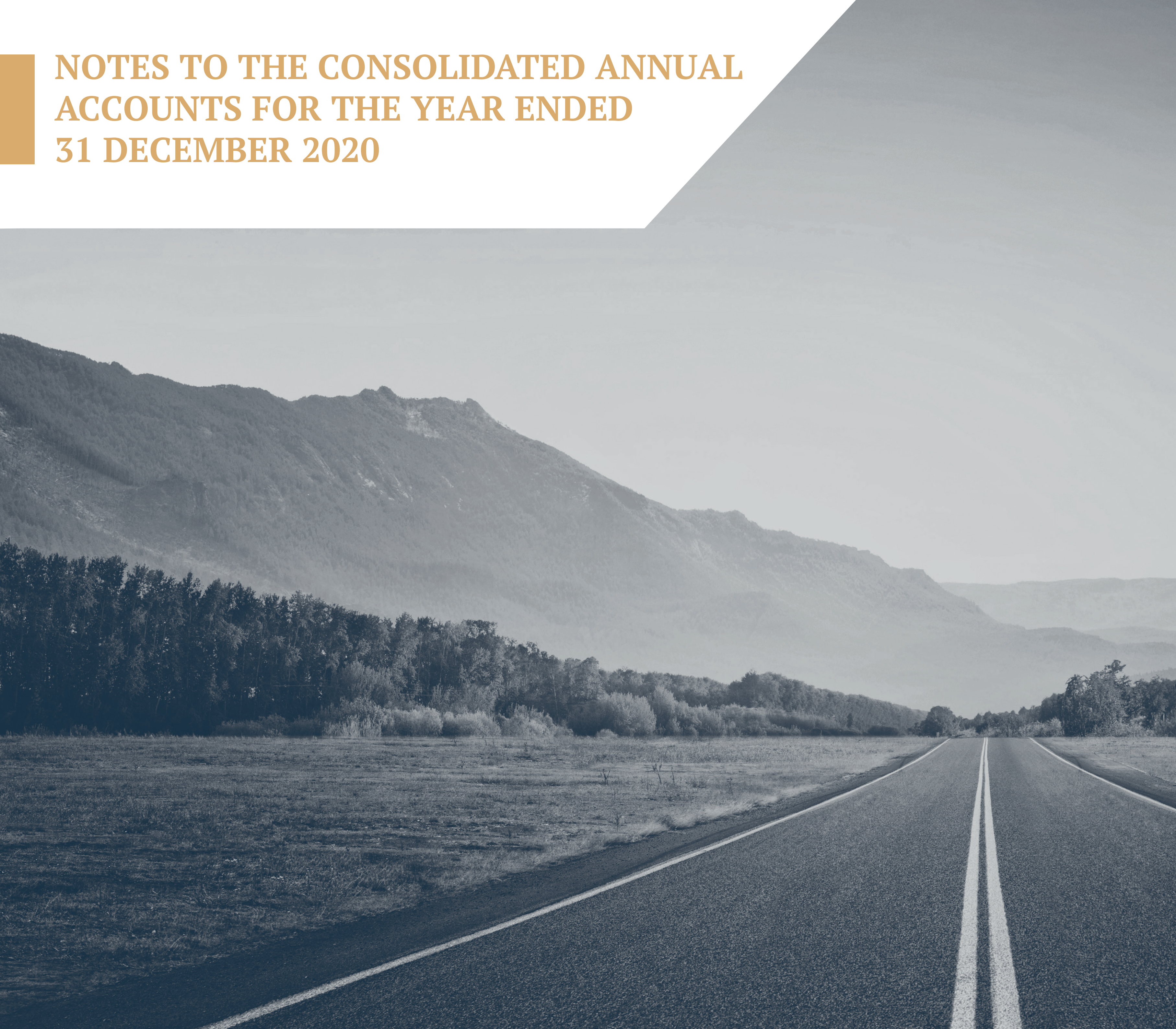
CONSOLIDATED ANNUAL ACCOUNTS 2020

Banco Caminos
BANCO PRIVADO

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020



1. GENERAL INFORMATION

1.1 Nature and activities of the Parent

Banco Caminos, S.A. (hereinafter the “Entity”, the “Bank” or the “Parent”) is a credit institution that was incorporated on 2 February 1977 under the name Caja de Crédito del Colegio de Ingenieros de Caminos, Canales y Puertos Sociedad Cooperativa. On 18 June 1990 it changed its name to Caja Caminos, Sociedad Cooperativa de Crédito, as agreed at the Ordinary and Extraordinary General Assembly.

At the Entity’s Extraordinary General Assembly held on 29 June 2007, the following items were approved:

- The conversion of Caja Caminos, Sociedad Cooperativa de Crédito from a credit cooperative (*Sociedad Cooperativa de Crédito*) into a corporation (*Sociedad Anónima*), in this case a bank, whereupon it would adopt the name of Banco Caminos, S.A. and its articles of association would be completely amended.

- An increase in the Entity’s share capital by 141,584 shares, as follows:

RECIPIENTS	Shares
All shareholders	33,370
Holders of Series C shares	79,898
Personnel and directors	28,316
Total	**141,584**

- Relocation of the Entity's registered office to Calle Almagro no. 8, in Madrid.

The shares were issued at a par value of Euros 60.11 each and with a share premium of Euros 120.22 per share, representing a capital increase of Euros 8,511 thousand and a share premium of Euros 17,021 thousand. The subscription period for the capital increase ran from 15 July 2007 to 15 October 2007, the latter date being the payment date.

The capital increase was executed in a public deed on 15 October 2007, and was subscribed and fully paid up. Following this capital increase, the Entity's share capital stood at Euros 21,132 thousand, represented by 351,553 shares.

The agreements described above were executed in a public deed on 8 February 2008, wherein the following information was placed on record:

- The conversion of Caja Caminos, Sociedad Cooperativa de Crédito from a credit cooperative into a corporation (specifically, a bank) did not affect its legal status.

- Share capital was subscribed and fully paid up and former shares had been duly cancelled. The Entity's shareholders received one new share for each old share they previously held. To maintain the same proportion, the Entity's share capital, as of the aforementioned date, was represented by 351,533 registered shares of Euros 60.11 par value each.

- The Entity's equity-capital was sufficient to maintain its capital adequacy ratio.

- The conversion agreement was authorised by the Directorate General of the Treasury and Financial Policy on 30 November 2007.

- The mandatory reserve fund of Euros 7,250 thousand (as per the balance sheets approved at 28 June 2007 and 7 February 2008) was transferred to the cooperative "Almagro Sociedad Cooperativa de Consumidores y Usuarios" as approved at the aforementioned Extraordinary General Assembly (see note 21.1).

Caja Caminos, Sociedad Cooperativa de Crédito was officially removed from the Register of Credit Cooperatives on 25 February 2008, under number 1429-SMT, given that the Entity was converted into a corporation named Banco Caminos, S.A.

