The detail of “Administrative Expenses – Staff Costs” in the consolidated income statement for 2020 and 2019 is as follows:

Thousand euro

	2020	2019
Wages and salaries	38,566	33,372
Social security costs	7,326	7,330
Insurance premiums (Note 2.11.2)	176	244
Termination Benefits (Note 2.11.4)	2,812	2,250
Contributions to defined contribution plans (Note 2.11.2)	473	733
Normal cost for the year of defined benefit obligations	-	-
Training expenses	318	258
Other staff costs	572	603
	50,243	44,790

As a result of the obligations imposed by Spanish law on the regulation and supervision of credit institutions and its enabling regulations, and by the EBA guidelines on sound remuneration policies, the Group pays a portion of the annual variable remuneration of certain employee groups through non-monetary instruments linked to the Group’s value.

The number of the aforementioned equity instruments to be granted to certain members of the identified staff will be conditional on: (i) the annual variable remuneration granted to them; and (ii) the change in the Group's measurement from the instruments’ grant date. Once the amount of the annual variable remuneration has been determined for each member of the identified staff, 50% thereof will be granted in *Phantom shares*.

These instruments will be settled once any retention and deferral periods have elapsed, in accordance with the policy for each member of the identified staff. Following the retention period, the Phantom shares will be settled in cash on each of the settlement dates based on the Group's value at each of these dates. The measurement method used to measure the Entity's value for the purpose of the variable remuneration to be paid through instruments must be based on the equity at 31 December of each year (considering as such the sum of capital, reserves and the portion of profit for the year attributable to reserves).

The settlement schedule for the Phantom shares will be the schedule applicable under the policy in force at the time for each member of the identified staff, on completion of each of the deferral and retention periods applicable in each case.

Additionally as of 30 September 2020, CECA and the trade unions reached an agreement on the text of the collective bargaining agreement for savings banks and financial institutions for the years 2019 to 2023, whose main novelty lies in the area of remuneration for active and passive staff; the agreement associates wage increases to a fixed percentage plus additional payments that can reach up to 0.5% of basic salary, instead of being indexed to the CPI as was the case in previous agreements.

In 2020 and 2019, the average number of employees at the Group, by level, was as follows:

	2020			2019		
Professional levels	Men	Women	Total	Men	Woman	Total
1 - LEV.I	4	-	4	4	-	4
1 - LEV.II	5	3	8	5	4	9
1 - LEV.III	17	8	25	16	8	24
1 - LEV.IV	30	16	46	30	15	45
1 - LEV.V	31	25	56	32	25	57
1 - LEV.VI	64	56	120	64	55	119
1 - LEV.VII	28	43	71	26	42	68
1 - LEV.VIII	27	55	82	30	55	85
1 - LEV.IX	9	18	27	8	17	25
1 - LEV.X	8	6	14	7	10	17
1 - LEV.XI	2	4	6	3	4	7
1 - LEV.XII	1	2	3	-	1	1
1 - LEV.XIII	1	1	2	1	2	3
2 - LEV.I	1	-	1	1	-	1
2 - LEV.II	3	-	3	3	-	3
OTHER	5	2	7	7	2	9
	236	239	475	237	240	477

At 31 December 2020 the Group has one employee hired with a disability of 33% or more, although at the end of 2019 there were none of them.

At 31 December 2020, the total number of employees was 477 (2019: 477), of whom 235 were men (2019: 238) and 242 women (2019: 239), representing 49% and 51%, respectively (50% and 50% respectively, at 31 December 2019).

With respect to defined benefit post-employment obligations and long-term pre-retirement obligations (pre-retirements) to current and former employees of the Bank described in Note 2.11 above, a detail of these obligations is presented below, making a distinction between those that are arranged, in full or in part, in pension funds and insurance policies, and those that are not arranged through this type of instrument and where the associated obligation is covered by the recognition of provisions by the Bank:

At 31 December 2020:

Thousand euro

	Post-employment benefits			Long-term pre-retirement obligations			
	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I - II) (**)	Value of the obligation (IV)	Value of the plan assets (V)	Total (VI = IV - V) (*)	Total (III + VI)
Instrumented in external pension plans and/or insurance policies	170,341	176,222	(5,881)	-	-	-	(5,881)
Not instrumented in pension plans or insurance policies	-	-	-	29,051	-	29,051	29,051
Total at 31 December 2020	170,341	176,222	(5,881)	29,051	-	29,051	23,170

(*) This amount is recognised under "Provisions – Other Long-Term Employee Benefits" on the liability side of the balance sheet as at 31 December 2020 (see Note 17).

(**) This amount is recognised under "Other Assets – Other" in the balance sheet as at 31 December 2020 (see Note 15.1).

At 31 December 2019:

Thousand euro

	Post-employment benefits			Long-term pre-retirement obligations			
	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I - II) (**)	Value of the obligation (IV)	Value of the plan assets (V)	Total (VI = IV - V) (*)	Total (III + VI)
Instrumented in external pension plans and/or insurance policies	177,731	180,004	(2,273)	-	-	-	(2,273)
Not instrumented in pension plans or insurance policies	-	-	-	41,656	-	41,656	41,656
Total at 31 December 2019	177,731	180,004	(2,273)	41,656	-	41,656	39,383

(*) This amount is recognised under "Provisions – Other Long-Term Employee Benefits" on the liability side of the balance sheet as at 31 December 2019 (see Note 17).

(**) This amount is recognised under "Other Assets – Other" in the balance sheet as at 31 December 2019 (see Note 15.1).

As can be seen in the table above, a significant proportion of the Bank's pension and other long- term obligations are arranged through external pension plans or are covered by insurance policies and, therefore, in the coming years, the settlement of these obligations is not expected to have a material effect on the Bank's future cash flows. However, the following sections include a sensitivity analysis of the impact that a change in certain variables included in the measurement would have on the amounts presented in these financial statements. It should be noted that the average duration of the pension commitments set out in the preceding tables at 31 December 2020 was 10.97 years for retired employees and there are no active employees at the end of 2020 (at 31 December 2019, 10.91 years for serving employees and there are no active employees at the end of 2019).

Following is the reconciliation of the beginning and ending balances in 2020 and 2019 of the present value of the defined benefit post-employment obligations and long-term pre-retirement obligations, showing separately the plan assets, the present value of these obligations and the items triggering the changes in these items in these years:

Year 2020:

Thousand euro

	Post-employment benefits			Long-term pre-retirement obligations			
	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I - II)	Value of the obligation (IV)	Value of the plan assets (V)	Total (VI = IV - V)	Total (III + VI)
1. Amount at 1 January 2020	177,731	180,004	(2,273)	41,656	-	41,656	39,383
2. Current service cost	-	-	-	863	-	863	863
3. Expected return on plan assets	-	834	(834)	-	-	-	(834)
4. Interest cost	968		968	(7)	-	(7)	961
5. Contributions made by the participants of the plan	-		-	-	-	-	-
6. Contributions made by the Bank	-		-	-	-	-	-
7. Effect of the recalculation on the measurement of the net obligations:	1,456	5,198	(3,742)	(422)	-	(422)	(4,164)
7.1 Actuarial gains and losses arising as a result of changes in the demographic assumptions	1,018	440	578	-	-	-	578
7.2 Actuarial gains and losses arising as a result of changes in the financial assumptions	438	4,758	(4,320)	-	-	-	(4,320)
7.3 Effect of the change in return on plan assets	-	-	-	-	-	-	-
8. Benefits paid	(9,814)	(9,814)	-	(13,039)	-	(13,039)	(13,039)
9. Past service cost	-	-	-	-	-	-	-
10. Business combinations	-	-	-	-	-	-	-
11. Plan reductions	-	-	-	-	-	-	-
12. Plan settlements	-	-	-	-	-	-	-
13. Limits on the recognition of net assets for exceeding the maximum available economic benefits	-	-	-	-	-	-	-
14. Early retirement commitments in Exercise	-	-	-	-	-	-	-
15. Other movements	-	-	-	-	-	-	-
Amount at 31 December 2020	170,341	176,222	(5,881)	29,051	-	29,051	23,170

Year 2019:

Thousand euro

	Post-employment benefits			Long-term pre-retirement obligations			
	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I- II)	Value of the obligation (IV)	Value of the plan assets (V)	Total (VI = IV - V)	Total (III + VI)
1. Amount at 1 January 2019	171,878	180,067	(8,189)	49,710	-	49,710	41,521
2. Current service cost			-	5,055	-	5,055	5,055
3. Expected return on plan assets	-	(2,377)	(2,377)	-	-	-	(2,377)
4. Interest cost	2,327		2,327	175	-	175	2,501
5. Contributions made by the participants of the plan	-		-	-	-	-	
6. Contributions made by the Bank	-		-	-	-	-	
7. Effect of the recalculation on the measurement of the net obligations:	13,497	(7,531)	5,966	650	-	650	6,616
7.1 Actuarial gains and losses arising as a result of changes in the demographic assumptions	(894)	1,250	356	-	-	-	356
7.2 Actuarial gains and losses arising as a result of changes in the financial assumptions	14,391	(8,781)	5,610	-	-	-	5,610
7.3 Effect of the change in return on plan assets	-	-	-	-	-	-	
8. Benefits paid	(9,971)	9,971	-	(13,521)	-	(13,521)	(13,521)
9. Past service cost	-	-	-	494	-	494	494
10. Business combinations	-	-	-	-	-	-	-
11. Plan reductions	-	-	-	(907)	-	(907)	(907)
12. Plan settlements	-	-	-	-	-	-	
13. Limits on the recognition of net assets for exceeding the maximum available economic benefits	-	-	-	-	-	-	
14. Early retirement commitments in Exercise	-	-	-	-	-	-	
15. Other movements	-	-	-	-	-	-	
Amount at 31 December 2019	**177,731**	**180,004**	**(2,273)**	**41,656**	**-**	**41,656**	**39,383**

In 2019 the three serving members in the defined benefit plan were moved to the defined contribution plan (subplan 3) and therefore no contribution accrued in this respect.

In addition, the Group recognized the net amount of the expected return on plan assets and the interest cost of the value of the obligation, which amounted to EUR 968 thousand in 2020, under "Interest Expenses" in the income statement (having recognized EUR 175 thousand in the same connection under "Interest Expenses" in the income statement for 2019) (see Note 29).

Moreover, the Bank recognized a charge of EUR 452 thousand under "Provisions or reversal of provisions" in the consolidated income statement for 2020 for the provisions and recoveries of provisions for pensions and similar obligations (2019: EUR 237 thousand) (see Note 17).

During 2020 and 2019, the Bank recognised the net amount, adjusted for the related tax effect, of the actuarial gains and losses arising from the valuation of the provision for defined benefit pension obligations amounting to EUR 2,619 and EUR 4,176 thousand under "Other comprehensive income. Items not to be reclassified to profit or loss. Actuarial gains or losses on defined benefit pension plans" in the Bank's equity (see Notes 2.11.2 and 18.2). The movement in this equity item is presented in the accompanying statement of changes in equity.

The assumptions used in the actuarial calculations at 31 December 2020 and 2019 of the defined-benefit pension obligation and the assets used to cover them, included in the foregoing table, were as follows:

Pension obligations at 31 December 2020 and 2019:

Mortality tables: PERM/F 2000-P, at 31 December 2020 and 2019.

Discount rate:

- 0.18% for the liabilities (market discount rate) at 31 December 2020 and 0.56% at 31 December 2019.
- Revisable pension revaluation rate of 1.50%, at 31 December 2020 and 2019.
- Expected rate of return on plan assets:
- 0.18% for the assets covered by the pension plan as at 31 December 2020 (0.56% as at 31 December 2019).
- 0.56% for commitments covered by insurance policy 54,490 at 31 December 2020 (1.39% at 31 December 2019).

Other long-term obligations at 31 December 2020 and 2019:

- Mortality tables: PERM/F 2000-P, at 31 December 2020 and 2019.
- Discount rate (market discount rate):
  - 2011, 2012, 2013 and 2015 pre-retirement plan: 0.26% at 31 December 2020 and -0.02% at 31 December 2019.
  - Salary increase:
    - 2011 pre-retirement plan: 0% at 31 December 2020 and 1,50% at 31 December 2019.
    - 2012, 2013 and 2015 pre-retirement plan: 0.00% at 31 December 2020 and 2019.

The discount rate used was the market rate according to the financial term of the flows relating to the obligations and according to the iBoxx yield relating to corporate bonds with a high credit rating (AA).

Set forth below is the sensitivity analysis at 31 December 2020 and 2019, which considers how the value of the defined benefit pension obligations and of long-term obligations would have changed in the event of a 50 basis point upward or downward shift in the discount rate used and in, where appropriate, the pension increase rate, with the other assumptions used remaining unchanged at that date:

Post-employment benefits

A 50 basis points upward/downward shift in the discount rate used at 31 December 2020 would give rise to a EUR 8,965 thousand reduction and a EUR 9,793 thousand increase, respectively,

in the value of the obligations (at 31 December 2019: EUR 9,524 and EUR 10,159 thousand, respectively).

A 50 basis points upward/downward shift in the pension discount rate at 31 December 2020 would give rise to a EUR 8,735 thousand reduction and a EUR 9,532 thousand increase, respectively, in the value of the obligations (At 31 December 2019: EUR 8,897 and EUR 9,710 thousand, respectively).

Long-term pre-retirement obligations

A 50 basis points upward/downward shift in the discount rate used would give rise to a EUR 299 thousand reduction and a EUR 306 thousand increase, respectively at 31 December 2020 (At 31 December 2019: EUR 461 and EUR 472 thousand, respectively).

With regard to the sensitivity analysis described above, it should be noted that, for the other actuarial assumptions used in the measurement of the obligations at 31 December 2020, changes that might significantly affect the value of the obligations in the future are not considered likely to occur.

The breakdown of the assets allocated to the coverage of the defined benefit pension commitments and the Bank’s other long-term commitments at 31 December 2020 and 2019 shown in the previous tables is shown below, taking into account the nature of the same:

Thousand euro

	2020			2019		
	Pension obligations	Other long-term obligations	Total	Pension obligations	Other long-term obligations	Total
Pension fund	7,532	-	7,532	8,736	-	8,736
Insurance policies taken out with CASER	168,690	-	168,690	171,267	-	171,267
Total	**176,222**	**-**	**176,222**	**180,004**	**-**	**180,004**

The pension fund referred to in the above table is the Cecabank Employees' Pension plan (“Plan de Pensiones de los Empleados de Cecabank”), which forms part of the pension fund for the employees of the Spanish Confederation of Savings Banks. The latter comprises the defined contribution and defined benefit obligations to CECA´s current and former employees which were transferred to the Bank in year 2012 (see Note 2.11). The detail, by principal asset category and related fair value, of this fund's assets at 31 December 2020 and 2019, is as follows:

	2020	2019
Quoted Spanish government debt	17.81%	34.80%
Quoted private fixed-income securities	58.38%	41.25%
Quoted equity securities	14.38%	17.39%
Cash and bank balances	9.43%	6.56%
Other assets (1)	0.00%	0.00%
	100%	100%

(1) The fund's assets do not include properties or items of property plant and equipment. The assets classified under this item are private equity funds.

With regard to the assets of the pension fund included in the above table, it should be noted that at 31 December 2020 and 2019 there were no financial assets relating to assets issued by the Bank.

There are no active recipients of the defined benefits at the end of 2020 since they were moved to defined contributions (Subplan 3) on 1 January 2019.

36. Administrative expenses - Other general administrative expenses

The detail of this heading in the income statements for 2020 and 2019 is as follows:

		Thousand euro
	2020	2019
Property, fixtures and supplies	1,855	2,771
IT equipment	17,931	16,793
Communications	2,746	1,407
Advertising and publicity	351	434
Technical reports	2,227	1,793
Surveillance and cash courier services	3,821	8,606
Insurance and self-insurance premiums	727	633
Outsourced administrative services	25,781	25,392
Levies and taxes	4,796	3,472
Entertainment and travel expenses	302	720
Association membership fees	1,553	1,408
External personnel	1,023	1,868
Subscriptions and publications	3,160	3,891
Other administrative expenses	922	1,104
	67,195	70,292

The balance under "Technical reports" records the 2020 and 2019 fees for the services rendered by the Group's auditor, PricewaterhouseCoopers Auditores, S.L., as follows:

		Thousand euro
	2020	2019
Audit services	312	289
Other attest services	39	40
Total audit and related services	351	329
Tax counselling services	-	-
Other services	-	-
	-	-
Total professional services	351	329

The services commissioned by the Group meet the independence requirements of the Spanish Audit Law and its enabling regulations and did not involve the performance of any work that is incompatible with the audit function.

Information on deferred payments to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July

Relating to the information to be included in the notes to the financial statements regarding deferrals of payments to suppliers in commercial transactions calculated on the basis of the Resolution dated 29 January 2016 by the Audit and Accounting Institute, details of the average payment period for the Bank's suppliers in 2020 and 2019 are as follows:

	2020	2019
	Days	Days
Average period of payment to suppliers	44.5	47.5
Ratio of transaction settled	45.1	47.9
Ratio of transaction not yet settled	24.5	24.1
	Thousand euro	
Total payments made	87,140	84,372
Total payments outstanding	2,388	1,625

It should be noted that although under Law 3/2014, of 29 December, the maximum period for payment to suppliers is 60 days, Law 11/2013, of 26 July, established a maximum payment period of 30 days, extendable by agreement between the parties to a maximum of 60 days.

37. Other operating expenses

The breakdown of the balance of "Other Operating Expenses" in the consolidated income statement for 2020 and 2019 is as follows:

Thousand euro

	2020	2019
Contribution to the Deposit Guarantee Fund (Note 1.10 a)	169	98
Contribution to the Single Resolution Fund (Note 1.10 b)	4,426	4,092
Other Concepts	4,540	6,153
	9,135	10,343

The balance under "Other items" in 2020 and 2019 includes the eliminations that arise due to the effect of the consolidation of Cecabank, S.A. and Trionis S.C.L., the amount of which in 2020 is 3,982 thousand (6,067 thousand euros in 2019).

38. Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss

The breakdown of the balance in the consolidated income statement for 2020 and 2019 is as follows:

Thousand euro

	Income Net (Additions)/ Reversals (Charged)/ Credited to	
	2020	2019
Financial assets at fair value through other comprehensive income		
Debts instruments (Note 22.8)	3,146	788
Equity instruments	-	-
	3,146	788
Financial assets at amortised cost (Note 22.8)	2,625	629
	2,624	629
	5,771	1,417

The change in the allocation to debt securities under financial assets at fair value through other comprehensive income is mainly due to the allocation of a bond of the company IAG maturing next 2027 for an amount of 2,249 thousand, as well as the derecognition due to the sale and corresponding provisioning of another fixed-income security amounting to 733 thousand euro.

In relation to the item of financial assets at amortised cost, the main movement is due to an increase in the provisioning of some securities up to an amount of 2,376 thousand euros, the remaining movement being caused by the movements made by the Bank when making provisions and reversals of provisions in relation to the generic provision or the country risk fund.

39. Amortisation

The detail of “Amortisation” in the consolidated income statement for 2020 and 2019 is as follows:

Thousand euro

	2020	2019
Depreciation of Property, plant and equipment (Note 13)	3,849	3,942
Amortisation of intangible assets (Note 14)	53,639	40,467
	57,488	44,409

40. Related party transactions

Agreement for the Provision of Services between the Confederación Española de Cajas de Ahorros (CECA) and Cecabank, S.A.

As part of the process to create Cecabank, S.A. and the spin-off carried out by CECA in favour of this entity in 2012 (see Note 1.1), the "Internal protocol of relations between Confederación Española de Cajas de Ahorros and Cecabank, S.A." was established. This protocol identified the services provided by Cecabank to CECA and established the general criteria for intra-group transactions and services.

As a result of CECA losing its status as a credit institution in 2014, as described in Note 1.1, on

19 December 2014 a new “Agreement for the Provision of Services between the Confederación Española de Cajas de Ahorros (CECA) and Cecabank, S.A.” was signed. This agreement redefines the services that Cecabank, S.A. renders to CECA in accordance with its new status.

Once CECA ceased to be a credit institution the process for CECA to join the Association of Savings Banks for Labor Relations (ACARL) was started. A public document “Overall Assignment of ACARL Assets and Liabilities to CECA” was executed on 30 September 2016 and the latter began to perform the duties falling to ACARL with respect to the negotiation of the Collective Bargaining Agreement for Savings Banks, among others.

Since 4 years have elapsed since that Agreement was concluded, Cecabank has made organisational modifications that recommend a review of the identity of the Departments and specific areas that have been rendering services to CECA by virtue of the aforementioned Agreement, and this has led the Parties to sign an adaptation of the Appendixes to the Service Agreement that reflects the updated services that Cecabank renders to CECA. This agreement was signed on 9 May 2019 but took retroactive effect as from 1 January 2019.

The services that are rendered by Cecabank, S.A. to CECA after this agreement was signed are listed below:

- Rendering of association services:
    - Regarding regulatory and interest representation matters

    - Regarding financial and economic matters
    - Regarding cooperation matters
    - Regarding communication matters
    - Regarding Community Projects Fund matters
    - Regarding customer service matters
    - Regarding financial education matters
    - Regarding institutional relationship matters
    - Regarding knowledge management matters
    - Regarding technological matters
    - Regarding quality matters
    - Regarding CSR matters
    - Regarding regulatory compliance matters

- Rendering of support services:
    - Regarding legal, tax and governing body support matters
    - Regarding financial planning matters
    - Regarding internal audit matters
    - Regarding computer security matters
    - Regarding operating risk and control matters
    - Regarding resource matters
    - Regarding protocol matters
    - Regarding technological matters
    - Regarding external network support matters

Income received by the Bank for these services, which amounted to EUR 12,687 and 11,387 thousand in 2020 and 2019 respectively, are recognised under "Other operating income" in the accompanying consolidated income statements for 2020 and 2019 (see Note 34).

Furthermore, on 22 October 2020, an additional agreement was signed between CECA and Cecabank, S.A., which was previously approved by the Boards of Directors of CECA on 13 October 2020 and of Cecabank on 20 October 2020, whereby they agreed to provide additional services during 2020 related to the COVID-19 health crisis. The amount of these services during 2020 amounts to EUR 1,295 thousand (see Note 34).

Similarly, interest on the at sight account the CECA with the Bank is included under “Interest income” totalling EUR 170 thousand at 31 December 2020 (EUR 147 thousand at December 2019). The amount of these sight accounts, excluding accruals and deferred income, amounted to EUR 28,858 and 27,083 thousand at 31 December 2020 and 2019, respectively.

The amount of the fees received by the Bank accrued by the CECA amounted to EUR 5 thousand at December 31, 2020 (31 December 2019: EUR 5 thousand).

At 31 December 2020 and 2019, the demand deposits held by the Bank's senior executives, the members of its Board of Directors and related entities and individuals totalled EUR 1,085 and 957 thousand respectively. These balances have accrued in 2020 in the amount of EUR 1 thousand, recognised under "Interest expense" in the income statement for the year (EUR 1 thousand "Interest expense" at 31 December 2019). In addition, borrowings amount to EUR 620 thousand and EUR 682 thousand, respectively. These amounts have accrued in 2020 and 2019, EUR 2 thousand in each year, recognised under "Interest income" in the consolidated income statement for the year.

41. Events after the balance sheet date

After 31 December 2020 and up to 18 February 2021, the date on which these consolidated financial statements were authorised for issue by the Board of Directors of the Entity, no significant events have occurred that should be included in the accompanying consolidated financial statements in order for them to present fairly the Entity's equity, financial position, results of operations, changes in equity and cash flows.

42. Explanation added for translation to English

These financial statements are presented on the basis of the Bank of Spain Circular 4/2017. Certain accounting practices applied by the Group that conform with the Circular may not conform with other generally accepted accounting principles.

Appendix I – Subsidiaries included in the Group

At 31 December 2020:

Thousand euro

			Proportion of ownership Interest (%)			Entity data at 31 December 2020(*)			
	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Trionis, S.C.R.L.	Brussels	Development and maintenance of the international payment services operative	78.62%	-	78.62%	3,554	1,633	1,921	23

(*) The company's financial statements at 31 December 2020 have not yet been approved by their shareholders at the respective Annual General Meetings.

At 31 December 2019:

Thousand euro

			Proportion of ownership Interest (%)			Entity data at 31 December 2019			
	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Trionis, S.C.R.L.	Brussels	Development and maintenance of the international payment services operative	78.62%	-	78.62%	3,504	1,601	1,903	20

Appendix II – Information for compliance with Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions.

Annual Banking Report

This information is published in compliance with the provisions of Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions which, in turn, transposes Article 89 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

Pursuant to the aforementioned legislation, credit institutions will be obliged to publish the following information on a consolidated basis relating to the end of the latest reporting period:

a) Name(s), nature of activities and geographical location:

Cecabank, S.A. ("the Bank" or "the Entity") is a bank that was incorporated by public deed executed in Madrid on 17 October 2012. The Entity has been registered at the Mercantile Registry since 12 November 2012 and in the Bank of Spain's Register of Credit Institutions under code 2000. Cecabank, S.A. forms part of the Cecabank Group. Its registered office is at calle Alcalá no. 27, Madrid. The Bank's company object is:

a. The performance of all manner of activities, operations and services inherent to the banking business in general or directly or indirectly related thereto which it is authorised to carry on by current legislation, including the provision of investment and ancillary services and the performance of insurance brokerage activities.

b. The provision of technological, administrative and advisory services to public authorities, as well as to any other public or private-sector entity; and

c. The acquisition, holding, use and disposal of all types of marketable securities.

The Cecabank Group carries on its activity in Spain. However, it has two branches in London (United Kingdom) and Lisbon (Portugal), one representative office in Frankfurt (Germany) and one subsidiary in Belgium.

The Cecabank Group is composed, in addition to the Parent, Cecabank, S.A. of Trionis S.C.R.L., incorporated in 1990, set in Brussels (Belgium) whose company object is the development and maintenance of the international payment services operative.

b) Turnover:

Turnover at the Cecabank Group is defined as gross income, which amounted to EUR 246,465 thousand in 2020 and EUR 211,171 thousand in 2019.

c) Number of employees on a full-time equivalent basis:

At 31 December 2020, the Cecabank Group had 477 full-time employees (a further four had reduced working hours and four worked part-time). At 31 December 2019, the Group had 477 full-time employees (a further six had reduced working hours and four worked part-time).

d) Gross profit or loss before tax:

The Cecabank Group's gross profit before tax at 2020 year-end amounted EUR 74,394 thousand (2019: EUR 62,851 thousand).

e) Tax on profit or loss:

Tax on the profit for the year ended 31 December 2020 amounted to EUR 20,017 thousand (2019: EUR 17,872 thousand).

f) Public subsidies received:

The entity has not received any subsidies during the year 2020 and 2019.

g) In order to comply with Article 87.3 of the aforementioned Law, it is stated that the return on the Group's assets, calculated as the result of dividing the Group's consolidated profit for 2020 by the total balance sheet, was 0.38% at 31 December 2020 (31 December 2019: 0.38%).

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ANNUAL ACCOUNTS

Cecabank, S.A. and subsidiaries composing the Cecabank Group

Cecabank, S.A. and subsidiaries composing the Cecabank Group

Directors' Report for the year ended 31 December 2020

Cecabank, S.A. (Cecabank) is the Parent of the Cecabank Group, the companies composing it being those mentioned in Note 1.1 to the consolidated financial statements for the year ended 31 December 2020. It should be noted that Cecabank, S.A. represents 99.98% of the total of the consolidated balance sheet.

Due to the scant relevance of the rest companies of the Group, as it is said in the preceding paragraph, the main aim of this directors' report is to provide information on the most significant activities carried on by Cecabank in 2020, to present the results obtained in comparison with the budget, and to disclose both the most significant matters relating to risk management and the activities that will be carried out in order to comply with the strategic lines of action defined for 2021.

1. Management of COVID-19

This year has been characterised by the pandemic and by the different actions of the health authorities that have had an impact on society and business.

The management of the crisis has been adapted to the different stages of the pandemic at national level and, in particular, to its evolution in the Community of Madrid with the priority being the health of our employees and their families and always under the fundamental premises of prudence, flexibility and business continuity. In this way, we can distinguish the following moments of the crisis and its management:

1. **Activation of the Contingency Plan (February-March 2020):** in February Cecabank began to design a contingency plan to respond to the characteristics of the crisis that the countries around us were experiencing at that time. To this end, a Crisis Committee was set up, made up of members of the Management Committee and managers from the areas of Human Resources, Communication and Organisation. Crisis management during these months was focused on the adaptation and activation of the contingency plan. The transformation projects that have already been underway since 2018, were crucial to be able to manage the crisis and activate the contingency plan on the same day as the decree of the State of Alarm was declared in March. However, at this stage it was necessary to provide a large number of employees with the mobile devices and collaboration tools needed to take on widespread remote working. In less than a week, 98% of Cecabank's staff were working from their homes without any significant incidents and without impacting the continuity of the Bank's activity.

2. **Confinement (March-May 2020):** this is the stage of severe confinement decreed by the State of Alarm of 14 March. During this stage, the Crisis Committee supervised the Bank's operational and business continuity on a daily basis and monitored the health of its employees. The Bank's activity developed as normal, without affecting the level of quality of service to our customers. These were also particularly important months in terms of operational and commercial activity, in which important milestones were reached for the Bank.

3. **De-escalation (June-December 2020):** a De-escalation Plan was designed and deployed in line with the national plan, flexible enough to provide stability to the Entity's activity despite the different moments the pandemic is going through. This plan was structured in several distinct lines of work:

    a) Organisation of the return to the office: this was done in a gradual and staggered manner, organised in two different "bubble" groups of employees with a mixed remote/presential work model that ensures continuity of activity and social distancing.

b) Preventive and facilitating measures: the office facilities were adapted (distancing of workstations, installation of hydroalcoholic gels, masks, reinforced cleaning, revision and adaptation of ventilation, etc.) and protocols were drawn up.) and the necessary protocols were drawn up (use of rooms, travel, meetings, tests, etc.) to ensure a safe working environment. The measures adopted were recognised by the Madrid Guarantee Foundation for the commitment shown in the fight against covid-19 in September.

c) Communication plan: informative and informative in nature, to extend and facilitate the new ways of working and the new protocols, and with specific insertions in the area of motivation, reinforcing cohesion and pride of belonging.

The Crisis Committee set up to manage the pandemic met regularly throughout 2020. Initially, meetings were held daily, then every 48 hours, and during the de-escalation they were spaced out to weekly meetings. The focus of these meetings has been on the following topics:

- Monitoring of the national context in terms of the evolution of the pandemic and the measures adopted by the different authorities.

- Review of weekly epidemiological KPIs, both public (at regional, local, district and basic health area level) and internal (based on Cecabank's own alert model).

- Periodic review of operational and business performance, including monitoring the evolution of strategic projects, 2020 results and the outlook for 2021, taking into account the evolution of the pandemic and its impact on the sector and the bank.

- Decision-making on actions to be taken in relation to the management of the crisis.

- Ongoing monitoring of the health situation of employees and their families.

In addition, a detailed monthly report was made to Cecabank's Board of Directors with information on the evolution of the pandemic and the decisions and actions implemented.

One of the keys to managing the crisis was continuous and fluid communication with the workforce. From the start of the crisis, a comprehensive communication strategy was deployed, flexible enough to adapt at all times to the needs of the evolution of the crisis and with different types of communication.

Crisis management at all times sought to ensure the health of employees and their families, as well as guaranteeing the level and quality of the services provided to our customers. The year 2020 ended without any significant incidents and the Entity's business activities were carried out normally, adapting at all times to the evolution of the pandemic.

2. Strategic Plan 2020 and development of the business

Cecabank is in the final stages of the Strategic Plan that it defined in 2016. 2020 was the year of the pandemic and the health crisis, and also the year that should have been the end of the Strategic Plan.

Despite the instability in some areas of the environment, the strategy defined at the end of 2016 remains fully valid. The defined strategy is based on 3 essential pillars: 1) strengthening of recurring income; 2) increase in the customer base; 3) consolidate its national leadership in the Securities Services market.

Taking into account the context of 2020, the Board of Directors, in the first months of the year, approved the extension of the Plan until 2021 in order to consolidate the objectives set.