On 10 March 2008, following the filing of the related public deed at the Mercantile Registry, Banco Caminos, S.A. was officially entered on the Register of Banks and Bankers under code 0234 and tax identification number A28520666.

Subsequently, in 2009, 2010, and 2011, the changes described in note 21.1 were made to the Entity's share capital.

On 13 December 2019 the merger of Gefonsa, S.V., S.A.U. with and into Banco Caminos S.A., in accordance with Law 3/2009 of 3 April 2009, and as authorised by the Ministry of Economy and Business on 29 November 2019, was registered. Gefonsa, S.V., S.A.U. was thus extinguished but not liquidated, and its assets and liabilities were transferred en bloc to Banco Caminos, S.A., which therefore acquired by universal succession all of the rights and obligations of the absorbed company. The merger was effective for accounting purposes as of 1 January 2019 (see note 15).

As a result of the merger, the articles of association of Banco Caminos were amended to include the provision of investment services and activities, and the rendering of ancillary services, as envisaged in the Securities Market Law and the related implementing legislation.

The standard and regular business activity of the Bank is to receive funds from the public in the form of deposits, loans, financial assets temporarily transferred under repurchase agreements or other similar instruments that entail repayment obligations, and uses such funds to grant loans, credit facilities and other similar operations to serve the financial needs of customers. Thus, it may carry out all types of asset, liability and service transactions that credit institutions are entitled to perform. Although the Entity primarily conducts its operations throughout Spain, it may also perform abroad such operations as are legally permitted.

The Entity's registered office is at Calle Almagro no. 8, in Madrid, and it conducts its business through two branches in Madrid and one in Barcelona, employing 176 people (181 people in 2019).

At 31 December 2020 and 2019, the Bank was subject to the same general regulations as those governing the activity of credit institutions.

The Entity operates under the name of Banco Caminos, S.A. and is governed by the articles of association approved at the Extraordinary General Assembly of 29 June 2007, and subsequent amendments thereto, and by the Spanish Companies Act and other applicable legal provisions.

The Entity is subject to legislation regulating the following matters, among others:

- Maintenance of a minimum level of funds at the national central bank of a Euro country to cover the minimum reserve ratio.

- Maintenance of a minimum level of capital. The legislation basically stipulates the obligation to maintain sufficient capital to cover the risks assumed. Compliance with the capital adequacy ratio is at consolidated level.

- Annual contribution to the Deposit Guarantee Fund, which serves as an additional guarantee to creditors, aside from the Entity's capital, to cover customer deposits up to Euros 100,000.

- Contribution to the Single Resolution Fund stipulated in Law 11/2015 of 18 June 2015 and its implementing legislation, namely Royal Decree 1012/2015 of 6 November 2015, which transposes into Spanish law Directive 2014/59/EU of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms.

These consolidated annual accounts were authorised for issue by the board of directors of the Bank, Parent of the Group, at the meeting held on 29 March 2021 and have been signed by the directors on the last page hereof. The consolidated annual accounts are pending approval by the shareholders at their general meeting and are expected to be approved without significant changes. The consolidated annual accounts for 2019 were approved by the shareholders at their general meeting held on 30 June 2020.

1.2. Consolidated Group

The Banco Caminos Group (hereinafter the "Group") comprises Banco Caminos, S.A. and its subgroups, which together form a Group as defined in the current legal provisions.

Details of the companies that form the consolidated Group at 31 December 2020, indicating their registered office address, their activity and the percentage ownership held, are as follows:

Subsidiaries and associates of Banco Caminos, S.A.

Company	Registered office	Activity	Percentage ownership Direct	Percentage ownership Indirect	Auditor
Bancofar, S.A.	C/ Fortuny, 51. Madrid	Entidad de crédito	82,99%	-	KPMG
Corporación Banco Caminos, S.L.U.	C/ Almagro, 8. Madrid	Adquisición y tenencia de activos	100,00%	-	KPMG
FAM Caminos, S.A. (*)	C/ Almagro, 42	Mediador de Seguros Vinculado	-	80,00%	Eudita AH Auditores 1986
Gabinete de Estudio y Gestión Jurídica, S.A. (*)	C/ Almagro, 8. Madrid	Adquisición, administración y venta de activos	64,76%	35,24%	Eudita AH Auditores 1986
Gespensión Caminos, E.G.F.P., S.A.U. (*)	C/ Fernando el Santo, 3. Madrid	Gestión de Fondos de Pensiones	-	100,00%	Eudita AH Auditores 1986
Gestifonsa, S.G.I.I.C., S.A.U. (*)	C/ Almagro, 8. Madrid	Gestión de instituciones de inversión colectiva	-	100,00%	Eudita AH Auditores 1986
Maxlan, S.A.U.	C/ Almagro, 8. Madrid	Promoción, gestión, compra y venta de terrenos	100,00%	-	Eudita AH Auditores 1986
Servifonsa, A.I.E. (*)	C/ Almagro, 8. Madrid	Servicios administrativos, financieros y contables	87,27%	12,73%	KPMG Auditores S.L.
Sistemcam, S.A.U. (*)	C/ Almagro, 8. Madrid	Servicios informáticos	-	100,00%	Eudita AH Auditores 1986

(*) Indirect equity investments held through Corporación Banco Caminos, S.L.U.

All subsidiaries are fully consolidated.

The financial year for all of the companies is the same as the calendar year.

Details of the capital and reserves and the carrying amounts of these companies that were used in the consolidation process for 2020 are as follows:

	Thousands of Euros				
Company	Nominal Amount	Equity	Profit or loss	Other equity	Carrying amount
Bancofar, S.A.	62,441	102,115	2,681	99,434	44,740
Corporación Banco Caminos, S.L.U.	30,000	40,212	229	39,983	30,000
FAM Caminos, S.A.	481	7,430	1,022	6,408	5,384
Gabinete de Estudio y Gestión Jurídica, S.A.	24,858	30,014	40	29,974	24,874
Gespensión Caminos, E.G.F.P., S.A.U.	6,972	12,144	277	11,867	9,203
Gestifonsa, S.G.I.I.C., S.A.U.	601	4,959	910	4,049	694
Maxlan, S.A.U.	13,226	14,601	(80)	14,681	14,522
Servifonsa, A.I.E.	250	250	-	250	247
Sistemcam, S.A.U.	601	1,694	282	1,412	602

Details of investees at 31 December 2020 and 2019 are provided in Appendix I.

The Group, composed of financial and non-financial companies, aims to offer a wide variety of specialised products and services to customers, based on the Group's own product and service model. At 31 December 2020, Banco Caminos, S.A. has three branches (in Madrid, A Coruña and Barcelona), while Bancofar, S.A. has 29 branches located throughout Spain.