Thus, the objectives set for 2020 are extended to 2021 and are reflected in the following business indicators:

- Gross margin of EUR 270 million.
- Efficiency between 40% and 45%.
- Profitability within a range of 9% and 11%.
- Solvency between 20% and 25%.

In 2020, the development of this strategy has been continued by adopting the necessary measures for the management of Covid-19 in order to guarantee the level and quality of services and to make further progress in achieving the objectives set four years ago.

The business model included in the Strategic Plan is structured into 3 large lines of business, for which specific strategies have been developed:

1. **Securities Services,** focused on maintaining the leadership of the depository business through acquisition opportunities that arise in the domestic market, expanding the validity of existing contracts and supplementing the services offered within the Securities Services value chain and promoting the entry into other markets.

2. **Treasury,** focused on seeking profitability despite the difficult economic context, by offering new services and maintaining the leadership held in the Notes business in Spain.

3. **Banking services,** providing the market with multiple solutions in a mature business that is conditioned by new players and regulatory changes, with the objective of attaining and increasing the degree of customer loyalty, generating economies of scale and establishing collaborate of models in order to obtain new business.

Furthermore, the Strategic Plan presents different components for each of the core businesses:

- Services that form part of the **main stage** in each of the 3 main lines of business, the objective of which is to maintain and consolidate traditional businesses.

- **Incremental initiatives**: In 2016 nine initiatives in total were identified to grow the businesses. Over recent years these initiatives have been developed in a heterogeneous manner, and some of them have redirected their initial strategy to adapt to changes in the market and in customer interests. New initiatives have been created in order to respond to the changing needs of our customers and to new business opportunities, while others have been closed or stopped for various reasons.

- Internal projects for the **cultural transformation** of the Entity.

- **Disruptive levers**: In this section the Strategic Plan calls for the continuous analysis of potential corporate opportunities that could substantially change the size of the Entity.

In overall terms, we note that in 2020 the following development took place with respect to each of the components of the Strategic Plan:

- **Main Stage:** results were affected by the evolution of the pandemic and the economic and financial environment, such as: the decline in fund assets in March, which recovered and stabilised in the second half of the year; the expansionary monetary policies followed by central banks; market volatility; and the declines in tourism and consumer spending. All these factors had an impact on **gross margin**, conditioning its evolution throughout the year.

- Regarding the **incremental initiatives**, two of them have been moved to the central scenario for meeting the objectives. Two new initiatives have also been incorporated. The rest of the open incremental initiatives are still working to meet the targets set.

- In terms of **Transformation Initiatives**, over the past four years, intense work has been done on the digital transformation plans, with significant progress in their implementation and maturity. In 2020, the significant progress made in previous years in digitalisation and transformation to manage the covid-19 crisis without having an operational impact on customers has been fundamental. In this regard, the extension of a customer-centric culture and initiatives such as teleworking, team virtualisation, the implementation of agile methodologies and the use of collaborative tools have been crucial to be able to face the total confinement decreed with the State of Alarm on 14 March in just a few days. Moreover, during 2020 we continued to work on promoting these transformation initiatives to become an increasingly agile and flexible entity, capable of adapting to any context quickly without affecting the level and quality of the service provided to our customers.

With regard to **Disruptive Levers**, the analysis of potential corporate operations in all of Cecabank's business areas continues. Of note in 2020 were corporate operations related to the Securities Services world.

The overall targets established for the final horizon of the Strategic Plan, which focus on gross margin, efficiency, profitability and solvency, were all at an average level of compliance exceeding 90% at the end of 2020, with plans to consolidate all of them during 2021 thanks to the extension of the Plan.

The development of the three lines of business in 2020, together with the services and initiatives they involve, are set out below:

2.1. Securities Services

The Securities Services business consists of 2 large lines of services (Depository and Securities) and 3 incremental initiatives.

In 2020 in Securities Services, despite the initial impact of the health crisis on the markets, which initially affected the value of assets and wealth, the evolution has been positive, with the following milestones being of particular note:

- Transfer of Kutxabank's depository business, which enabled the incorporation of more than EUR 25,000 million of investment funds, pension funds and EPSVs.

- Signing of the strategic agreement to integrate Bankia's depository business, which will enable the transfer of more than EUR 30,000 million of assets in mutual funds, SICAVs and pension funds by 2021.

- In Portugal, transfer of the depositary of the investment funds of the Portuguese BPI and the custody activity of the Abanca branch.

- Transfer of the national securities custody activities of various financial institutions, notably that relating to the operations of Ibercaja's customers.

- The performance of our client managers outperformed the rest of the market. The market leaders in subscriptions are entities deposited with Cecabank.

- Being reference providers for most of the national investment Fintechs with the incorporation as clients of entities such as Finizens, Diaphanum, Indexa, Finanbest and Ninety Nine.

- Growth in the services provided to Private Equity entities with the addition of two new custodian clients: Kobus Partner and Faraday.

At the end of the year, we had EUR 153,021 million in assets under custody and EUR 187,446 million in balances under custody, up 28% and 14%, respectively, compared to 2019. Thanks to this growth, the results obtained have enabled us to meet the ambitious budget set for the year.

In 2020, Cecabank was named best custodian bank by the prestigious specialist magazine Global Banking and Finance Review for the fourth consecutive year.

With regard to the incremental Securities Services business initiatives included in the Strategic Plan, in addition to the aforementioned incorporation of clients, the catalogue of services provided was expanded with the incorporation of new services for voting at meetings, contingency for custody, tax accreditations and the launch of the Global Securities Solution for domestic equities.

2.2. Treasury

The main stage consists of 3 services (financial activity, execution of variable income and Notes) each with incremental initiatives.

Financial activity continued to perform well as a result of the appropriate management during the episodes of volatility arising from the uncertainty throughout the year, the increase in the volume of intermediation with our customers accompanied by a diversification of the customer base and a strategy of portfolio rotation. Also noteworthy was DCM's activity in Treasury primaries and in financing for public administrations and public entities.

The favourable evolution of financial activity offset the fall in banknote business since the end of March, due to the correlation of this business with tourism, significantly impacted by the pandemic. The limitations imposed at the international level had a very significant impact on the mobility of people, with the tourism sector as the main one affected.

The Equities Execution business is a fully operational service at the end of 2020 and has implemented an ambitious efficiency plan that will lead to very significant cost savings from 2021 onwards.

As regards the current incremental business initiatives, it is worth highlighting the implementation of the bond platform since December in the Portuguese bank Invest.

2.3. Banking services

The Banking Services line of business includes 9 different services, together with 6 incremental initiatives, in 3 distinct groupings:

1. **Payments:** which includes the Payment Systems, Clearing and Discounting; Offshore Network; Payment Means; and the Foreign Exchange in Payment Networks, Strategic Payment Means Arrangements and FX Sharing initiatives.

2. **Digital Solutions:** comprising the Treasury and Risk Support Platform; Data, Innovation and Reporting; eBanking and Digital Payments; Technology Services; and the Digital Services Extension, Digital Payments Platform and Blockchain initiatives.

3. **Other services:** comprising the Associative Services and the Banking Training School.

Banking Services revenues were in line with the initial forecast, despite the atypical nature of the year. At a more detailed level and grouped by the nature of the services provided, the following aspects are worth highlighting:

The **Payments business** was the most affected by Covid-19, with a slight negative deviation from initial forecasts. At a more detailed level of detail of services and initiatives:

- There was a higher volume of activity in the **Payments, Clearing and Discount Service**. Of note was the integration of several entities into the SNCE's Confirmation of Titleholders service and the assumption of FX Sharing operations and the centralised account for emigrants' remittances as part of the Foreign Network's rationalisation plan.

- **Foreign Network.** Focused on the implementation of the rationalisation plan, which entailed the closure of the Paris representative office and the reduction of staff at the Frankfurt representative office. On the other hand, in view of the situation in the United Kingdom due to Brexit and based on the operations carried out by the entity, the London branch has been converted into a representative office, with the change taking effect on 1 January 2021. Revenues from the various services provided by Cecabank, after an initial analysis, have not been impacted by Brexit. The foreign network includes the incremental FX Sharing initiative, already integrated into the bank's normal business as it meets the objectives set at the beginning of the Strategic Plan. The healthcare crisis had a negative impact on this line of business, due to the restrictions imposed and the fall in consumption.

- **Means of Payment** performed worse than expected as a result of the fall in consumption in the months of confinement, together with the negative impact of the European Trionis processor and the impact of the fall in tourism on the incremental initiative of currency exchange in payment networks. A new initiative, Strategic Agreements in Means of Payment, was launched this year, through which an alliance with Visa was signed in September to strengthen card processing in Spain and internationally, which has already generated agreements with customers in Spain and Portugal.

The Digital Solutions business performed favourably:

- The **Treasury and Risk Support Platform** has focused commercial efforts on extending its Regulatory Reporting as a Service (RRaaS) services highlighting in addition to the coverage of EMIR and MIFID ll regulations, the coverage to SFTR (Securities Financing Transaction Regulation) compliances to offer greater value to clients, increasing their linkage. In addition, a new service was launched related to the calculation of Capital for Market Risk (FRTB) and Counterparty Risk (SA-CCR).

- **Data, Innovation & Reporting**. With a higher than expected positive impact on projects derived from the new regulatory requirements of EBA 2.9. and Anacredit.

- **Electronic banking and digital payments.** Favourable evolution backed by the growth in users and operations of digital and immediate payments and by the increase in e-banking transactions.

- **Technology services**. Of note were the agreements reached for the provision of outsourcing services, the result of the creation of ecosystems with benchmark partners.

The business of the Banking Training School showed a negative deviation due to the lower number of face-to-face courses given, although this was partially offset by the commitment to distance certification and online training.

Meanwhile, the associative services business, linked to Cecabank's service contract in CECA, required a high level of dedication as a result of all the actions carried out in relation to the regulatory development derived from the management of the covid-19 crisis.

2.4. Internal transformation

The Strategic Plan envisaged a series of initiatives aimed at transforming the Entity's culture. In 2018, all these initiatives became the CKBe Smart Cultural Transformation Project.

The main objectives of the project are the extension of new ways of working to reduce time-to-market and gain efficiency, thanks to a new customer-centric culture. The development of this project has allowed us to have a flexible structure and to act quickly and effectively on the management of the healthcare crisis, which covered practically the entire financial year.

With regard to the transformation project, we can highlight the following:

- Cultural transformation and talent management measures for the appropriate management of the crisis, including: digitalisation of key talent management processes, implementation of remote work for the entire workforce in the confinement stage, design of the De-escalation Plan for a gradual and staggered return to the office, implementation of bubble groups with a mixed remote/presential work model, obtaining the Madrid Guarantee certification for the measures adopted in the Covid-19 crisis and implementation of agile methodologies, In this area, the key has been the strategy of continuous communication with the workforce during the different stages of the crisis, adapting messages and channels to each need.

- Digital workplace and digitisation of processes: in this regard, the total virtualisation of all workstations stands out, as well as the distribution of mobile devices and collaborative tools to the entire workforce, fundamental measures to be able to undertake the continuity plan for covid-19 in less than a week. Also noteworthy is the implementation of robots to carry out operational activities with a significant impact on efficiency, with more than 400 robots currently in operation.

- Transformation of workspaces: during 2020, significant works were carried out in the facilities of the Alcalá 27 building with two main objectives: 1. to adapt the building to current accessibility regulations and 2. to create more open spaces that promote collaboration. In addition, the results of the Paper 0 project, which has managed to reduce paper printouts by more than 60% compared to 2019, as well as the emptying of cupboards and the clean desk policy, which have enabled the appropriate distance between workstations when returning to the office once the confinement has ended.

2.5. Sustainability

The Spanish financial industry in general, and Cecabank in particular, has a vocation to contribute to a more sustainable and responsible economic and financial activity, which is why the Bank's Strategic Plan includes the 2017-2020 Sustainability Plan, the main lines of action of which are as follows:

- Increased public communication on sustainability.
- Seminars and roundtable discussions with stakeholders.
- Continuation and promotion of the Social Action Plan with new actions.
- Initiatives in Volunteering and Financial Education.
- Initiatives in the workplace to reduce consumption and promote healthy habits.
- Promotion of training and informative actions in ESG matters (environmental, social and governance).
- Diversity Plan, participation in public initiatives, awareness-raising.
- Continuous improvement and comparison with listed companies in terms of corporate governance.
- Dissemination and monitoring of the Code and Corporate Conduct Channel.
- Improve transparency and the Framework for Reporting and Disclosure of Non-Financial Information.
- Supporting clients on sustainability-related issues.
- Participation in the Sustainable Finance Marketplace.

To mention some examples of activities and lines of action in the area of sustainability carried out in 2020, we can highlight, in terms of customers and quality, the renewal of various certifications and the measurement of customer and employee experience.

In social issues, we highlight the 6th edition of the Tú Eliges Programme and the distribution of 97,000 euros to associations and foundations in the 14 projects awarded in social, cultural and environmental programmes. We also highlight the Evaluation of Conformity in the ethical and socially responsible certification of the SGE21 of Forética, obtaining a higher level qualification. In 2020 we should also highlight the successes in the various campaigns carried out between employees and Cecabank with the Red Cross Responds to Covid 19, Operation Kilo with the Food Bank, and the aid to the Emergency Committee for the hurricanes in Central America, among others.

Regarding environmental issues, the general reduction of consumption is highlighted, as well as the optimisation and systematisation of the measurement of the Carbon Footprint.

About compliance issues and the fight against corruption and bribery, we continue to be certified by Aenor in the criminal risk organisation and management system.

Lastly, mention should be made of the main international initiatives in the field of sustainability to which Cecabank belongs:

- **United Nations Global Compact (**through the Spanish Global Compact Network): In 2020, in addition to the commitment to the Global Compact and its 10 principles, work has continued to disseminate the 17 United Nations Sustainable Development Goals, as well as pursuing a global compact to end the pandemic and promote sustainable economic recovery.

- Cecabank joined the "**Business Leaders' Declaration for a Renewed Global Partnership**" at the invitation of Sanda Ojiambo, who in June 2020 was appointed by the UN Secretary-General as the new Executive Director of the Global Compact.

- On the occasion of the United Nations Climate Change Conference (COP25), held in Madrid in December 2019, Cecabank, along with 95 per cent of the financial sector, presented its commitment to proceed within a given timeframe to reduce the carbon footprint in its credit portfolios, in a way that can be measured with internationally approved criteria and in line with the objectives of the Paris Agreement, aligning itself with the "**Collective Commitment to Climate Action**" promoted by UNEP FI.

- This summer 2020, Cecabank has joined the **Green Recovery Alliance**, an initiative promoted by Pascal Canfin, chairman of the European Parliament's Environment Committee, which seeks a global pact to put an end to the pandemic and promote sustainable economic recovery.

2.6. Strategic business objectives

In addition to the Entity's Strategic Plan and budgets, each year commercial objectives are defined that seek to promote and intensify the Entity's commercial activity in order to achieve the greatest possible impact on results.

In 2020, in general terms, the results are particularly good if we consider the conditions in which they were developed, derived from Covid-19, where the priorities of customers and the ways of interacting with them changed significantly.

Regarding the detail of the achievement of the objectives set for 2020, the results have been in line with the objectives set, with the new revenues indicator standing out, as it has a direct impact on the income statement, as it reflects the actual revenues in the year derived from new contracts (record target of €29m).

New turnover		New income		Negotiations contracted		New customers	
Goal	Level of compliance	Goal	Level of compliance	Goal	Level of compliance	Goal	Level of compliance
9.9 M€	351%	29.7 M€	98%	161	99%	48	106%

- **New turnover** - This is the estimated annualised turnover of the new contracts signed in the period. This is the best performing indicator, at EUR 34.7 million, thanks mainly to the closing of some corporate operations in the Securities Services area. However, discounting the success of one-off transactions and thanks to the commercial intensity, this target would also have been met.

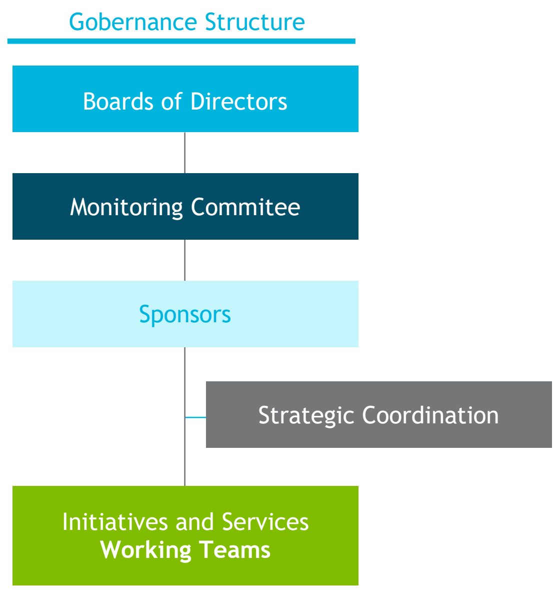
- **New revenues** - Reflects the actual impact on the income statement of new contracts in the current year (EUR 29.7 million). The target has been almost met, despite the negative effects of the pandemic on initiatives closely linked to tourism and as a consequence of the delay in the implementation of some complex projects. In addition, most of this income is of a recurrent nature.

- **Contracted negotiations** - This includes all new or successfully concluded negotiations or renewals for which the estimated income is above €10,000/year. The target for the year was 161 negotiations and the year ended with a total of 160 contracted negotiations. Of note was the contribution of some business lines in achieving the target (i.e. Treasury and Risk Support Platform, Electronic Banking and Digital Payments, Means of Payment, Securities and Treasury).

- **New customers** - This includes customers who have contracted a service or product and who have not contracted or been provided with any service from Cecabank in the last 3 years. Thanks to the intense commercial activity carried out in the search for revenue diversification, a record number of new customers was reached (51 vs. 48). Many of the customers captured, for the time being, do not represent a significant impact on the Bank's income statement, with the Banking Training School registering the most new customers thanks to the sale of the new LCCI programme (Real Estate Credit Contracts Act).

2.7. Governance model of the Strategic Plan

In 2020, the governance model of the Strategic Plan has been maintained in order to ensure that the objectives defined in the Plan are met. This governance model is made up of different levels of monitoring:



Board of Directors receives a complete monitoring report on a quarterly basis that provides details of the evolution of the implementation of the Strategic Plan, the main stage and on strategic initiatives. These reports are debated by the Board of Directors.

In 2020, the Board of Directors played an important role in decision-making on the Entity's strategy by approving the extension of the Strategic Plan until 2021 in the face of market uncertainties, which did not contribute to creating the most appropriate environment for designing the strategy for the future.

For its part, the **Strategy Committee** met monthly during 2020, with a twofold objective:

1. Review of the Strategic Plan globally through the approved monitoring methodology, for its periodic reporting to the Board of Directors.

2. Preparation of strategic planning for 2021 through detailed analyses of the Entity's various businesses of the Entity.

3. 2020 statement of profit or los

				Deviation	
	Real 2020 (*)	Budget 2020 (*)		Amount (*)	%
Financial margin (**)	-	66,575	60,000	6,575	11
Fee and commission and operating income (***)	-	179,890	176,717	3,173	2
Gross income	-	**246,465**	**236,717**	**9,748**	**4**
Operating expenses (including provisions) (****)	-	(172,061)	(170,974)	(1,087)	1
Profit from operations	-	**74,404**	**65,743**	**8,661**	**13**
Other income and expenses	-	(10)	-	(10)	-
Profit before tax	-	**74.394**	**65,743**	**8,651**	**13**
Income tax	-	(20,017)	(18,644)	(1,373)	7
Profit for the year	-	**54,377**	**47,099**	**7,278**	**15**

(*) Amounts in Thousand euro.

(**) Including net interest income, dividend income, gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains or losses on financial assets and liabilities held for trading, gains or losses on financial assets and liabilities designated at fair value through profit or loss, gains or losses from hedge accounting, exchange differences and gains or losses on non-trading financial assets mandatorily at fair value through profit or loss.

(***) Including fee and commission income, fee and commission expenses, other operating income and other operating expenses.

(****) Including administrative expenses, amortisation charge, provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss.

Following is an analysis of the various headings making up the income statement:

- **Financial margin:** with a more favourable performance compared to the budget, it showed a positive deviation of EUR 6.6 million. Among the most noteworthy factors in achieving this margin were the good results obtained with active portfolio management, together with those generated by the rest of operations. There was also a notable increase in the volume of brokerage business.

- **Fees and commissions and operating income**: These were EUR 3.2 million above the budgeted figure. In the last quarter of the year, the negative deviation in net fee and commission income and net operating income as a result of the negative impact of the outbreak of the pandemic crisis on some of the businesses was corrected. The positive deviation was mainly in Securities Services, due to the growth in depository business and the favourable evolution of deposited assets, in Associative Services, due to more intense activity in the representation function of associated entities, and in Electronic Banking and Digital Payments, due to the growth in activity in the area of digital payments.

  - **Gross income**: this reflects the total net income from operating activities, which amounted to EUR 246.5 million, 4% above the budget, for the reasons mentioned above.

- **Operating expenses**: the items that make up operating expenses have had a mixed performance. On the one hand, personnel expenses have risen by 3.7% over budget, 1.8 million euros, due to the costs of reducing the capacity of the external network together with other expenses derived from the renewal of capacity. On the other hand, there is a positive deviation from budget for other administrative expenses of EUR 2.8 million, due to cost savings associated with surveillance and transfer of funds, representation and moving of fixed assets. Amortisation remained above budget by EUR 0.9 million, due to the growth of its variable component linked to the depository bank loan, given the positive performance of the latter. Finally, provisions and impairment losses were EUR 1.1 million lower than budgeted, due to higher provisions for credit risk and operational risk associated with Covid events.

- **Profit for the year**: the actual net profit after tax was EUR 54.4 million higher than budget by 15%.

In relation to the distribution of this result, on 15 December 2020 the ECB issued a recommendation in which it asked credit institutions to be prudent in their dividend distribution policies. Cecabank has made a distribution proposal in line with these recommendations, considering its profitability and solid capital track record.

4. External credit ratings

The ratings assigned to Cecabank by the international agencies Fitch Ratings, Moody's and Standard & Poor’s at 31 December 2020 were as follows:

	Short-term	Long-term
FITCH RATINGS	F-3	BBB-
MOODY’S	P-2	Baa2
STANDARD & POOR'S	A-2	BBB+

In 2020, the three rating agencies reaffirmed the long and short-term ratings assigned to Cecabank, with Fitch upgrading its outlook to stable on 29 July 2020.

Despite the adverse economic context caused by the pandemic crisis and the likely impact it will have on the financial sector, the three agencies have recognised the significant achievements in 2020, mainly due to the expansion of the depository business through the contracts signed with Kutxabank and Bankia. This consideration is reflected in the Outlook, which the three agencies unanimously place at stable.

Among the strengths of Cecabank taken into consideration by the rating agencies are the specialisation of Cecabank's business, which has a leading position in Spain in the depository segment, reinforced by the acquisitions and business expansions carried out in 2020, accompanied by a moderate appetite for risk, satisfactory capital buffers and adequate funding and liquidity.

5. Risk management

Notes **22, 23, 24, 25 and 26** to the Entity's financial statements include the information relating to its risk management objectives, policies and procedures, as well as its exposure by type of risk.

6. Significant events after the reporting period

After 31 December 2020 and up to 18 February 2021, the date on which these financial statements were authorised for issue by the Board of Directors of the Entity, no significant event has occurred that should be included in the accompanying financial statements in order to give a true and fair view of the net assets, financial position, results of operations, changes in equity and cash flows of Cecabank.

7. Business objectives for 2021

The business objectives for 2021 are one of the complementary tools to the Strategic Plan that help to achieve the objectives set. The setting of the commercial objectives has taken into account, with special relevance, the economic situation and situation we are facing this year.

Objectives

New turnover			New income			Negotiations contracted			New customers		
Goal 2020	Exercise 2020	Goal 2021	Goal 2020	Exercise 2020	Goal 2021	Goal 2020	Exercise 2020	Goal 2021	Goal 2020	Exercise 2020	Goal 2021
9.9M€	34.7 M€	7.1 M€	29.7M€	29.0 M€	35.8 M€	161	160	114	48	51	41

A series of premises have been used to set the business objectives for 2021:

- The 2021 objectives are ambitious and will enable us to achieve the objectives defined in the Strategic Plan, directing commercial activity towards achieving them. To this end, it is essential to finalise and consolidate all the projects and actions underway, which will be reflected in the new revenue indicator.
- The complexity and uncertainty of the environment due to the market conditions resulting from Covid-19 has been taken into consideration.
- The objectives should take into account the consolidation of the sector through mergers and takeovers of financial institutions, which have already started to materialise in 2020.

The commercial activity targets set for 2021 are as follows:

7,090 thousand euros of new turnover, i.e. potential annual turnover of new contracts. Next to the contracted negotiations indicator, the target set for this indicator does not take into account any corporate operations or a more complex environment as a result of the healthcare crisis.

35,770 thousand euros of new revenues in the year (actual revenues in 2021 from new contracts). This is the most important indicator and the most ambitious of all, with a 20% increase compared to the proposal set for 2020.

114 Negotiations contracted > €10,000, which means 10 agreements/month of contracts or renewals on average.

41 New customers. Despite the difficulty of maintaining constant growth in this indicator, the target set for 2021 endorses the commitment to diversify the clients on our income statement set out in the Strategic Plan.

8. Treasury share transactions

In the period from 1 January to 31 December 2020, there were no treasury shares on the Bank's balance sheet.

9. Payments to suppliers

Pursuant to Article 262 of the Consolidated Spanish Limited Liability Companies Law, Note 36 to the Entity's financial statements includes the disclosures on the periods of payment to suppliers.

10. Statement of non-financial information

In accordance with the provisions of Law 11/2018, of 28 December, amending the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Auditing of Accounts, with regard to non-financial information and diversity, the Cecabank Group has prepared the Consolidated Statement of Non-Financial Information for 2020, which is included as a separate document attached to the consolidated management report for 2020, in accordance with article 44 of the Code of Commerce. The individual information corresponding to Cecabank, S.A. has been included in this separate document attached to the consolidated management report, which will be filed with the Madrid Mercantile Registry.

Information on investment in R&D&I and disabled personnel is collected in this statement.

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ANNUAL ACCOUNTS

Cecabank, S.A. and subsidiaries composing the Cecabank Group

Independent Auditor's Report on Consolidated Financial Statements

Consolidated Statements

Annual report

Director's report

Appendix, Non-financial information

Formulation of the Annual Accounts

Appendix. Non-Financial information Statement pursuant to Law 11/2018, of 28 December, in relation to non- financial information and diversity

This non-financial information statement is issued in compliance with Law 11/2018, of 28 December, amending the Spanish Commercial Code, the Consolidated Spanish Limited Liability Companies Law approved by Legislative Royal Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July, in relation to non-financial information and diversity.

For the preparation of this non-financial information statement it has been taken as the reporting standard the Global Reporting Initiative (GRI), which is recognised internationally, following the principles and contents defined by the most recent version, GRI Standards.

When preparing the non-financial information’s date, the Company has also taken into account the industry context and regulations, as well as the main demands, trends and best practices in order to determine which non-financial matters are material.

As a result, and taking into consideration the Cecabank’s business model, the following matters were identified as the most material:

- Ethical behaviour and transparency.
- Financial solvency and stability.
- Prevention of corruption and fraud.
- Equal opportunity and work-life balance.

Moreover, in accordance with the provisions of the Law 11/2018, of 28 December, this non-financial information statement forms part of Cecabank’s Consolidated Directors’ Report, which is presented in a separate document.

In response to the aforementioned material matters, the main non-financial lines of action adopted in relation to issues concerning the environment, social matters, employee-related issues, human rights and anti-corruption and bribery are described below.

01. About Cecabank

COVID-19

Cecabank, a Spanish bank offering specialised banking services, has shown, since the beginning of the pandemic, a high level of concern for guaranteeing the safety and health of its employees and their families. It has provided telematic work and adapted its branches to the new health security requirements, establishing measures to prevent the transmission of COVID-19 while maintaining the high quality of customer service.

Thanks to the measures adopted and the solidarity activity exercised in the prevention and minimisation of the risks caused by COVID-19, the Bank has been recognised by the Community of Madrid with the "Madrid Guarantee" label, which distinguishes the company's commitment to minimising the impact of the coronavirus. This recognises Cecabank's compliance with the rules related to the prevention of COVID-19 and the extraordinary measures adopted to offer its employees and customers the best experience and the best services.

This commitment has been reinforced with Cecabank's recent accession to the CEOE “Foundation's Sumamos Salud+Economía Plan”, which aims to support public administrations in mitigating the adverse effects of the pandemic and the autonomous communities in containing the virus, reinforcing the actions of the competent health authorities and providing companies with tools to help curb contagion.

02A. Our business model

Cecabank is a Spanish wholesale bank that offers innovative, customised financial solutions to its customers, which it accompanies in projects so that they can achieve their business objectives. Our areas of specialisation, in which we can say we offer innovative financial solutions are grouped into these lines: Securities Services, Treasury and Banking Services -although the latter is subdivided into Digital Solutions and Payments:

1. **Securities Services**, focused on maintaining its leadership in the depositary business, complementing the service offering of the Securities Services value chain and catalysing inroads in other markets.

2. **Treasury management**, focusing on increasing the returns, completing the offering with new services and maintaining its leadership in the banknote business in Spain.

3. **Banking services,** providing the market with multiple solutions in a mature business that is conditioned by new players and regulatory changes, with the objective of attaining and increasing the degree of customer loyalty, generating economies of scale and establishing collaborate of models in order to obtain new business. These banking services can be divided into the following:

    - **Digital Solutions:** which focus on services relating to the digitalisation of related services, omnichannel services and business intelligence, technological solutions, technology outsourcing and normative adaptation through reporting services and the Treasury and Risks platform.

    - **Payments:** focused on processing and means of payment solutions, infrastructure and international payments, provides markets with multiple solutions in a mature business conditioned by new adjustments in the sector and new players.

Cecabank also provides the associative services necessary for the proper functioning of the banking association CECA, focused on the dissemination, defence and representation of the interests of its member institutions, as well as the training services provided by the Banking Training School.

For further information about the services that Cecabank offers, click on the link on the corporate website[1].

01B. Cecabank profile

Cecabank is headquartered in Madrid. It also has one operational branch in Lisbon and two representative offices in Frankfurt and London.

In 2020 the London operational branch turned into a representative office and the Paris representative office was closed.

Cecabank's shareholder portfolio comprises the following entities:

Entity	Number of shares	% shareholding
CECA	100,000,000	89.08%
CaixaBank, S.A.	3,059,729	2.73%
Bankia, S.A.	2,848,192	2.54%
Kutxabank, S.A.	1,352,325	1.20%
Unicaja Banco, S.A.	1,299,440	1.16%
Liberbank, S.A.	888,958	0.79%
Ibercaja Banco, S.A.	765,561	0.68%
Abanca Corporación Bancaria, S.A.	712,677	0.63%
Banco Bilbao Vizcaya Argentaria, S.A.	644,683	0.57%
Banco Sabadell, S.A.	574,171	0.51%
C.A. y M.P. Ontinient	57,920	0.05%
Caixa D'Estalvis de Pollença	52,884	0.05%

With regard to Cecabank's organisation and structure, the entity's corporate governance consists of a set of rules, principles and policies that regulate the composition, structure and functioning of the governing bodies (the General Meeting of Shareholders, the Board of Directors and its Committees), which are continually updated to adapt to the best national and international practices.

Cecabank's General Meeting of Shareholders is the highest body for the representation and participation of shareholders in the Bank. For its part, the Board of Directors has the broadest powers for the administration of the Entity and, except in matters reserved for the competence of the General Meeting, in accordance with the provisions of applicable legislation and the Bylaws, is the highest decision-making body and is responsible for the risks assumed by the Entity.

The Board of Directors of Cecabank is composed of the number of members appointed by the General Shareholders' Meeting, which, in accordance with the regulations applicable to capital companies, may not be less than 5 or more than 15. The General Shareholders' Meeting of 26 March 2019 set the number of members of the Board of Directors at twelve, of which seven are proprietary directors, four are independent directors and one is an executive director. Since then and throughout 2020, the structure of the Board of Directors has remained unchanged.