The most significant changes in investments in Group companies in 2020 and 2019 are outlined in note 15.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND OTHER INFORMATION

2.1. Basis of presentation of the consolidated annual accounts

The consolidated annual accounts of the Group have been prepared on the basis of the accounting records of the Group companies in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) to give a true and fair view of the consolidated equity and consolidated financial position of the Group at 31 December 2020, and the consolidated results of its operations, changes in consolidated equity and its consolidated cash flows for the year then ended. The measurement criteria and principles applied are described in note 3 to the consolidated annual accounts. All mandatory accounting principles and measurement criteria having a significant effect on the consolidated annual accounts have been applied.

Thus, the consolidated annual accounts of the Group for 2020 are presented in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and considering the provisions of Banco de España Circular 4/2017 of 27 November 2017 to credit institutions, on public and confidential financial reporting rules and formats (hereinafter "Circular 4/2017") and subsequent amendments thereto, which embody the development and adaptation of IFRS-EU for the Spanish credit institutions sector.

The Group's consolidated annual accounts have been prepared on the basis of the accounting records of the Bank and of the other companies forming the Group. Nonetheless, given that the accounting principles and measurement criteria applied in the preparation of these consolidated annual accounts could differ from those used by certain Group companies, the necessary adjustments and reclassifications have been made on consolidation to harmonise these principles and criteria and to align them with IFRS-EU applied by the Bank.

2.2. Comparative information

In these consolidated annual accounts for 2020 the directors of the Parent have included comparative figures for the prior year. Certain insignificant changes have been made to the comparative information for 2019 disclosed in these consolidated annual accounts in order to enhance comparison thereof with the information for 2020.

The 2019 figures are not directly comparable with those for 2020, in view of the following:

2.2.1. Main regulatory changes in the period from 1 January to 31 December 2020

A) New mandatory standards, amendments and interpretations applicable as of the calendar year commenced 1 January 2020 and thereafter, approved by the European Union

The main mandatory standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") and approved by the European Union, applicable in the annual periods beginning after the calendar year commenced 1 January 2020, are as follows:

- **Amendments to the IFRS Conceptual Framework**

[Effective for annual periods beginning on or after 1 January 2020]

The amendments to the conceptual framework include revised definitions of assets and liabilities, as well as new guidance on their measurement, derecognition, presentation and disclosure.

The amendment described above has had no relevant impact on these consolidated annual accounts or their disclosures.

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

[Effective for annual periods beginning on or after 1 January 2020]

The amendments to the aforementioned standards introduce changes to align the definition of material with that contained in the conceptual framework.

The standards described above have had no relevant impact on these consolidated annual accounts or their disclosures.

- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform - Phase 1**

[Effective for annual periods beginning on or after 1 January 2020]

Several regulators in various jurisdictions are currently in the process of reforming the indices used as interest rate benchmarks for multiple financial transactions with different terms and currencies between different financial market participants.

These benchmark indices are being replaced by other risk-free alternatives based on real transactions.

The interest rate benchmark reform could mean that certain requirements for hedging relationships cease to be met. This could lead to the discontinuation of hedging relationships designated by entities at the benchmark date.

For this reason, the IASB initiated a project to amend accounting standards, aimed at avoiding the discontinuation of affected hedging, and which comprises two phases:

- Phase 1 (finalised and adopted by the European Union): amendments required during the period prior to the full replacement of the benchmark indices.

- Phase 2 (finalised and to be adopted by the European Union): amendments required once the prevailing rates have been either definitively modified or replaced.

The phase 1 amendments include certain temporary exceptions to the general application of the standards (IAS 39 and IFRS 9), as well as requirements for additional disclosures (IFRS 7) in the event of using these temporary exceptions. These amendments cover the hedging relationships directly affected by the interest rate benchmark reform currently underway. It is understood that hedging relationships are directly affected by the reform if the reform gives rise to uncertainties about the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

The temporary exceptions shall cease to be applicable once certain conditions are met. One of these conditions is that the uncertainty deriving from the interest rate benchmark reform disappears with respect to the timing and the amount of the interest rate benchmark-based cash flows or when the hedging relationship is discontinued.

The standards described above have had no relevant impact on these consolidated annual accounts or their disclosures.

· Amendments to IFRS 3: Business Combinations

[Effective for annual periods beginning on or after 1 January 2020]

The amendment clarifies the definition of a business. Specifically, it stipulates that, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. It also clarifies that a business can exist even without including all of the inputs and processes required to create output.

The standard described above has had no relevant impact on these consolidated annual accounts or their disclosures.

· Amendments to IFRS 16: Leases

[Effective on or after 1 June 2020]

This introduces a practical expedient to which lessees can opt, whereby they are exempt from assessing whether a COVID-19-related rent concession, that meets certain conditions, is a lease modification.

The standard described above has had no relevant impact on these consolidated annual accounts or their disclosures.

B) New standards, amendments and interpretations with mandatory application in years subsequent to the calendar year that began on 1 January 2020 approved by European Union

The main standards, amendments and interpretations issued by the IASB and approved by the European Union for mandatory application in periods after the natural year that began on 1 January 2020, are as follows:

· Amendments to IFRS 4: Insurance Contracts

[Effective for annual periods beginning on or after 1 January 2021]

Extension of the temporary exemption to insurance entities from applying IFRS 9 “Financial Instruments” and certain provisions of IAS 28 “Investments in Associates and Joint Ventures” to annual periods beginning on or after 1 January 2023.

C) New standards, amendments and interpretations with mandatory application in years subsequent to the calendar year that began on 1 January 2020, pending approval by the European Union

The following are the main standards, amendments or interpretations issued by the IASB that were pending approval by the European Union and are therefore not applied in the preparation of these consolidated annual accounts:

· IFRS 17: Insurance Contracts

[Effective for annual periods beginning on or after 1 January 2023, and early adoption is permitted]

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The objective of the standard is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 replaces IFRS 4 Insurance Contracts.

· **Amendments to IFRS 3: Business Combinations**

[Effective for annual periods beginning on or after 1 January 2022, and early adoption is permitted]

Amendments shall be made to the references to the Conceptual Framework for Financial Information contained in the standard.

· **Amendments to IAS 16 Property, Plant and Equipment**

[Effective for annual periods beginning on or after 1 January 2022, and early adoption is permitted]

Prohibition of an entity from being able to deduct from the cost of an item of property, plant and equipment any proceeds from selling items produced before the asset is available for use.

· **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**

[Effective for annual periods beginning on or after 1 January 2022, and early adoption is permitted]

Specifies the components that an entity must include as the cost of fulfilling a contract when assessing whether a contract is onerous.

· **Annual improvements to IFRSs (2018-2020 cycle):**

[Effective for annual periods beginning on or after 1 January 2022, and early adoption is permitted]

The improvements included in this cycle affect the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards. Subsidiaries that have adopted IFRS at a later date than their parent are permitted to measure cumulative translation differences using the amounts reported by their parent, thus avoiding the need to keep two parallel accounting records.

- IFRS 9 Financial Instruments. The amendment clarifies which costs or fees an entity must include when it applies the '10 per cent' test when derecognising a financial liability. Only costs or fees paid or received between the borrower and the lender must be included as such.

- IFRS 16 Leases. Amendment to Illustrative Example 13 accompanying the standard, in order to avoid any potential confusion regarding the treatment of lease incentives.

- IAS 41 Agriculture. Removal of the requirement to exclude taxation cash flows when measuring the fair value in accordance with IAS 41.

· **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2**

[Effective for annual periods beginning on or after 1 January 2021]

After the publication of the phase 1 amendments described above, phase 2 covers matters that could affect the presentation of financial information during the interest rate benchmark reform, such as changes in the basis used to determine contractual cash flows or hedging relationships that arise as a result of the interest rate benchmark reform.

The Group intends to adopt the aforementioned standards and amendments when they come into force and if they are finally applicable. Likewise, it continues to evaluate their impact. From the preliminary analyses performed, their initial application is not expected to have a significant impact on the consolidated annual accounts.

2.3. Use of judgements and estimates when preparing the consolidated financial statements

The information included in the consolidated annual accounts is the responsibility of the Parent's directors. The preparation of certain information included in these consolidated annual accounts has required the directors of the Parent to make judgements and estimates based on assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and obligations. The most significant estimates used in preparing these consolidated annual accounts are as follows:

- Impairment losses on financial assets and non-current assets held for sale (see notes 3.7 and 3.13).
- Impairment losses on and useful lives of tangible and intangible assets (see notes 3.10 and 3.11).
- The assumptions used in the actuarial calculations performed to measure post-employment benefit liabilities and obligations (see note 3.14).
- The fair value of certain financial assets not quoted on official secondary markets (see notes 3.5 and 3.8).
- The estimation of the need, or not, to recognise provisions and the amount thereof where applicable (see notes 3.6 and 3.16).
- The recoverability of deferred tax assets (see note 23).

As indicated in note 2.8, on 11 March 2020 COVID-19 was declared a global pandemic by the World Health Organization. The greater uncertainty associated with the unprecedented nature of this pandemic entails greater complexity in developing trustworthy estimates and in applying judgement.

The estimates and assumptions used are based on past experience and other factors that are considered the most reasonable under the current circumstances, and are reviewed periodically. The effect of any change in accounting estimates following such a review or due to future events is recognised in the consolidated income statement for the period of the change and future periods.

In 2020 there were no significant changes in the assumptions and estimates made at 31 December 2019, except as indicated in these consolidated annual accounts.

2.4. Consolidation principles

For consolidation purposes, and pursuant to the criteria set out in IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures, the Group is formed by four types of companies: subsidiaries, joint ventures, associates and structured entities, which are defined as follows.

Subsidiaries

Subsidiaries are entities over which the Group has control. An investor 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.

To be considered a subsidiary, the following must occur:

a. Power: An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities; i.e. the activities that significantly affect the investee's returns.

b. Returns: An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative.

c. Link between power and returns: An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

The financial statements of subsidiaries are fully consolidated with those of the Bank.

The share of non-controlling interests of subsidiaries in the Group's consolidated equity are presented under minority interests [non-controlling interests] on the consolidated balance sheet, while their share of profit or loss is presented under profit or loss for the year - attributable to minority interests (non-controlling interests) in the consolidated income statement.

The results of subsidiaries acquired during the year are consolidated only from the date of acquisition to the reporting date.

Similarly, the results of subsidiaries disposed of during the year are consolidated only from the beginning of the year to the date of disposal.

Appendix I contains significant information on these companies at 31 December 2020 and 2019.

Joint ventures

These are entities over which there is contractually agreed sharing of control. A joint arrangement is a contractual arrangement giving two or more parties, or "venturers" in a joint venture, control over an activity that is subject to joint control. In a joint arrangement, no one party has control over the arrangement, but rather control is shared with the other parties, which implies, contractually, that decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group had no interests in joint ventures at 31 December 2020 or 2019.

Associates

Associates are entities over which the Bank is in a position to exercise significant influence, but not control or joint control.

This usually occurs when a direct or indirect investment of 20% or more of the voting rights of the investee is held. At 31 December 2020 and 2019, there are no entities in which 20% or more of the voting rights are held that are not considered associates.

Associates are accounted for using the equity method in the consolidated annual accounts.

At 31 December 2020 and 2019 the Group has no investments in associates.

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

At 31 December 2020 and 2019 the Group has no investments in structured entities.

All of the financial statements of the subsidiaries used in the preparation of the Group's consolidated financial statements have been prepared as of the same reporting date as the consolidated financial statements. In the event financial statements at the same date are not available, the most recent financial statements, dating back no more than three months, are used, adjusted where necessary for the effects of the most significant transactions carried out up to the date of the Group's consolidated financial statements. At 31 December 2020, the financial statements of all of the Group companies at that date were available.

Separate financial statements

The separate financial statements of the Group's Parent are prepared under Spanish accounting principles (Banco de España Circular 4/2017 and subsequent amendments thereto, and other provisions of the financial reporting framework applicable to the Bank). Banco Caminos, S.A. accounts for its investments in subsidiaries, associates and joint ventures in its separate financial statements using the cost method, as envisaged in the aforementioned Circular 4/2017 and as permitted by IAS 27 Separate Financial Statements.

The separate financial statements of Banco Caminos, S.A. at 31 December 2020 and 2019 are presented in Appendix II.

2.5. Capital management objectives, policies and processes

On 26 June 2013, Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms ("Regulation (EU) No 575/2013") and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("Directive 2013/36/EU") were approved. These came into effect on 1 January 2014 with progressive phasing in until 1 January 2019, repealing the solvency regulations in force until then.

Regulation (EU) No 575/2013 and Directive 2013/36/EU regulate capital requirements in the European Union and include the recommendations set out in Basel III, the capital adequacy accord, specifically:

- Regulation (EU) No 575/2013, which is directly applicable to Member States, contains prudential requirements for credit institutions and covers, inter alia, the following:
    - The definition of the components of eligible capital, establishing the eligibility requirements for hybrid instruments and limiting the eligibility of minority interests.

- The definition of prudential filters and deductions applied to the capital components in each tier. In this respect, the Regulation includes new deductions compared to Basel II (net tax assets, pension funds, etc.) and introduces changes to existing deductions. Nevertheless, it establishes a phase-in schedule of between 5 and 10 years for full implementation.

- The specification of minimum requirements, with three levels of own funds: a Common Equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of 8%.

- The requirement for financial institutions to calculate a leverage ratio, defined as the institution's Tier 1 capital measure divided by that institution's total exposure measure, unadjusted for risk. The requirement to publicly disclose the ratio applies from 2015 onwards.