Furthermore, in compliance with the regulations governing capital companies and the regulation, supervision and solvency of credit institutions, Cecabank has set up four committees, namely the Audit Committee, the Appointments Committee, the Remuneration Committee and the Risk Committee, all of

[1] https://www.cecabank.es.sobre-nosotros/

which are made up of non-executive directors, in line with the provisions of the regulations for each of them, and with the functions set out in their respective operating regulations.

Full details on the composition, functions and operation of the General Meeting, the Board of Directors and the specialised Committees can be found in both the Articles of Association and their operating regulations, which are available in the "corporate information" section of Cecabank's corporate website[2].

In addition, Cecabank has a Management Committee which is responsible for deciding on matters submitted directly to it by the Board of Directors, or those matters submitted by the General Manager prior to their approval by the Board of Directors, as well as approving the rules of conduct and internal regulations of the entity which are not the responsibility of the Board of Directors. This Committee, made up of the entity's senior management, is chaired by the General Manager, with the Secretary General of the Board of Directors acting as Secretary of the Committee. However, its meetings may be attended, with the right to speak but not to vote, by other employees of the entity who are required by the Chairman of the Committee.

01C. Market environment and business strategy

One of the large transformations taking place in the global financial industry is the growing connection between sustainability, economic activity and financing.

This change process has a global roadmap: the Sustainable Development Goals (ODG), also known as Agenda 2030 and, with respect to the climate aspects, the Paris Agreement (COP-21).

Consensus around these objectives is permitting the transformation to accelerate.

The Spanish financial industry in general and Cecabank in particular have a vocation to contribute to economic and financial activities that are more sustainable and responsible and, therefore, the Bank's objectives and strategy includes the promotion and strengthening of our Sustainability Plan 2018-2020, the essential actions and efforts of which are:

- Increase public awareness of Sustainability.
- Seminars and debates with Stakeholders.
- Continue and encourage new actions under the Social Action Plan.
- Volunteer and Financial Education initiatives.
- Workplace initiatives such as the reduction of consumption and the promotion of healthy habits.
- The encouragement of training and outreach actions.
- Diversity Plan, participation in public initiatives, awareness-raising.
- Continuous improvement and comparison with listed companies in terms of corporate governance.
- Dissemination and monitoring of the Code and Corporate Conduct Channel.
- Improve transparency and the Framework for Reporting and Disclosure of Non-Financial Information.
- Supporting clients on sustainability-related issues.
- Participation in the Sustainable Finance Market.

[2] https://www.cecabank.es.sobre-nosotros/

Those defined objectives and strategies are the core of Cecabank's extra financial performance based on:

- **Cecabank Values:** Solvency, Integrity, Specialization, Innovation and Customer Service. For further information about our values and its corporate culture at Cecabank, click on the link on the corporate website[3].

- **Sustainability Plan:** Cecabank used a materiality study to present a plan to develop its relationship with stakeholders. The Sustainability Plan is defined as the lever for directly or indirectly strengthening the business, human and material resources and Cecabank's relationships with society.

- **Ethics and transparency:** Cecabank has a Corporate Code of Conduct which formalises the commitment of all its professionals to maintaining the highest standards of professional integrity and ethics. It also has in place control structures and procedures for the prevention of money laundering, a penal compliance system, an Internal Rules of Conduct for securities market activities, proprietary codes for the treasury room, as well as a Euribor protocol and code of conduct. For further information regarding these documents, click on the link to the corporate website.

- **Governance bodies:** lastly, in terms of corporate governance matters, Cecabank works in accordance with industry best practices and regulatory requirements. The Bank's website contains information on the most relevant corporate governance issues in the last year.

The wholesale approach of Cecabank's business determines the material aspects of the Sustainability Plan and defines its scope. This wholesale approach focuses on providing services to professional customers that engage in highly sophisticated business activities and features lasting relationships characterised by mutual trust. Within this context, sustainability criteria are included in Cecabank's business through:

- **The general control framework:** The organisational structure and the internal control mechanisms are geared towards guaranteeing that the Bank's activities are efficient and effective, that the information is reliable, timely and complete, and that the applicable laws are complied with. The general control framework is a coherent, balanced system, equipped with controls at all levels of responsibility.

- **The risk policy:** Cecabank's risk management philosophy is based on strict prudential criteria, in keeping with its commercial strategy, and ensures that the capital allocated to the various business units is used efficiently. The risk tolerance defined by the Board of Directors reflects a conservative strategy that seeks to conserve a medium-low risk profile; a strategy that is focused on safeguarding the quantity and quality of capital, with capital adequacy ratios clearly in excess of the regulatory minimum requirements; a strategy with respect to which it can reasonably be predicted that none of the risks identified will give rise to losses that cannot be assumed in the normal course of the Entity's operations. Further information on the Bank's risk policy can be obtained in the Governance Structure and Practices report in Cecabank's consolidated directors' report and in the Pillar 3 Prudential Relevance Report (PRR), both available on the corporate website[4].

The risk management structure and the reputational risk analysis system include certain aspects of social responsibility. Cecabank analyses the public information available in this area on its potential counterparties, such as the existence of a Sustainability Plan and, their organisational structure in this respect or whether they offer responsible products and services. This assessment is part of the non-financial analysis of attentional counterparties.

- A roadmap for environmental and climate risks has recently been started by first analyzing the materiality of these risks.

[3] https://www.cecabank.es/nuestros-valores/

[4] Información con Relevancia Prudencial (IRP) de Marzo 2019: https: //www.cecabank.es/wp content/uploads/2019/05/IRP.pdf

- **Service excellence:** Cecabank's customers are large entities, in the financial services industry in particular, who demand service of the highest quality. Cecabank therefore places emphasis on excellence in the performance of its day-to-day activities to which effect it has highly specialised professionals. This excellence is founded on special attention to human capital, prudent risk management and high technological capabilities.

02. Our customers

Customer Orientation is one of Cecabank's values: we are in permanent contact with our customers to detect their priorities and anticipate their needs.

For Cecabank it is fundamental to put the customer at the center and to generate good experiences in each and every interaction with them. Good satisfaction means that the products and/or services are meeting our customers' expectations. This results in customer loyalty and also in the possibility of attracting new users.

In this context, Cecabank provides services to more than 300 clients, including banks, asset managers, insurance companies, large corporations, fintech, venture capital firms and public administrations, extending the culture of customer focus and continuous improvement throughout the organisation.

Customer diversification is one of the objectives defined in Cecabank's Strategic Plan, which runs from 2017-2020 and whose extension until the end of 2021 was approved by the Board of Directors in the first quarter of 2020.

Diversification in Cecabank is approached from different business areas in order to maximise opportunities. Specifically, these include:

Business diversification

Cecabank's business model pursues precisely the diversification of revenues and customers, with three major business lines that are independent but complementary to each other. This model is designed to be resistant to economic cycles and this has been demonstrated over the last eight years, since Cecabank was created.

At the end of 2020, the contribution to gross income from the bank's 3 core business lines shows a diversified picture of service revenues:

- Securities Services: 44%
- Treasury: 29%
- Banking Services: 27%

Within each of these major business lines, an extensive range of services is developed with a high component of continuous innovation, trying to identify new products and services that may be of interest to current and potential customers.

Client diversification

As a complement to the Strategic Plan, commercial objectives are defined annually, including the number of new customers (customers who have not had any relationship with Cecabank in the last 3 years).

The commercial objectives are monitored centrally on a monthly basis by the Strategic Coordination team and their evolution is reported to the Management Committee and the Board of Directors on a quarterly basis and included in the periodic report of the Strategic Plan.

New customer acquisition in the period 2017 - 2020 has been very significant, reaching 174 new customers.

The breakdown by year is shown below:

	2017	2018	2019	2020
New customers	39	50	34	51

Segment diversification

Within the framework of segment diversification, we also monitor the distribution of customers and opportunities by segment, differentiating 4 major sectors of activity in which we distribute the customer portfolio:

- Associates: entities associated with CECA.
- Banks: both national and international.
- Investment managers, insurance companies and investment services companies (ESIs).
- Rest: including the public sector, corporates, fintechs and technology companies, among others.

On the other hand, our strategy also focuses on long-term agreements with our customers, with the aim of binding them strongly. This strategy is not only followed in the area of depository services (with agreements for periods of several years), but also in the area of banking services, especially in payment methods contracts, treasury and risk support platforms, technological outsourcing and electronic banking.

This strategy of long-term agreements has increased the contribution to results of the most recurrent revenues (fees and commissions) from 38% in 2012 to 70% in 2020, with a forecast of 76% in 2021.

Likewise, in the 2020 financial year, the development of the following three lines has been continued:

- Implementing and developing quality management systems in those areas where certification provides differential value.
- Measure and analyse the voice of the customer, converting customer information into key business support for decision-making.
- Establish improvement plans aimed at:
  - Improving the quality of our processes.
  - Improving the customer experience, as this is the basis for establishing long-lasting and trusting relationships with customers.

As a result of the progress made in these areas of work, the following improvements have been made:

- In 2020, the certification of the Collection and Payments Services was renewed (valid until January 2024) and the certifications of the Securities and Depositary Services, Reporting (Pyramid), and the Banking Training School were maintained, all under the criteria of the ISO 9001:2015 standard, as well as the certification of the Information Security Management system in accordance with the ISO 27001:2014 standard for SEPA debit and transfer services.
- In the four areas certified according to ISO 9001:2015, continuous improvement and the development of the principles of the standard beyond compliance with the requirements of the standard itself have been further developed.

- In the four certified areas, progress has been made in improving the quality management system by simplifying workflows and adopting agile methodologies.

- The certification of other certified management systems has been supported and maintained for the whole of Cecabank:

  a) Penal Compliance Management System certified in accordance with the standard UNE 19601:2017.

  b) Energy Management System certified according to ISO 50001:2018.

- Support was provided for Cecabank's compliance assessment with the SGE 21 standard for Ethical and Socially Responsible Management.

- Coordination was carried out to obtain the three "Madrid Guarantee" labels (Compliance Measures Label, Extraordinary Measures Label and Solidarity Action Label) for Cecabank for the measures adopted, the extraordinary commitment shown and the solidarity activity carried out to prevent and minimise the risks caused by COVID-19.

- The measurement of Cecabank's greenhouse gas (GHG) footprint has been systematised and optimised, with the measurement for 2019 verified by AENOR and in 2020 estimated and verified by external auditors.

- In collaboration with Talent Management, an “Employee Journey” has been developed and an employee experience measurement has been carried out, identifying areas for improvement and defining action plans.

- The supplier service quality assessment process has been revised to integrate it with the corporate approval and assessment processes.

- The development and implementation of the customer measurement model has been further developed, seeking to deepen the customer corridor defined and validated with our customers in order to achieve improvement plans perfectly suited to each Service.

The information obtained has been used as a tool for improving the different businesses through specific actions and the detection of needs.

The satisfaction index, the recommendation index and the willingness to continue trusting Cecabank for new solutions are shown below:

SATISFACTION Generally with Cecabank (Average 0-10)	NPS % Prescribers - % Detractors	LIKELIHOOD OF FURTHER HIRING % of customers scoring 8-10	
8.3	66%	79%	Figures 2019
8.3	65%	81%	Figures 2020

In addition, Cecabank has a Customer Service system in accordance with Order ECO/734/2004 of 11 March 2004 on Customer Service Departments or Services and the Customer Ombudsman for financial institutions. Only 2 complaints were received in 2020, none of which were accepted for processing as they did not fall within its remit.

It should also be noted that the services offered by Cecabank are largely based on a high level of sophisticated technological support that guarantees data privacy and business continuity. For this reason, the Bank voluntarily assumes the highest standards and all the recommendations on technological risk assessment (1CT) proposed by the EBA, including in its scope the risks of security, change, integrity, continuity and outsourcing, all of which are included in the risk management policy.

03. Management of people

03A. Our employees

With respect to the staff, one of the lines of action defined in Cecabank's Sustainability Plan is the responsible and sustainable management of human resources. Also, the various policies in relation to Cecabank's professionals establish the principles of equality, integration and non-discrimination in the workplace.

Cecabank has 470 employees in Spain and four in the foreign office network (1 employee in Frankfurt, 2 in London and 1 in Lisbon). In the report on the other indicators in the Non-Financial Information State relating to the section “Our employees”, the data relating to the employees at offices located outside of Spain have been excluded as they only represent 0.8% of Cecabank’s total employees.

Cecabank's 470 employees in Spain are distributed as follows:

Male		Female	
2019	2020	2019	2020
230	230	237	240

<30		30-50		>50	
2019	2020	2019	2020	2019	2020
4	2	310	300	153	168

	Level I	Level II	Level III	Level IV	Level V	level VI	Level VII	Level VIII		Level I	Level II	Level III	Level IV
Group 1													
Male	3	5	18	30	32	63	31	26	9	8	1	1	0
Women	-	3	9	17	26	56	44	54	16	7	4	4	0
Group 2													
Male	1	2	-	-	-	-	-	-	-	-	-	-	-
Women	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1: Group 2, consisting of 3 people not involved with financial duties, receive remuneration and have professional levels that are different from Group 1. For a comparison of the number of employees in relation to 2019, see Annex 1.

Note 2: It should be noted that the employees’ figure for 2019 and 2020 do not include the CEO of Cecabank due to the commercial nature of his relationship with the Entity or the two employees of the investee Trionis.

All Cecabank's employees have indefinite-term employment contracts and work full time except for some employees who have reduced working hours.

During 2020 there were seven exits, 4 dismissals and 2 voluntary leaves involving 2 women and a disengagement of a woman.

The 4 dismissals break down into three men and one woman. Of the men, one belongs to the professional group of level V and with an age range over 50 and the other two belong to level VI with an age range between 30 and 50 and one over 50. The woman belongs to the professional category of level VIII and is in the age range between 30 and 50.

During 2020, there have been 10 new employee registrations, seven women and three men. The data regarding the entry and exit of employees is set out below:

Auditions		Terminations	
2019	2020	2019	2020
4	10	7	7

The Human Resource Transformation Plan CRECE is one of the lines included in the 2017-2020 Strategic Plan and the new Internal Mobility Policy forms part of those lines.

This Policy seeks to underscore Cecabank's commitment to the growth and professional development of its employees and provide them with the possibility of learning new ways of working, acquire knowledge in different areas and strengthen their internal employability.

The internal Mobility Policy is intended to establish the basic principles and present the working procedure that will be followed in those cases in which, after the Resource Analysis and Planning process is carried out by the Human Resources Division, the conclusion is reached that personnel needs should be covered by the Bank's current personnel.

Accordingly, this Policy will allow:

- The establishment of common rules and criteria, known throughout the Bank.
- The creation of a professional development formula for employees.
- The strengthening the exchange of knowledge among departments.

The data relating to bank employee internal mobility are as follows:

Internal employee mobility	2019	2020
Internal mobility processes for Cecabank employees carried out	34	3

03B. Equality

In 2017, the modification of the Plan for Equality between women and men and reconciliation of work and family life was approved. In the following years, detailed studies have been carried out on equality (pay gap and awareness measures), work has been carried out on training actions on diversity for the entire workforce and an action plan has been established to obtain recognition in this area.

Since 2020, we have been working on updating the Equality Plan to bring it into line with current legislation.

The Equality Plan regulates the functions of the Equality Committee, establishes positive action measures and includes the improvements in measures for reconciling work and family life that have been agreed between the workers' representatives and the organisation. It also includes a Protocol to prevent any type of sexual harassment and discrimination based on sex. This Protocol has been modified in 2020 by the Labour Agreement for the implementation of the protocol for actions in the event of complaints of workplace harassment, sexual harassment and harassment based on sex in Cecabank. It is a labor agreement signed with the entire labor representation of the workforce and regulates, for the first time, workplace harassment.

The main objectives of the Equality Plan are the effective application of the principle of equality between women and men, the promotion of the presence of the under-represented sex in decision-making positions or functions, improving women's possibilities of access to positions of responsibility, the reduction of inequalities and the reconciliation of family, personal and working life. It also guarantees training plans that facilitate the equal development of skills and competences regardless of gender.