- The main objective and subject-matter of Directive 2013/36/EU is to coordinate national provisions concerning access to the activity of credit institutions and investment firms, the modalities for their governance, and their supervisory framework. This Directive must be transposed into national legislation by the Member States according to their criteria. Directive 2013/36/EU includes, inter alia, additional capital requirements to those laid down in Regulation (EU) No 575/2013, which will be phased in progressively until 2019. Failure to meet these requirements will result in restrictions on discretionary distributions of profit. Such requirements specifically include:

  - A capital conservation buffer and a countercyclical capital buffer. Following on from the Basel III regulatory framework, and to mitigate pro-cyclical effects of financial regulation, all financial institutions are required maintain a capital conservation buffer of 2.5% of Common Equity Tier 1 capital and an institution-specific countercyclical capital buffer based on Common Equity Tier 1 capital.

  - A systemic risk buffer. For global systemically important institutions and other systemically important institutions, to mitigate systemic or macroprudential risks; i.e. risks of disruption in the financial system with the potential to have serious negative consequences for the financial system and the real economy in a specific Member State.

In addition, with regard to supervisory powers, Directive 2013/36/EU provides that the competent authority may require credit institutions to maintain higher levels of capital than the minimum requirement specified in the Directive.

To further strengthen the resilience of banks, on 23 November 2016 the European Commission presented a package of banking reforms amending the existing legislation on capital requirements set forth in Regulation (EU) No 575/2013 and Directive 2013/36/EU, and on the resolution of institutions (Bank Recovery and Resolution Directive or BRRD). The package of banking reforms was opened up to public consultation on that date, until it was submitted for consideration by the European Parliament and Council in November 2018 and subsequently endorsed by the ECOFIN on 4 December 2018. These measures ultimately came into force on 27 June 2019 through Regulation (EU) No 2019/876.

Regarding Spanish regulations, the new legislation is essentially aimed at transposing European rules at local level:

- Banco de España Circular 2/2014 of 31 January 2014, to credit institutions, on the exercise of various regulatory options contained in Regulation (EU) No 575/2013. The purpose is to establish, in accordance with the powers granted, which of the options attributed to national competent authorities under Regulation (EU) No 575/2013 will be mandatory as of 1 January 2014 for consolidable groups of credit institutions, and for credit institutions whether or not they form part of a consolidable group, and to what extent. To this end, in this Circular the Banco de España provides some of the permanent regulatory options envisaged in Regulation (EU) No 575/2013, so as to allow for continuity in the treatment applied to certain matters under Spanish legislation before the EU Regulation came into force, which in some cases stemmed from the business model traditionally followed by Spanish institutions. This does not rule out the possibility of other options envisaged in Regulation (EU) No 575/2013 for competent authorities being availed of in the future in many instances, particularly in the case of specific options applied directly under Regulation (EU) No 575/2013 without the need for their inclusion in a Banco de España circular.

- Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions, the aim of which is to further the transposition of Directive 2013/36/EU initiated by Royal Decree-Law 14/2013 of 29 November 2013, and to recast certain national provisions in force at the time regarding regulatory and disciplinary rules for credit institutions. Among other developments, this law introduces for the first time an express obligation for the Banco de España to present, at least annually, a supervisory programme setting out the content and how it will perform its supervisory activity, and the measures to be adopted in view of the results obtained. Under this programme a stress test must be carried out at least once a year.

- Banco de España Circular 3/2014 of 30 July 2014. Among other measures, this Circular amends Circular 2/2014 of 31 January 2014 on the exercise of various regulatory options contained in Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, in order to unify the treatment of the deduction of intangible assets during the transitional period set out in Regulation (EU) No 575/2013, equating the treatment of goodwill to that of all other intangible assets.

- Banco de España Circular 2/2016 of 2 February 2016. This Circular completes the transposition of Directive 2013/36/EU and includes additional regulatory options for the national competent authorities to those included in Circular 2/2014. Specifically, and subject to prior authorisation by the Banco de España, it includes the possibility of treating certain exposures through public sector entities with the same weighting as the tier of government on which they rely

- Banco de España Circular 3/2017 of 24 October 2017, amending certain aspects of Circular 2/2014 of 31 January 2014. Its scope of application has been limited to less significant institutions, the contents of the Circular have been adapted to the ECB's guidelines, and it eliminates the rules regarding the transitional arrangements that were in force until 2017.

- Royal Decree-Law 22/2018 of 14 December

2018 introducing macroprudential tools and limits on sector concentration, as well as conditions for lending and other exposures. In this respect, the Banco de España may require institutions to maintain a countercyclical capital buffer for all of their exposures or for exposures through a specific sector.

The Group uses the following methods when calculating its minimum capital requirements:

- To calculate capital requirements for risk-weighted exposures in respect of credit, counterparty and dilution risk and for free deliveries: the standardised approach.

  To calculate its capital requirements in respect of operational risk: the basic indicator approach.

- To determine overall exposure to credit valuation adjustment risk: the standardised approach.

- The Group was not exposed to settlement-delivery risk, position risk, currency risk, commodities risk or other significant risks at 31 December 2020 and 2019.

Details of the Group's capital levels at 31 December 2020 and 2019 calculated in accordance with Regulation (EU) No 575/2013 and Directive 2013/36/EU are as follows:

	2020		2019	
	Thousands of Euros	%	Thousands of Euros	%
Tier 1 capital [(1)]	220,689	13.52	215,677	13.91
Tier 2 capital [(2)]	-		-	
Total capital	**220,689**	**13.52**	**215,677**	**13.91**
Total risk exposure	**1,632,750**		**1,550,893**	

(1) **Essentially includes share capital, reserves, profit or loss for the year and temporary adjustments for minority interests that qualify for inclusion in Common Equity Tier 1 capital; less treasury shares, goodwill and intangible assets, and other temporary adjustments to additional Tier1 capital.**

(2) **Includes general credit risk adjustments applying the standardised approach.**

On 12 March 2020 the ECB published a raft of measures to firm up the resilience of institutions in the current climate in response to the COVID-19 pandemic, allowing institutions to temporarily operate below the minimum requirements of Pillar II Guidance and the capital conservation buffer. Moreover, the entry into force of article 104 a) of the CRD V was brought forward, allowing institutions to cover the minimum requirements of the Pillar II Requirement not only with Common Equity Tier 1 capital, but also with Additional Tier 1 capital and Tier 2 capital.

At 31 December 2020 and 2019, the Banco Caminos Group's capital ratios were above the minimum thresholds stipulated by the Banco de España through article 68.2.a of Law 10/2014. Given the environment arising as a result of COVID-19 (see note 2.8), the regulator has decided to maintain the Group's capital requirements for 2020 in 2021.

Group management has set the following strategic objectives for capital management:

- Consistently comply with applicable legislation on minimum capital requirements.
- Seek maximum capital management efficiency in order for capital consumption to be considered, alongside other return and risk variables, as a fundamental variable in analyses associated with the Entity's investment decision making.
- Reinforce the proportion of Tier 1 capital with respect to the Group's capital as a whole.

2.6. Minimum reserve ratio

At 31 December 2020 and 2019, and during both years, the Bank complied with the minimum reserve ratio required by applicable Spanish legislation.

2.7. Deposit Guarantee Fund – Single Resolution Fund

The Bank and Bancofar, S.A. contribute to the Credit Institution Deposit Guarantee Fund ("DGF") created by Royal Decree-Law 16/2011 of 14 October 2011, the purpose of which is to guarantee deposits in cash, securities or other financial instruments at credit institutions, up to a maximum of Euros 100,000 for cash deposits or, for deposits in another currency, the equivalent amount applying the appropriate exchange rates, and Euros 100,000 for investors depositing their securities or other financial instruments with a credit institution. These two guarantees provided by the Fund are different and mutually compatible.

The contribution to the DGF is made each year pursuant to the agreements adopted annually by the DGF Management Committee. In the case of cash deposits, it is based on the deposits existing at 30 June each year, the contribution of each institution being adjusted on the basis of its risk profile; and in the case of the securities guarantee, the deposits existing at 31 December.

Accordingly, in 2020 the expense incurred by the Group for the contributions made to the DGF amounted to Euros 2,000 thousand (Euros 1,775 thousand in 2019), which has been recognised under other operating expenses in the accompanying consolidated income statement (see note 24.3).

Moreover, Law 11/2015 of 18 June 2015 and its implementing legislation, namely Royal Decree 1012/2015 of 6 November 2015, transposes into Spanish law Directive 2014/59/EU of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms. This Law regulates the creation of the National Resolution Fund, which must be endowed with an amount equivalent to 1% of guaranteed deposits by 31 December 2024, through contributions from credit institutions and investment service firms in Spain. Administration of the Single Resolution Fund and calculation of the ex-ante contributions to be made by the different institutions has been the responsibility of the Single Resolution Board since 1 January 2016.

Each institution's contribution is calculated according to its respective share of the total aggregate amount of the following items: the institution's total liabilities, excluding own funds and the guaranteed amount of deposits, subsequently adjusted for each institution's risk profile. Based on the foregoing, the contribution to be made by the Group for 2020 was Euros 1,130 thousand (Euros 976 thousand for 2019), which was recognised under other operating expenses in the accompanying income statement (see note 24.3).

2.8. COVID-19 scenario and impact of the pandemic

The emergence of Coronavirus COVID-19 in China and its global spread to a large number of countries led the World Health Organization to declare the viral outbreak a pandemic on 11 March 2020. The pandemic has affected and continues to adversely affect the global economy and activity, as well as the economic situation in Spain, where the Bank operates. The Spanish government has adopted an array of measures that have affected performance for the year (see note 6.1 Credit Risk).

In the face of the pandemic, the Bank has focused its attention on ensuring continuity of the operational security of the business as a priority and monitoring the impact on the Bank's business and risks (such as impact on results, capital or liquidity). However, this has not caused any substantial change to the Entity's mid and long-term strategic plan.

In order to mitigate the impact associated with COVID-19, various European, national and international bodies have issued declarations aimed at allowing an increased level of flexibility with regard to the implementation of accounting and prudential frameworks. The Group has taken these declarations into consideration when authorising these consolidated annual accounts for issue.

Details of the main impacts on the Group's consolidated financial statements deriving from the COVID-19 pandemic are provided in the following notes:

- Note 2.3 "Use of judgements and estimates when preparing the consolidated financial statements" includes information on the COVID-19 pandemic being taken into consideration when making estimates.
- Note 2.5 "Capital management objectives, policies and processes" includes information regarding the impact on the Group's capital.
- Note 7.1 "Credit risk" includes information on the initiatives carried out by the Group to assist the most affected customers, in conjunction with the Spanish government. It also includes information on the number of transactions and the amount corresponding to public and private moratoriums granted by the Group, as well as ICO credit transactions.
- Note 7.3 "Liquidity risk" includes information regarding the impact on liquidity risk and financing.

3. PRINCIPLES AND MEASUREMENT CRITERIA APPLIED

The most significant principles and measurement criteria applied in the preparation of the consolidated annual accounts have been as follows:

3.1. Going concern and accruals principle

The information disclosed in the accompanying consolidated annual accounts has been prepared considering that the Group will continue operations in the future. Therefore, the aim when applying the accounting standards was not to determine the value of the net assets for their full or partial transfer, or the amount that would be obtained in the event of liquidation.

These consolidated annual accounts have been prepared on an accruals basis, irrespective of collections and payments, except for the consolidated statement of cash flow.

3.2. Offsetting of balances

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

At 31 December 2020 and 2019 the Group has not offset any financial assets or financial liabilities. At these dates, the Group does not have any offsetting rights associated with financial assets and financial liabilities subject to contractual offsetting agreements that have not been offset.

3.3. Foreign currency transactions

The figures disclosed in the consolidated annual accounts are expressed in Euros, the functional and presentation currency. Foreign currency is understood to be any currency other than the Euro.

On initial recognition, the debit and credit balances in foreign currency are translated to Euros using the spot exchange rate at the recognition date. Foreign currency balances are subsequently translated into Euros using the following conversion rules:

- Monetary assets and liabilities are translated to Euros using the exchange rates at each reporting date.
- Non-monetary items measured at fair value are translated at the exchange rate on the date when the fair value was determined.
- Income and expenses are translated at the exchange rate on the transaction date.

Exchange differences arising from the translation of foreign currency balances into Euros are generally recognised at their net amount under exchange differences (gain or (-) loss), net in the consolidated income statement, except for exchange differences deriving from financial instruments at fair value through consolidated profit or loss, which are recognised in the consolidated income statement under gains or (-) losses on financial assets and liabilities held for trading, net, gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net or gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net, and not differentiating them from the rest of the changes in fair value.

Nevertheless, exchange differences arising from non-monetary items whose fair value is adjusted with the balancing entry in consolidated equity are recognised as accumulated other comprehensive income - items that may be reclassified to profit or loss - foreign currency translation on the consolidated balance sheet, until these are realised.

3.4. Recognition of income and expenses

As a general rule, income on ordinary activities are recognised to the extent that goods are delivered and services committed contractually with customers are rendered. The Group recognises as income over the life of the contract, the amount of the consideration to which it expects to have the right in exchange for these goods or services. When the inflow of cash is deferred, the fair value is determined by discounting future cash flows.

However, when a debt security is considered to be impaired individually or is included in the category of those whose recovery is considered remote, except for purchased or originated credit-impaired financial assets, the interest to be recognised in the consolidated income statement is the result of applying the effective interest rate to amortised cost (i.e. adjusted for any impairment losses), recognising impairment for the same amount.

For purchased or originated credit-impaired financial assets, interest income is calculated by applying a credit-adjusted effective interest rate to the amortised cost of the financial asset.

Dividends are recognised when the shareholder's right to receive payment is declared. Notwithstanding the above, the amount of interest or dividends accrued prior to the date of acquisition of the instrument and receivable does not form part of the cost of acquisition and is not recognised as income.