Indicator description	Indicator units	2019	2020
Total number of employees at Cecabank	Number	467	470
Percentage of women at Cecabank	Percentage (%)	50.74%	51.00%

Cecabank, due to the enrichment of its selection processes, has people with disabilities both in its workforce and in the selection of temporary employment agencies, thus obtaining the incorporation of 1 woman to the workforce and 5 people to provide temporary services through these agencies. Cecabank also collaborates with organisations that promote the inclusion of people with disabilities in the workplace.

03C. Training

Training at Cecabank is geared towards strengthening specialisation and the development of new skills by its employees, which is accredited by means of official certifications. We are promoting the transformation of the Bank through new ways of working, such as the implementation of different “agile” methodologies that put into practice personal and digital competencies.

In keeping with the Bank's objectives regarding ongoing improvement, the training is reviewed and adapted to ensure that those employed at Cecabank are prepared to respond to the needs of our customers and the market.

The Annual Development and Training Plan encompasses different knowledge areas, ranging from regulations and legislation, finance, IT and digital competencies to management and health and well-being.

Indicator description	Indicator units	2019	2020
% of employees with various types of university degree (engineers, graduates, diploma-holders)	Percentage (%)	78.00%	77.00%
Hours of training (employees' of Cecabank Spain)	Hours per employee	45 *hours	35 *hours
Investment in employee training in Spain	Euro per employee	€ 1,191	€ 916

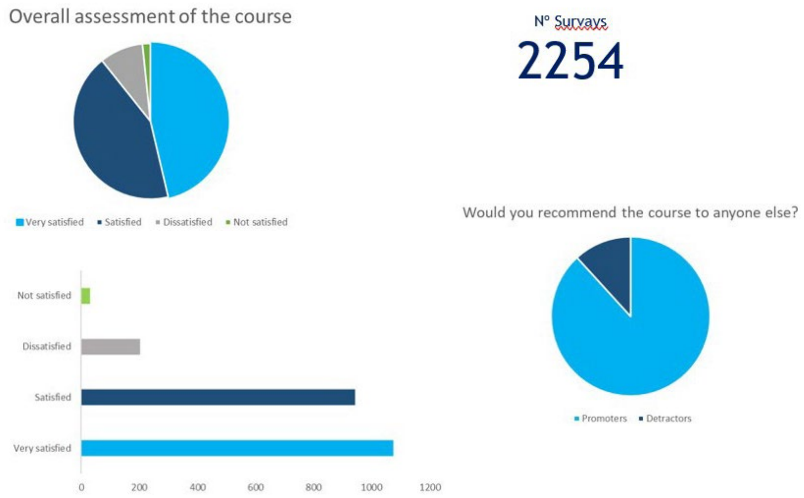
Note 3: Training hours in both 2019 and 2020 are based on employees who have received some training, even if it is the minimum mandatory training. For comparative data see Annex 2.

Throughout 2020 the entity has been forced to make changes to the original training and development plan in order to adapt to the general situation brought about by COVID-19. A significant investment was made to create new content to help employees cope with the circumstances, both in terms of technical knowledge of new tools and the acquisition of skills to cope in the digital environment, in order to maintain the level of quality to which our customers are accustomed. We also offered online content and live training via Teams, whose priority was to maintain the emotional health of the employees and help them through the difficult times they were going through.

The new Learning Cloud platform, which is available in a mobile version, has been a great help throughout this process. This tool is integrated with the training website, which records all the training activities carried out by the people who work at Cecabank. It also integrates all this activity into its curriculum and allows managers to view the courses requested by their teams where they are.

In this way, the training catalogue has been substantially strengthened in the areas of digital skills and competencies. In this line, the entity continues to work on the change towards microlearning content, which makes it more efficient for students to make the most of it and reduces the number of hours.

Our philosophy of promoting in-company specialisation programmes to the detriment of external Masters has proved successful, as it has allowed us to continue with our programming in digital format without the need to cancel training during confinement. Cecabank’s experience has shown that this approach means a greater adaptation of content to needs, a reduction in training hours and a better use of the budget, without reducing the quality of the programmes or the level of student satisfaction.



Below are the training hours by professional category according to agreement, which amounted to a total of 15,869 hours in 2020:

	Level I	Level II	Level III	Level IV	Level V	Level VI	Level VII	Level VIII	Level IX	Level X	Level XI	Level XII	Level XIII
Group 1	106	403	941	1839	2329	3322	2754	2082	1436	335	193	103	-
Group 2	5	21	-	-	-	-	-	-	-	-	-	-	-

The impact of COVID and the commitment to shorter and more interactive courses has been reflected in the reduction of training hours compared to 2019.

The context in 2020 has not allowed us to maintain the number of internship scholarships of previous years, having reduced them to seven students. Continuing with Cecabank's commitment to promote employment and internship training, the bank has updated many of its current agreements with universities and study centers.

03D. Remuneration

Cecabank has a remuneration policy which sets out among other elements the general principles of the remuneration system as well as its key characteristics, the particular requirements of each employee group and the governance model.

In order to calculate average remuneration, 100% of the fixed component for all employees was taken into consideration and the variable component was included for 95.78% of Cecabank's staff, consisting of the employees in Spain and abroad, based on data at the end of 2020. Specifically, the calculation does not include the variable remuneration paid to 20 employees working in the Treasury and Equity Sales Divisions in the Financial Area. Those employees have a specific variable remuneration system that could reach 200% of their fixed remuneration and which, in accordance with Prudential remuneration regulations, is subject to deferral, payments in nonpecuniary instruments, as well as malus and “claw back” clauses should certain events occur in accordance with the general remuneration policy at Cecabank.

The average salaries[5], by gender, age and professional level in accordance with the collective agreement is indicated below:

Average remuneration by gender	2019	2020
Male	€ 74,813	€ 73,621
Female	€ 62,075	€ 59,915

Average remuneration by age	2019	2020
<30	€ 35,653	€ 29,037
30-50	€ 67,019	€ 65,681
>50	€ 71,783	€ 68,655

Average remuneration by professional category	2019	2020
Level II	€ 159,524	€ 144.062
Level III	€ 131,627	€ 132.169
Level IV	€ 96,424	€ 88.680
Level V	€ 78,267	€ 75.820
Level VI	€ 63,523	€ 63.354
Level VII	€ 59,936	€ 57.150
Level VIII	€ 50,489	€ 48.405
Level IX	€ 46,409	€ 48.099
Level X	€ 42,331	€ 40.657
Level XI	€ 42,468	€ 33.667
Level XII	€ 25,528	€ 24.972
Level XIII	€ 26,185	-

Note 4: Persons assigned to Professional Group 2 for the purpose of calculating average remuneration have been integrated into Pay Level X.

As a complementary measure, Cecabank has calculated the pay gap taking into account not the average remuneration, but the median remuneration by gender, taking into account the fixed and variable components of all its employees, both in Spain and abroad.

Taking this variable into account, the gap would be 18.35%, the evolution data being presented in the following table:

Median remuneration-calculation taking into account employees and managers

Median remuneration	2019*	2020
Male	€ 67,304	€ 67,084
Female	€ 55,082	€ 54,776
Total mean	€ 61,003	€ 60,814
Gender Pay Gap	18.16%	18.35%

* The 2019 figures have been recalculated taking into account Senior Management.

There are 12 directors at Cecabank, of whom 9 are men and 3 are women. Cecabank's directors only receive income from the entity for attendance fees for both the Board of Directors and its committees and delegated commissions. The individual amount of the per diem is the same for all directors, so the total amounts received by each director depend exclusively on the number of meetings of the governing bodies attended.

In 2020, the average amount received by each director was 33,620.76 euros for men and 53,793.22 euros for women. In 2019, the amount was 28,250 euros for men and 50,333 euros for women.

[5] The average remuneration data for 2018 have been calculated following the same criteria and perimeter as for the calculation of the 2019 data in order to facilitate comparability between them.

With regard to Senior Management, Cecabank has 7 managers, of which 6 are men and 1 is a woman. The average remuneration received by each executive is 196 thousand euros in 2020. The breakdown by gender and the salary gap of senior management is not included, as this would entail the direct publication of any manager, which would violate the right to data protection. In 2019, the average remuneration received per executive was 279 thousand euros. The average amount of vested pension rights received in 2020 was EUR 424 thousand and EUR 340 thousand in 2019.

03E. Employee benefits

Cecabank offers its employees certain benefits to motivate and retain them and build on their loyalty. The main benefits that Cecabank offers its employees are: financial advantages, reconciliation measures (flexibility or additional leaves), group life insurance, group health insurance, nursery cheques and assistance for education and toys for the children of employees.

The per-employee investment for benefits by the Bank in 2020 is set out below:

Indicator description	Indicator units	2019	2020
Company investment in benefits per employee (includes fund contributions, help for nursery fees/study grants for employees' children/employee healthcare insurance)	EUR/employee	€ 3,694	€ 2,761

Since 2018 Cecabank has a flexible remuneration plan for its employees that allowed them to contract products and services affording tax benefits.

At present, the products available under the "Ckb.Flex" flexible remuneration plan are as follows:

- Nursery cheques.
- Training cheques.
- Transport card.
- Meal vouchers.
- Healthcare insurance for employee's spouse and children.

The Ckb.Flex plan has been widely accepted by staff, to such an extent that 56% of Cecabank's employees have contract at least one of the products offered.

A total of 589 products have been contracted and the most demanded are as follows:

- Health insurance for employee family members: contracted by 35% of employees.
- Transportation card: contracted by 13% of employees.

As a result of the impact of Covid-19, which has meant that the vast majority of Cecabank's staff members provide their services in the form of teleworking, in whole or in part, there has been a decrease in the use of both, the transportation card and meal vouchers.

03F. Reconciliation

As part of the Human Resources Plan associated with the 2017-2020 Strategic Plan, the Bank has supported the implementation of a flexitime and teleworking system. Both of these measures have been agreed upon with Cecabank's employee representatives and formalised through the signature of two labour agreements with all the trade unions with representation at Cecabank.

With the pandemic, more than 450 employees - 98% of the workforce - have been teleworking, distributing the necessary equipment for teleworking throughout 2020.

Moreover, the publication of the collective agreement for savings banks and financial institutions, which applies to Cecabank, is the first sectoral agreement to regulate teleworking conditions in accordance with the legal requirements established in Royal Decree-Law 28/2020 of 28 September on telecommuting.

As a complement, the sectoral collective agreement has also regulated the aspects and compensations derived from the telework situation during the COVID-19 period, as well as those services provided in the telework modality that do not meet the thresholds foreseen in Royal Decree-Law 28/2020.

Cecabank's work organisation is also based on the collective bargaining agreement for savings banks and financial institutions, improving conditions by contract and applying compensatory measures to employees with special working hours through more holidays and higher remuneration.

It should be noted that the new sectoral collective bargaining agreement includes new measures for reconciling work and personal life, with the following being agreed:

- Possibility of applying the reduction in working hours only to the afternoon of effective work in the general timetable in the case of care or legal guardianship of children under 12 or a disabled person who does not perform a paid activity.
- Enjoyment of 15 days' breastfeeding leave to be accumulated after maternity leave.
- Creation of paid leave of up to 3 months in the case of cases of gender violence involving a change of address.
- Computation of all leave (with the exception of marriage leave) in working days.

Although Cecabank does not have a specific disconnection-from-work policy, with the publication of the collective bargaining agreement for savings banks and financial institutions, the right to digital disconnection between 19:00 and 8:00 hours is regulated for the first time at sector level, except in situations of extreme urgency.

In 2020, 19 employees took parental leave, 13 of whom were men and 6 women. In 2019, 15 employees took parental leave, 8 men and 7 women.

03G. Prevention of occupational hazards

In accordance with applicable legislation, responsibility for the implementation, application and integration of the Occupational Risk Prevention System lies with the company's management. At Cecabank, the organisation of the resources necessary for the development of preventive activities has been designed in accordance with the External Prevention Service modality, which covers the preventive specialities of: Industrial Hygiene and Ergonomics and Applied Psychosociology, Occupational Medicine and Occupational Safety.

Cecabank has a Prevention Plan which establishes a set of rules and procedures through which the mechanisms for the management and integration of occupational risk prevention are developed, including the different actions in preventive matters, such as policy, objectives and goals, organisational structure of occupational risk prevention, responsibilities and functions within the organisation and monitoring and control at the level of integration.

The operational procedures included in the Prevention Plan include contracting procedures, material and human resources, contracts and subcontracts, information and training procedures, consultation and participation of workers, action in the event of an emergency, etc.

Cecabank, S.A. has contracted the speciality of Occupational Medicine with the External Prevention Service of QUIRON PREVENCIÓN, S.L.U., whose activities include monitoring the health of workers in relation to the risks derived from work, analyses, medical examinations and epidemiological studies of the results of health examinations in order to investigate and analyse the possible relationships between exposure to occupational risks and damage to health.

In addition, the company has a doctor, external personnel subcontracted by the External Prevention Service, located at the work center, where he carries out medical care work.

Accidents at work and occupational illnesses of employees are covered by MC Mutual, a mutual insurance company for accidents at work and occupational illnesses.

As part of the 2017-2020 Strategic Plan, Cecabank drew up the Ckbe-Well Plan, which includes a series of actions to promote healthy behaviors and habits aimed at improving the wellbeing of our employees. Since its inception, a physiotherapy service has been promoted to improve health through the prevention and treatment of work-related injuries, a nutrition and dietetics service for employees, back school courses, training in healthy eating, etc.

Cecabank also provides training and information for its employees, through its Training department, with courses on occupational hazards and preventive measures for all employees, data display screens, as well as training for intervention teams in firefighting and first aid measures.

During 2020, due to the COVID-19 pandemic, some of the scheduled face-to-face activities have been affected as the organisation has opted for and promoted, to a large extent, teleworking.

With regard to the Ckbe-Well Programme, it should be pointed out that, for the same reason, the programme has been interrupted in all face-to-face activities, although online activities have been maintained, such as back school courses, other training related to occupational risk prevention, as well as seminars focused on emotional wellbeing.

With regard to the medical examinations planned for 2020, only part of the planned examinations could be carried out. In 2021, the campaign will start again, and the entire workforce will be offered the check-up.

During this year, a series of specific procedures have been established for action against COVID-19 in our buildings, relating to protection measures, the use of epis, masks, protective screens, etc., distancing measures, access to buildings and other measures specific to our sector, which have been published on the intranet and are available to all employees.

The company's Prevention Service, together with the Medical Service and the Personnel Department, has carried out exhaustive monitoring of all cases of COVID in the company, putting into practice all the recommendations of the health authorities.

Cecabank, as a company that advocates health and safety, has arranged with a clinic to carry out a serology test on all employees who join the workplace in person.

In 2020, 100% of employees were represented on the Health and Safety Committee, a joint body that meets quarterly and is governed by the single Regulations of the Health and Safety Committee.

The percentage of employees covered by collective bargaining agreements in Spain and the hours of absenteeism recorded in 2019 and 2020 are shown below:

Indicator description	Indicator units	2019	2020
Percentage of employees covered by collective agreement in Spain (%)	Percentage (%)	100.00%	100.00%
Company absenteeism in hours	Hours	19,219	14,592

Note 5: In order to measure Cecabank's absenteeism hours, in accordance with the GRI 403-2 indicator, only the hours of absence due to COVID, illness and IT accidents were taken into account.

In 2020, there were no occupational illnesses among the workforce, and only two occupational accidents were recorded, both without sick leave (one male and one female).

As a result of these policies, we can highlight that the workforce has been retained as a way of retaining value and knowledge. The average length of service of the workforce, 18 years, is a reflection of this mutual commitment to permanence.

In terms of social dialogue, the company has a Works Committee with 17 members, representing 4 trade union sections that meet every two months; an Equality and Sexual Harassment Prevention Committee and a Control Committee.

04. Our suppliers

Cecabank has 104 non-resident suppliers and 591 Spanish suppliers, which represents 85% of the total volume of suppliers, resulting in a positive impact on the creation of employment and local development.

The suppliers are an essential link in the value chain of our products and/or services. Cecabank has a Corporate Purchasing Model the basic elements of which are:

- The Corporate Code of Conduct for relationships with suppliers and commercial partners.
- The supplier certification process.
- The “Supplier Selection” internal regulation, to ensure consistency in each provisioning process and the adequate assessment of the suppliers.
- The periodic reassessment and generation of revenue procedure: performance of service quality and level surveys and reassessment of certifications.
- The services and functions outsourcing policy.
- The custody function delegation policy.