3.5. Financial instruments

3.5.1. Initial recognition of financial instruments

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

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

3.5.2. Derecognition of financial instruments

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

- The contractual rights to the cash flows have expired; or

- The financial asset and substantially all the significant risks and rewards associated therewith are transferred, or although these are neither substantially transferred nor retained, control over the financial asset is transferred (see note 3.9).

A financial liability is derecognised from the consolidated balance sheet when the obligations generated have been extinguished or when they are repurchased by the Group with the intention of selling them again or cancelling them.

3.5.3. Fair value and amortised cost of financial instruments

The fair value of a financial instrument at a certain date is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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).

The Group measures all the positions that must be recognised at fair value, either based either on observable market prices for the same instrument, or on valuation techniques adapted to the circumstances and that maximise the use of observable market variables or, if appropriate, on the best available information, using assumptions that market participants would use when pricing the asset or liability, assuming that those market participants act in their best interest.

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 plus or minus, as appropriate, the cumulative amortisation (as reflected in the income statement), using the effective interest method, of the difference between the initial cost and the redemption amount of these financial instruments. The amortised cost of financial assets also includes any impairment losses.

The effective interest rate is the discount rate that exactly equates the initial value of a financial instrument at present value of all of its estimated cash flows for all items over its remaining life, without considering future credit risk losses For fixed rate financial instruments, the effective interest rate is the same as the contractual interest rate established on the acquisition date, adjusted, where applicable, to reflect the fees and transaction costs that should be included in the calculation of the effective interest rate in accordance with IFRS 9. For variable interest financial instruments, the effective interest rate is calculated in a manner similar to that for fixed interest financial instruments, and is recalculated at each date of review of the contractual rate, taking into account any changes in future cash flows from the transaction.

3.5.4. Classification and measurement of financial assets and financial liabilities

The adoption of IFRS 9 has led to the amendment of accounting policies and measurement criteria for financial assets and financial liabilities.

The standard requires that all financial assets, except for equity instruments and derivatives be measured on the basis of a combination of the entity's business model and the contractual cash flow characteristics of the instruments, determining whether the instruments are measured systematically at amortised cost or fair value

Financial instruments are classified on the Group's consolidated balance sheet under the following categories:

- Financial assets at amortised cost: financial assets classified in this category present contractual terms that result in cash flows that are solely payments of principal and interest on the principal amount outstanding and are managed within a business model whose objective is to hold assets to collect their contractual cash flows.

  This category includes debt securities, financing granted to third parties in connection with ordinary lending activities and receivables from purchasers of the Group's goods and users of its services, provided the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the cash flows are solely payments of principal and interest on the principal amount outstanding. They also include finance leases in which the Group acts as the lessor.

  Financial assets included in this category are initially measured at fair value, adjusted to reflect transaction costs that are directly attributable to the acquisition of the financial asset, which are taken to consolidated profit or loss until maturity using the effective interest method. Unless there is evidence to the contrary, the fair value at initial recognition is the transaction price; i.e. the fair value of the consideration given.

  As an exception to the preceding paragraph, trade receivables that do not contain a significant financing component are measured initially at their transaction price. In addition, trade receivables that have a significant financing component with an original maturity of less than one year may be recognised initially at their transaction price.

  Assets acquired at a discount are measured at the cash amount paid and the difference between their repayment value and the amount paid is recognised as finance income using the effective interest method during the remaining term to maturity.

Subsequently, all financial assets included in this category are measured at their amortised cost, calculated using their effective interest rate.

Interest accrued on these assets from their initial recognition, calculated using the effective interest method, is recognised under interest income in the consolidated income statement. Exchange differences on assets denominated in currencies other than the Euro that are included in this portfolio are recognised following the criteria described in note 3.3. Any impairment losses on these assets is recognised in accordance with the criteria described in note 3.7. Debt securities included in fair value hedges are recognised in accordance with the criteria described in note 3.8.

- Financial assets at fair value through other comprehensive income: this category includes debt securities whose contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are held within a business model whose objective is to hold assets to collect their contractual cash flows, and give rise to cash flows from the sale of those assets.

  They also include equity instruments corresponding to entities that are not subsidiaries, joint ventures or associates, voluntarily and irrevocably designated initially in this category and that shall not be classified as held for trading.

  The instruments included in this category are initially measured at fair value adjusted by the transaction costs that are directly attributable to the acquisition of the financial asset, which are recognised, until maturity, in the consolidated income statement by the effective interest method, except for those financial assets with no fixed maturity, which are recognised in the consolidated income statement when they become impaired or are derecognised.

  After acquisition, the financial assets included in this category are measured at fair value.

  Changes in the fair value of financial assets classified as at fair value through other comprehensive income are recognised with a balancing entry under accumulated other comprehensive income on the consolidated balance sheet until the financial asset is derecognised, at the same time as being reclassified to the consolidated income statement for the year in the case of debt instruments, and to an item of reserves, in the case of investments in equity instruments. Any impairment losses on these instruments are recognised as set out in section vii) of this note. Exchange differences on financial assets denominated in currencies other than the Euro are recognised in accordance with the criteria described in note 3.3. Changes in the fair value of financial assets subject to fair value hedges are measured in accordance with the criteria described in note 3.8.
  Interest accrued on debt securities, calculated using the effective interest method, is recognised under interest income in the consolidated income statement. Dividends accrued on equity instruments classified in this category are recognised under dividend income in in the consolidated income statement.

- Financial assets and financial liabilities mandatorily measured at fair value through profit or loss: this category includes financial instruments classified as held for trading and non-trading financial assets mandatorily measured at fair value through profit or loss:

- Financial assets held for trading: those acquired for the purpose of selling them in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and derivatives that have not been designated as hedging instruments, including those separated from hybrid financial liabilities.

- Financial liabilities held for trading: those that have been issued for the purpose of repurchasing 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 financial asset sales under non-optional repurchase agreements or borrowed securities received on loan or to secure sales rights, and derivatives not designated as hedging instruments, including those separated from hybrid financial instruments pursuant to applicable regulations.

- Non-trading financial assets mandatorily at fair value through profit or loss: includes debt instruments that cannot be classified as at amortised cost or fair value through changes in other comprehensive income because, due to their contractual terms, they give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding.

  This category also includes equity instruments corresponding to entities that are not subsidiaries, joint ventures or associates that should not be classified as held for trading and have not been voluntarily and irrevocably designated initially as at fair value through other comprehensive income.

- Financial assets and financial liabilities designated at fair value through profit or loss: this includes, among others, financial assets designated voluntarily and irrevocably initially as at fair value through profit or loss if by doing so it eliminates or significantly reduces accounting mismatches, and hybrid instruments composed simultaneously of an embedded derivative and a host financial liability not held for trading that meets the requirements for accounting for the embedded derivative separately from the host financial instrument.