Integrity is a central value inherent to the corporate culture at Cecabank. For this reason, the Code of Conduct for commercial relationships establishes the basic principles for building, in this environment, an integral, transparent, honest and productive institution: impartiality, competitiveness, transparency, confidentiality, equality and non- discrimination should be at the forefront of the supplier selection process. Cecabank undertakes to maintain a transparent, loyal and responsible relationship with its suppliers, set up channels of communication to ascertain their expectations and establish fair, stable and transparent trading conditions.

Cecabank implemented a supplier certification process for outsourced services, which it will gradually roll out across the entire supply chain. This certification process enables the Bank to ensure the application of all the principles listed above, measure the production, technical and financial capacity of the supplier, check that it shares the ethical, social and environmental values of Cecabank before including them in our supply chain and be an instrument for reputational and operational risk management.

Following these principles of action, in 2019 a specific organisational unit was created and in 2020 has continued to manage purchases and contracts, called Purchasing Centre, and a Director has been appointed to manage and launch an electronic platform for suppliers and contracted services, with the following objectives:

- General contact with suppliers for their selection, reporting requirements, certification, uploading of electronic invoices, etc.
- Selection of suppliers by competitive bid and the generation of RFPs to provide transparency, uniformity, objectivity and to obtain a higher number of bidders.
- Support for previously certified suppliers based on the nature of each service to be provided and subsequent regular execution by requesting suppliers to update the necessary support documentation, all automatically and systematically.
- Maintenance of a record of outsourced activities.
- Maintenance of a log of suppliers in the purchasing platform.
- Regular review of prices and renegotiation of those prices.
- Maintenance of a log of metadata concerning contracts so as to manage their useful lives, monitor compliance with service levels and outsourcing requirements, and the preparation of automatic reports for the authorities.
- Preparation of statistics and reports.

The details of the activity processed on the supplier platform as at 31 December 2020 are set out below:

Registered Suppliers	189
General Approvals	83
Service Approvals	47
Tenders	6
Registered Contracts	11

05. Social Matters

One of the specific areas of action defined in the Sustainability Plan is that of implementing a social action policy which is in line with Bank's characteristics and corporate objectives, based on the commitment of Cecabank's employees and fostering their pride in belonging to the Company.

The lines of action of the Social Action Policy are described below:

- **The "You Choose" programme** which allows employees to submit social, environmental or cultural projects and Cecabank finances those chosen in a voting process open to all the employees.
- In 2020, in the form of remote work during confinement, the sixth Edition of the "Tú Eliges" ("You Choose") programme was launched. Cecabank employees presented 21 projects (15 in the social category, 3 in the cultural category and 3 in the environmental category) and after the voting period, in which 76.55% of the workforce participated, the 14 finalist projects were selected, which Cecabank supported with a grant of 97,000 euros.

The finalist projects within the "You Choose" projects are presented below:

Categoría	Asociación beneficiaria	Importe
Social	The Foundation Bobath	€ 15,000.00
Social	San Francisco Catholic Mission Association	€ 13,000.00
Social	IDEA LIBRE; Children, Development, Aid	€ 10,000.00
Social	Integra Foundation	€ 7,500.00
Social	Makwebo Association	€ 7,500.00
Social	Ahuce Foundation	€ 7,500.00
Social	San Isidro Foundation for Rugby Education and Inclusion	€ 7,500.00
Social	Organisation Sound Architects	€ 5,000.00
Cultural	EUTHERPE Foundation	€ 5,000.00
Social	DEBRA Butterfly Skin Association	€ 5,000.00
Social	Asociación de Vecinos La Fraternidad de los Cármenes (Neighbourhood Association La Fraternidad de los Cármenes)	€ 5,000.00
Environmental	BRINZAL	€ 3,000.00
Social	Association of people affected by achromatopsia and blue cone monochromatism (ACROMATES).	€ 3,000.00
Social	Association for the prevention, reintegration and care of prostituted women (APRAMP)	€ 3,000.00
Total assistance		**€ 97,000.00**

In 2020, Cecabank received awards and distinctions from society, such as the Integra award, received from the Mayor of Madrid, as well as being a finalist in the Corral awards.

- **Humanitarian Emergencies,** whereby Cecabank launches a donation campaign to support those affected by humanitarian emergencies and matches employee contributions when donation campaigns are launched for humanitarian emergencies. As part of our Sustainability Plan, in 2018 we signed an agreement with the Spanish Emergency Committee6. The 6 NGOs that form part of the Emergency Committee [6]are (Acción contra el Hambre, UNHCR Spanish Committee, Médicos del Mundo, Oxfam Intermón, Plan International and World Vision). The main actions in humanitarian emergencies this year have been:

    a. **Hurricanes in Central America**: in December 2020, Cecabank responded to the international emergency call by urgently collaborating with the Emergency Committee and donating €3,000 to help the victims in Honduras, Guatemala and El Salvador to alleviate the serious consequences suffered by the populations of these countries following the recent hurricanes.

    b. **Red Cross Responde COVID 19 campaign**: in April 2020, the bank launched a campaign in support of the Red Cross Responde COVID 19 campaign in which Cecabank employees donated €33,566, which was matched by Cecabank with a further €33,566. The aid went directly to the Spanish Red Cross to support and care for people in Spain in a situation of vulnerability, seeking to respond to the needs of these people in terms of mainly health and social coverage.

- **Donations:** this year, 2020, we have been able to collaborate with the Sanders Foundation in the donation of 40 computers so that they can create spaces or computer classrooms to fight against the digital divide of the disadvantaged groups they serve, mainly young people at risk of exclusion.

    a. **Operation Kilo for the Food Bank:** through a website, Cecabank employees were able to make a solidarity purchase to help the most disadvantaged families in our community. This Cecabank solidarity project is aimed solely at the Madrid Food Bank and enables food to be distributed to the homeless, the elderly, children, the unemployed, etc. The Madrid Food Bank works with more than 550 charities in the Madrid region. Cecabank is no stranger to these needs and, through its alliance with the Madrid Food Bank, collaborates every year through this Christmas Operation Kilo. This year,

[6] https://www.comiteemergencia.org/

4,830 euros were collected from employees, the amount of which was doubled by the bank, bringing the final joint contribution to this campaign to 9,660 euros. This amount has been translated into more than 8,690 kilos of food distributed to the charities that need it most.

b. **Collaboration with Banco de Alimentos de Madrid:** since its inception, Cecabank has collaborated with this organisation by sponsoring the Cecabank Street at its headquarters in Colegio San Fernando and the Cecabank Avenue at its logistics centre. In 2020 and given our track record as a collaborating partner, Cecabank Street has been replaced by Cecabank Avenue and the Avenue has been converted into Cecabank Square with the consequent pride and satisfaction for our organisation for what this represents for both the Food Bank and for us. This year the collaboration of these sponsorships amounted to €11,500.

c. **Madre Coraje Clothes and Shoes Container:** In 2019 a container for the donation of clothes and shoes was placed at the bank's premises in the last quarter of the year. In 2020 and despite the pandemic, Cecabank employees have continued to collaborate and more than 500 kilos have been collected, far exceeding what was donated last year.

d. **According to data from the NGO,** this donated clothing has materialised in the shipment of food in Humanitarian Aid, impacting thousands of people.

e. **Computer classrooms sponsored by Cecabank:** in order to promote digitalisation, financial education and social inclusion, Cecabank, through its Sustainability and Stakeholder Relations department, sponsored the construction of two computer rooms in 2019 and 2020 and is in the process of building more rooms with the Sanders Foundation under an agreement with the Community of Madrid.

- The first computer room in the Royal Oratory of Caballero de Gracia is aimed at senior citizens, immigrants and the unemployed.

- The second computer classroom in the school of the Bobath Foundation, aimed at people with cerebral palsy to varying degrees, both children and adults.

Finally, it should be noted that no relevant risks have been detected in social issues.

06. Environmental issues

Cecabank's environmental impact is limited compared to other industries because it operates primarily in offices. It therefore does not have a specific policy for managing environmental matters. However, one of the lines of action defined in the Sustainability Plan is responsible and sustainable management of material resources, and specific initiatives are designed to be performed in this area such as, for example, the measurement of its carbon footprint. Cecabank also has a strategic line of action within its 2017-2020 Strategic Plan based on the Efficiency Plan, with measures aimed at reducing consumption, such as the replacement of current lighting with LED bulbs and thermal insulation of buildings, among others.

An example of this is the fact that in 2018 Cecabank took a further step forward in energy management and implemented an Energy Management System in accordance with the UNE/ISO 50001 standard, obtaining AENOR certification (GE-2018/0038) on 14 December 2018 for its corporate buildings at Calle Alcalá, 27, and Calle Caballero de Gracia, 28-30, where it carries on its activities. Important activities have been performed within this system at the Company, such as:

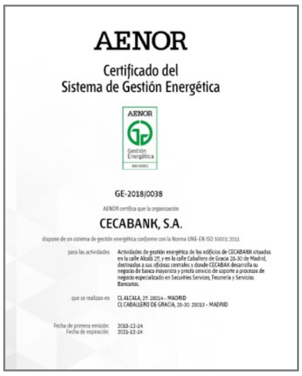
- The creation of a Bank Energy Policy.

- Training and awareness-raising among all staff, through the Energy Use Good Practices guide.

- Installation of consumption analysers to increase the number of indicators in the Corporate Management System.

- Implementation of a SMARKIA IT tool to monitor consumption and document the entire Energy Management System.


IQNet
THE INTERNATIONAL CERTIFICATION NETWORK
CERTIFICATE
AENOR has issued an IQNet recognized certificate that the organization:
CECABANK, S.A.
CL ALCALA, 27. 28014 - MADRID
CL CABALLERO DE GRACIA, 28-30. 28013 - MADRID
has implemented and maintains a
Energy Management System
for the following scope:
For the energy management activities of Cecabank's headquarter buildings located at 27 Alcalá str. And 28-30 Caballero de Gracia str in Madrid, where Cecabank develops its wholesale banking activity comprising financial and technological services specialised in Securities Services, Treasury and Banking Services
which fulfills the requirements of the following standard
ISO 50001:2011
First issued on: 2018-12-14 Validity date: 2021-12-14
This attestation is directly linked to the IQNet Partner's original certificate and shall not be used as a stand-alone document
Registration Number: ES-GE-2018/0038
AENOR


AENOR
Certificado del
Sistema de Gestión Energética
GE-2018/0038
AENOR certifica que la organización
CECABANK, S.A.
dispone de un sistema de gestión energética conforme con la Norma UNE-EN ISO 50001:2011
para las actividades: Actividades de gestión energética de los edificios de CECABANK situados en la calle Alcalá 27, y en la calle Caballero de Gracia 28-30 de Madrid, destinados a sus oficinas centrales y donde CECABAK desarrolla su negocio de banca mayorista y presta servicio de soporte a procesos de negocio especializado en Securities Services, Tesorería y Servicios Bancarios.
que se realizan en: CL ALCALA, 27. 28014 - MADRID
CL CABALLERO DE GRACIA, 28-30. 28013 - MADRID
Fecha de primera emisión: 2018-12-14
Fecha de expiración: 2021-12-14

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The changes in the main environmental indicators are as follows:

Building consumption		Year			
Alcalá,27 & C. Gracia, 28-30	**Measurement unit**	**2017**	**2018**	**2019**	**2020**
Energy (electricity)[7]	GJ	6,124	8,095	7,378	5,981
Energy (natural gas[8])	GJ	1,998	2,164	1,191	982
Paper (Ecological- Ecolabel)	Kg	37,800	27,310	23,900	9,600
Water	M3	4,907	3,766	3,994	2,062
Carbon footprint.	TonCO2	3,531	3,043	260,65	57,59

The 2019 carbon footprint certification, whose measures have been implemented in 2020, contemplated a significant reduction as a result of having obtained the certificate of Energy Supply with Certification of Origin (renewable) that applies to Cecabank's Data Processing Centres (DPC). Along the same lines, steps were also taken this year to ensure that the electricity supplies of the corporate buildings have energy certified at source, something that will be reflected in the Carbon Footprint certification for 2020. It also includes the planning and implementation of other measures and projects to contribute to a drastic reduction of the Carbon Footprint in the coming years. Regarding biodiversity protection, it is not considered material as Cecabank's activity is based on providing financial services and does not operate in protected areas.

In 2020, the reduction in electricity, gas and water consumption is largely identified by the situation experienced by COVID 19, which has led to the occupation of buildings being much lower than usual during the confinement and the last state of alarm approved by the Government. It should also be noted that the carbon footprint for 2019 has been recalculated given the use of the 2019 emission factors for the electricity mix of the retailers operating in Spain published by the Ministry for Ecological Transition for that year, as well as for the data corresponding to 2020.

The Bank is aware of our responsibility towards climate change and the importance of participating in the fight to reduce greenhouse gases. In this regard, Cecabank's objective is to know the impact it has on the

[7] The source for the conversion of the energy consumption of indirect emissions as a consequence of the Entity's electricity consumption is "Emission factors - Ministry for Ecological Transition".: www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf

[8] The source for the conversion of energy consumption of direct emissions from the Entity's natural gas consumption is "Emission factors - Ministry for Ecological Transition": www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf

environment. In 2020, the Footprint for 2019 was verified, and in 2019 Cecabank's Carbon Footprint for 2017 and 2018 was verified, obtaining the results shown in the table.

With regard to paper consumption, organisational efforts are made to reduce and rationalise the use of printing equipment, which has resulted in significant savings in printing toner and in the number of DinA4 packs consumed. This reduction has also been influenced by COVID 19 and its impact on the entire organisation.

The bank also tries to reduce its environmental impact through waste collection processes, differentiating between paper and cardboard, glass and hazardous waste, among others, which are collected by authorised external parties and taken to specialised plants. Cecabank generated the following waste in 2019 and 2020:

Waste generated by Cecabank, S.A.		Year	
Alcalá,27 & C. Gracia, 28-30	Measurement unit	2020	2019
Paper and cardboard	Tn	8.94	43.75
Mixed	Tn	8.52	17.82
Batteries	Tn	0.11	0.15
Hazardous waste	Tn	3.01	1.01
Total	Tn	20.54	62.73

Note 6: No data is reported for this indicator in 2018 due to the fact that this is the first year that Cecabank has made this measurement

In 2020, CPU equipment, servers, monitors, printers, racks and keyboards were removed from a warehouse owned by Cecabank. The reason for this was to free up space in the building and manage waste from broken and depreciated equipment, functional equipment that was replaced with new equipment and functional equipment that had fallen into disuse. Hence the increase in waste.

As far as food waste is concerned, it is considered non-material due to Cecabank's activity. Food and canteen waste are properly managed and is not relevant compared to the rest of the waste generated.

Lastly, mention should be made of the main international sustainability and environmental initiatives in which Cecabank is involved:

- **United Nations Global Compact (through the Spanish Global Compact Network):** In 2020, in addition to the commitment to the Global Compact and its 10 principles, work has continued to disseminate the 17 United Nations Sustainable Development Goals, as well as pursuing a global compact to end the pandemic and promote sustainable economic recovery.

- **Cecabank joined the "Business Leaders' Declaration for a Renewed Global Partnership**" at the invitation of Sanda Ojiambo, who in June 2020 was appointed by the UN Secretary-General as the new Executive Director of the Global Compact.

- On the occasion of the United Nations Climate Change Conference (COP25), held in Madrid in December 2019, Cecabank, along with 95 per cent of the financial sector, presented its commitment to proceed within a specific timeframe to reduce the carbon footprint of its credit portfolios, in a way that can be measured with internationally approved criteria and in line with the objectives of the Paris Agreement, aligning itself with **the "Collective Commitment to Climate Action"** promoted by UNEP FI.

- This summer 2020, Cecabank has joined the **Green Recovery Alliance**, an initiative promoted by Pascal Canfin, chairman of the European Parliament's Environment Committee, which seeks a global pact to put an end to the pandemic and promote sustainable economic recovery.

07. Human rights matters

With regard to Human Rights, given the nature and activity of Cecabank, and the countries in which it operates, no significant impact is generated in this area and no relevant risks are detected. The organisational structure and internal control mechanisms ensure that the Bank's activities are efficient and effective, that information is reliable, timely and complete, and that it complies with applicable laws.

In addition, Cecabank joined the Global Compact in February 2017 and in 2020 has continued to work towards the dissemination of its ten principles, based on human rights, labour, environmental and anti-corruption. Cecabank is also very aware of the United Nations' 17 SDGs and, through CECA, we support the UNEP FI's Principles for Responsible Banking.

This year 2020, training pills were sent to all employees on the 10 Principles of the Global Compact and the Sustainable Development Goals, bringing sustainability closer to the entire company.

On the other hand, the Corporate Code of Conduct ensures compliance with and defence of Human Rights and makes the Corporate Conduct Channel available to employees to report any type of violation of the same. In 2020, no complaints regarding Human Rights or any other type were received through the channel or other means.

The Penal Compliance Policy, which was approved by the entity's Board of Directors, and the reputational reports made to stakeholders also ensure compliance with legislation, due diligence and the non-violation of human rights.

08. Anti-corruption and anti-bribery information

Cecabank imposes ethical behavior requirements on itself in order to prevent criminal risk as far as possible for legal entities. To this end, it has various instruments in place to promote exemplary conduct as an entity:

- Penal risk organisation and management system. The system has been certified by AENOR in accordance with the UNE 19601 Penal Compliance Standard.
- The backbone document of the penal risk organisation and management system.
- Corporate Code of Conduct, which formalises the commitment of all the professionals who provide their services in the Bank to the highest standards of integrity. The Code has a monitoring channel for complaints and enquiries. Complaints are treated confidentially.
- Money laundering and terrorist financing prevention procedures and control structure.
- Internal rules of conduct in the securities market area.
- Policies for the provision of investment services or MiFID policies. These policies encompass, inter alia, commercial policies (Marketing Manual), policies relating to the execution of customer orders (Best Order Execution Policy), policies relating to the safeguarding of customer assets (Asset Safeguarding Policy) and policies relating to the records that the Bank must necessarily keep in connection with the provision of investment services (Record Keeping Policy). The main objective of these policies is the proper compliance by the Bank with the rules of conduct and organisational requirements relating to the provision of investment services.

Indicator description	Indicator units	2019	2020
Actions (corrective, improvements, preventive) in progress arising from the Compliance system	Number of shares	6	15
Internal Audit recommendations regarding the system	Number of recommendations	2	0

The Bank has computer systems that enable it to analyse its own and intermediated operations in order to detect possible transactions linked to money laundering and the financing of terrorism. To this end, checks are carried out against lists of financial sanctions, and there are specific scenarios for detecting suspicious transactions. In addition, there are tools and processes that allow for an exhaustive knowledge of the customer and monitoring of the customer relationship.

The organisational structure and internal control mechanisms are aimed at ensuring that the Bank's activities are efficient and effective, that information is reliable, timely and complete and that it complies with applicable laws. There are specific risk management and control units with comprehensive and uniform scopes of action, a decentralised structure, but with relations between the risk management units guided by the principles of coordination, cooperation and reciprocal information and by the existence of three levels of control.

Indicator description	Indicator units	2019	2020
Operations assessed for risks related to corruption	Number of transactions	12,480	11,934
Confirmed incidents of corruption and actions taken	Number of cases	-	-

09. Tax and accounting information

CECA achieved a consolidated Profit Before Tax (taking into account Madrid, the representative offices in Frankfurt and Paris, the branches in London and Lisbon and the company in Belgium) in 2020 of EUR 74,394thousand and EUR 62,851 thousand in 2019. The BAI for 2020 and 2019 broken down by country was:

	2019	2020
Spain	65,166	75,349
Belgium	(206)	23
London	(1,665)	(604)
Lisbon	(444)	(374)

Regarding the amounts of taxes paid in 2020, they amount to EUR 10,247 thousand (EUR 4,973 thousand in 2019).

Cecabank has not received any public subsidies in the year ended 31 December 2020.

Appendix 1: Comparison of the number of employees by professional category in 2019 and 2020

	Level I		Level II		Level III		Level IV		Level V		Level VI		Level VII		Level VIII		Level IX		Level X		Level XI		Level XII		Level XIII	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Group 1																										
Male	3	3	5	5	18	16	30	30	32	32	63	64	31	26	26	30	9	8	8	7	1	3	1	1	-	1
Female	-	-	3	4	9	8	17	15	26	25	56	55	44	42	54	55	16	20	7	7	4	4	4		-	2
Group 2																										
Male	1	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		4	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix 2: Comparison of training hours in 2019 and 2020

	Level I		Level II		Level III		Level IV		Level V		Level VI		Level VII		Level VIII		Level IX		Level X		Level XI		Level XII		Level XIII	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Group 1	106	106	403	900	941	1513	1839	2131	2329	3498	3322	4833	2754	2844	2082	3096	1436	1093	335	505	193	262	103	100	-	74
Group 2	5		21		-	-	-	-	-	-	-	-	-	-	-	-	-	-		88	-	-	-	-	-	-

Appendix 3: Table of compliance with Law 11/2018 (28 December)

The following table provide details regarding which section of this Non-Financial Information Statement responds to the requirements of Law 11/2018 and identifies the reporting standard that has been used in this respect.

Content of law 11/2018 NFIS	Chapter of the non-financial information statement presenting the information	Associated GRI indicator
Business model		
Strategic lines and business model	01A. Our business model	GRI 102-1 GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-6
Organisation and structure	01B. Cecabank's Profile	
Markets in which it operates	01B. Cecabank's Profile	
Objectives and strategies	01B. Cecabank's Profile 01C. Market environment and business strategy	
Main factors and trends that may affect future development	01C. Market environment and business strategy	
Policies	Details are provided in each of the sections in this report, depending on the topic.	GRI 103 - Management approach in each material matter
Main risks	Details are provided in each of the sections in this report, depending on the topic.	GRI 102-15
Environmental issues		
Global		
Effects of the organization's activities on the environment and health and safety, environmental evaluation or certification procedures;	06. Environmental issues	GRI 102-15 GRI 102-29 GRI 102-30 GRI 102-31
Precautionary principle, the amount of provisions and guarantees for environmental risks.	06. Environmental issues	GRI 102-11 GRI 103-2
Resources dedicated to preventing environmental risks	06. Environmental issues	GRI 102-29
Pollution		
Measures to prevent, reduce or repair carbon emissions that seriously affect the environment; taking into account any specific atmospheric pollution from a business, including noise and light contamination.	06. Environmental issues	GRI 103-2 GRI 301-1 GRI 302-1 GRI 302-4 GRI 302-5 GRI 305-5
Circular economy and waste prevention and management		
Circular economy, prevention measures, recycling, reuse, other forms of recovery and elimination of waste.	06. Environmental issues	GRI 103-2 GRI 301-1 GRI 302-1 GRI 306-2
Actions to fight food waste.	06. Environmental issues	Not material/GRI 103 - Food waste
Sustainable use of resources		
Water consumption and supply in accordance with local limitations	06. Environmental issues	GRI 303-1
Consumption of raw materials and the measures adopted to improve their efficient use	06. Environmental issues	GRI 103-2 GRI 301-1
Energy: Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energies	06. Environmental issues	GRI 103-2 GRI 302-1 GRI 302-4
Climate change		
Greenhouse gas emissions.	06. Environmental issues	GRI 305-1 GRI 305-2
Measures taken to adapt to the	06. Environmental issues	GRI 305-5

Content of law 11/2018 NFIS	Chapter of the non-financial information statement presenting the information	Associated GRI indicator
consequences of climate change		
Medium- and long-term voluntary targets to reduce greenhouse gas emissions and measures implemented to that end.	06. Environmental issues	GRI 103-2
Protection of biodiversity		
Measures taken to preserve or restore biodiversity	06. Environmental issues	Not material/GRI 103 - Biodiversity
Impacts caused by activities or operations in protected areas	06. Environmental issues	
Social and employee information		
Employment		
Total number and distribution of employees by gender, age, country and professional Level.	03A. Our employees	GRI 102-8
Total number and distribution of types of employment contracts	03A. Our employees	GRI 102-8
Annual average of indefinite contracts, temporary contracts and part-time contracts, by gender, age and professional Level.	03A. Our employees	GRI 102-8
Number of dismissals by gender, age and professional Level	03A. Our employees	GRI 401-1
Average compensation and remuneration development broken down by gender, age and professional Level, or an equivalent value	03D. Remuneration 03E. Employee benefits	GRI 405-2
Salary Gap, remuneration for identical job positions or average positions at the company.	03D. Remuneration	GRI 405-2
The average compensation for directors and executives, including	03D. Remuneration	GRI 102-35
variable compensation per diems, severance payments, payments into long-term retirement savings systems and any other amount broken down by gender		GRI 102-36
Implementation of work disconnect policies	03F. Reconciliation	GRI 103-2 (employment)
Employees with disabilities	03B. Equality	GRI 405-1
Organisation of working time		
Organization of working time	03F. Reconciliation	GRI 103-2
Absenteeism in hours	03G. Prevention of Occupational Hazards	GRI 403-2
Measures intended to facilitate the reconciliation and encouragement of co-parenting responsibilities	03E. Employee benefits 03F. Reconciliation	GRI 103-2 GRI 401-3
Health and safety		
Occupational health and safety conditions	03G. Prevention of Occupational Hazards	GRI 103-2 (health and safety)
Occupational accidents (frequency and seriousness) disaggregated by sex.	03G. Prevention of Occupational Hazards	GRI 403-2
Occupational illnesses (frequency and seriousness) disaggregated by sex.	03G. Prevention of Occupational Hazards	GRI 403-2
Labour relations		
Organization of social dialog, including procedures to inform and consult employees and to negotiate with them	03G. Prevention of Occupational Hazards	GRI 103-2 (employee-employer relations) GRI 102-43 GRI 403-1
Percentage of employees covered by collective bargaining by country	03G. Prevention of Occupational Hazards	GRI 102-41
Balance of collective bargaining agreements, particularly in the area of	03G. Prevention of Occupational Hazards	GRI 403-1

Content of law 11/2018 NFIS	Chapter of the non-financial information statement presenting the information	Associated GRI indicator
Occupational Health and Safety		
Training		
Training policies implemented	03C. Training	GRI 103-2 (training and education)
Total number of training hours by professional Level	03C. Training	GRI 404-1
Universal accessibility of disabled persons	03C. Training	GRI 103-2 (Diversity and equal opportunities / non-discrimination)
Equality		
Measures adopted to promote equal treatment and opportunities for men and women	03B. Equality	GRI 103-2 (Diversity and equal opportunities)
Equality plans, measures adopted to promote employment, protocols to fight against sexual harassment and gender discrimination, the integration	03B. Equality	GRI 103-2 (Diversity and equal opportunities / non-discrimination)
and universal accessibility of disabled persons		
Non-discrimination policy and any diversity management	03A. Our employees 03B. Equality	GRI 103-2 (Diversity and equal opportunities / non-discrimination)
Human rights		
Application of due diligence procedures in human rights matters.	07. Human rights matters	GRI 103-2 (human rights assessment)
Prevention of human rights violation risks and measures to mitigate, manage and repair any abuses.	07. Human rights matters	GRI 103-2 (human rights assessment)
Reports of human rights violations	07. Human rights matters	GRI 102-16 GRI 102-17 GRI 406-1
Promotion and compliance with the provisions of the fundamental Conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labour; the effective abolition of child labour.	07. Human rights matters	GRI 103-2 (non-discrimination; freedom of association and collective bargaining; child labour; forced or compulsory labour and human rights)
Corruption and bribery		
Measures adopted to prevent corruption and bribery	08. Anti-corruption and anti-bribery information	GRI 103-2 (anti-corruption) GRI 205-1 GRI 205-3
Measures to fight against money laundering	08. Anti-corruption and anti-bribery information	GRI 103-2 (anti-corruption)
Contributions to foundations and non-profit organizations.	05. Social matters	GRI 103-2 (anti-corruption) GRI 413-1
Company		
THE COMPANY'S COMMITMENT TO SUSTAINABLE DEVELOPMENT		
Impact of the organization's activities on employment and local development, local populations and territories	05. Social matters	GRI 413-1
Relationships and types of dialog with members of local communities	05. Social matters	GRI 102-43 GRI 413-1
Association or sponsorship actions	05. Social matters	GRI 102-13
SUBCONTRACTING AND SUPPLIERS		
The inclusion in the purchasing policy of social, gender equality and environmental issues	04. Our suppliers	GRI 103-3 (supplier environmental and social assessment)
Consideration of social and environmental responsibility in	04. Our suppliers	GRI 102-9

Content of law 11/2018 NFIS	Chapter of the non-financial information statement presenting the information	Associated GRI indicator
Relationships with suppliers and subcontractors		
Supervision and audit systems and their results	04. Our suppliers	GRI 308-1 GRI 414-2
Consumers		
Measures for consumer health and safety	02. Our customers	GRI 103-2 (customer health and safety)
Claims systems, complaints received and their resolution	02. Our customers	GRI 103-2 (customer health and safety)
Tax information		
Profit/loss by country	09. Tax and accounting information	103.- Financial performance GRI 201-1
Corporate income tax paid	09. Tax and accounting information	GRI 201-1
Official subsidies received	09. Tax and accounting information	GRI 201-4

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ANNUAL ACCOUNTS

Cecabank, S.A. and subsidiaries composing the Cecabank Group

Independent Auditor's Report on Consolidated Financial Statements

Consolidated Statements

Annual report

Director's report

- Appendix, Non-financial information

Formulation of the Annual Accounts

Authorisation for issue of the consolidated financial statements and directors' report

Certificate* to attest that the Board of Directors of Cecabank, S.A., at the meeting held on 18 February 2021, authorised for issue the consolidated Financial Statements and Directors' Report of Cecabank, S.A. and subsidiaries composing the Cecabank Group for 2020, which documents were transcribed, including this certificate, on the obverse of 168 sheets of officially stamped paper, signed below by all the members of the Board of Directors of Cecabank, S.A.

* This Diligence consists of 12 correlative pages, each signed by a Director. Diligence 1 /12 - Mr. Azuaga

Madrid, 18 February 2021

Mr. Manuel Azuaga Moreno

Non-executive chairman

Authorisation for issue of the consolidated financial statements and directors' report

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Madrid, 18 February 2021

D. José María Méndez Alvarez-Cedrón

Board Member - CEO

Authorisation for issue of the consolidated financial statements and directors' report

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Madrid, 18 February 2021

D. Francisco Botas Ratera

Board Member

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Madrid, 18 February 2021

D. Santiago Carbó

Valverde Board Member

Authorisation for issue of the consolidated financial statements and directors' report

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Madrid, 18 February 2021

D. Francisco Javier García Lurueña

Board Member

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Madrid, 18 February 2021

Dª. María del Mar Sarro Álvarez

Board Member

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Madrid, 18 February 2021

D. Víctor Manuel Iglesias Ruiz

Board Member

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Madrid, 18 February 2021

Dª. Carmen Motellón García

Board Member

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Madrid, 18 February 2021

D. Antonio Ortega Parra

Board Member

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Madrid, 18 February 2021

D. Javier Pano Riera

Board Member

Authorisation for issue of the consolidated financial statements and directors' report

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Madrid, 18 February 2021

D. Jesús Ruano Mochales

Board Member

Authorisation for issue of the consolidated financial statements and directors' report

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*This Diligence consists of 12 correlative pages, each signed by a Director. Diligence 12 /12 - Sra. Salaverría

Madrid, 18 February 2021

Dª. Julia Salaverría Monfort

Board Member

Diligence issued by the Secretary of the Board, Mr Fernando Conlledo Lantero, to record that the Board of Directors of Cecabank S.A., at its meeting held on 18 February 2021, prepared the consolidated annual accounts (balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes) and the consolidated management report for the year ended 31 December 2020, which were signed by all the directors, except for Mr Francisco Javier García Lurueña and Mr Víctor Manuel Iglesias Ruiz, who were unable to attend the meeting due to other professional commitments, and consequently did not sign the aforementioned accounts.

For the record, I hereby issue this document in Madrid, on 18 February 2021.

Fernando Conlledo Lantero

Secretary of the Board of Directors of Cecabank, S.A.