Financial instruments classified under financial assets and liabilities held for trading, non-trading financial assets mandatorily at fair value through profit or loss, and financial assets and financial liabilities designated at fair value through profit or loss are measured initially at fair value, with any subsequent changes in fair value recognised with a balancing entry in gains or losses on financial assets and liabilities held for trading, net, gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net and gains or losses on financial assets and liabilities designated at fair value through profit or loss, net in the consolidated income statement, except for fair value changes due to returns accrued on the financial instrument other than from trading, which are recognised under interest income, interest expenses, and dividend income in the consolidated income statement, depending on their nature. Interest on debt instruments classified under this category is calculated using the effective interest method.

The amount of change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss is recognised under accumulated other comprehensive income on the consolidated balance sheet, unless it would create or enlarge an accounting mismatch, which must be appropriately documented and justified. In this case, the Group may elect to recognise the full amount of the change in fair value initially and definitively in profit or loss.

Financial liabilities at amortised cost: includes financial liabilities not included in any of the preceding categories.

- The financial liabilities included in this category are initially measured at fair value, adjusted to reflect transaction costs that are directly attributable to the issue of the financial liability, which are taken to the consolidated income statement until maturity using the effective interest method defined in prevailing regulations. These liabilities are subsequently measured at amortised cost calculated using the effective interest method.

  Interest accrued on these liabilities since their initial recognition, calculated using the effective interest method, is recognised under interest expense in the consolidated income statement. Exchange differences on liabilities included in this portfolio denominated in currencies other than the Euro are recognised following the criteria set out in note 3.3. Financial liabilities included in fair value hedges are recognised following the criteria described in note 3.8.

The business model refers to how the Group manages its financial assets in order to generate cash flows. The assessment of the business model of the various financial assets recognised on the balance sheet is performed at a level that best reflects how groups of financial assets are managed together to achieve a particular objective.

Accordingly, the assessment is not carried out on an instrument-by-instrument basis, but rather on a higher level of aggregation, based on the following factors:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to management.

- The risks that affect the performance of the business model and the way in which those risks are managed.

- How managers and management in charge of these businesses models are compensated.

Assessment of the business model, the grouping of the financial asset portfolios into the various business models and determination of the manner in which financial asset sales affect the business models all require the use of professional judgment.

The second step in the process carried out by the Group to classify financial assets is to assess whether the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest, which also include the consideration for other risks (for example liquidity risk) and costs.

This assessment requires the use of professional judgment when analysing how certain contractual characteristics could affect the instrument's future cash flows.

However, if a contractual cash flow characteristic could have an effect on the contractual cash flows that is more than de minimis or the cash flow characteristic is genuine, and introduces exposure to risks or volatility that is unrelated to a basic lending arrangement, it does not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group has defined the following business models:

- Hold assets in order to collect contractual cash flows, whose objective is to hold financial assets to maturity in order to collect the contractual cash flows. Some sales are permitted, if those sales are infrequent or insignificant in value or when, irrespective of their frequency and value, they are carried out due to an increase in the assets' credit risk.

- Hold assets in order to collect contractual cash flows and sell financial assets, whose objective is to hold financial assets to maturity, but also to sell them in order to collect the contractual cash flows arising from their sale. These financial assets are measured at fair value through other comprehensive income.

- Hold assets for sale, whose objective is to manage the financial assets in order to collect cash flows by selling them, which normally involves frequent purchases and sales of the assets. These financial assets are measured at fair value through profit or loss.

3.5.5. Reclassifications between financial instrument portfolios

When, and only when, the Group changes its business model for managing financial assets, does it reclassify all affected debt instruments on the basis that a change in the business model is considered to be exceptional or infrequent.

There was no change in the Group's business model during the period and, therefore, no reclassification of debt instrument portfolios took place.

3.6. Financial guarantees given

Financial guarantees are defined as contracts whereby an entity undertakes to make specific payments on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may take: deposits, financial guarantees, irrevocable documentary credits issued or confirmed by the entity, etc.

In accordance with IFRS-EU, the Group generally considers financial guarantees extended to third parties as financial instruments within the scope of IFRS 9.

To determine whether a derivative sold is recognised as a financial guarantee or a trading derivative, a financial instrument is considered a derivative financial instrument when it meets the following conditions:

- Its value changes in response to the change in a variable, sometimes called the "underlying", such as an interest rate, financial instrument and commodity price, foreign exchange rate, credit rating or credit index, provided that this involves non-financial variables that are not specific to one of the parties to the contract.

- It requires no initial investment or one that is much smaller than would be required for other financial instruments that would be expected to have a similar response to changes in market factors.

- It is settled at a future date, except where it relates to a regular way 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 market place and that may not be settled net.

Financial guarantees are considered contracts that require or may require the Group to make specified payments to reimburse the creditor for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, regardless of its legal form, which may be, inter alia, a deposit, financial guarantee, insurance contract or credit derivative.

Specifically, guarantee contracts related to credit risk where execution of the guarantee does not, as a precondition for payment, require that the creditor is exposed to, and has incurred a loss, due to the failure of the debtor to make payments as required under the terms of the financial asset guaranteed, as well as in contracts where execution of the guarantee depends on changes in a specific credit rating or credit index, are considered derivative financial instruments.

On initial recognition, the Group records financial guarantees extended under liabilities at fair value plus directly attributable transaction costs, which is generally equivalent to the premium received plus the present value of any fees and commissions and similar income to be received throughout the term of these contracts, with a balancing entry under assets in the amount of fees and commissions and similar income collected at the outset of the transactions and the present value of fees and commissions and similar income receivable. After initial recognition, these contracts are recognised under liabilities at the higher of the following two amounts:

- The amount determined in accordance with IFRS 9, taking into account that set forth in Annex 9 of Banco de España Circular 4/2017 in this estimate. In this respect, financial guarantees, irrespective of the holder, arrangement or any other circumstances, are analysed periodically to determine the credit risk to which they are exposed and, where applicable, to estimate the provisions required. This amount is calculated by applying criteria similar to those used to quantify impairment losses arising on debt instruments measured at amortised cost, explained in note 3.7.
- The amount at which these instruments are initially recognised, less amortisation which, in accordance with IFRS 15, is charged to the consolidated income statement on a straight-line basis over the term of these contracts.

Provisions made for these instruments, are recorded as provisions – commitments and guarantees given under liabilities on the consolidated balance sheet. Allowances and reversals of these provisions are recognised with a balancing entry under provisions or (-) reversal of provisions in the consolidated income statement.

In the event that provisions are required for these financial guarantees, based on the above, unaccrued commissions on these transactions, which are recognised under financial liabilities at amortised cost – other financial liabilities, are reclassified to the corresponding provision.

3.7. Impairment of financial assets

Debt instruments at amortised cost or at fair value through other comprehensive income

The impairment model is applicable to debt instruments at amortised cost, debt instruments measured at fair value through other comprehensive income, and other exposures that give rise to credit risk, such as loan commitments given, financial guarantees given, and other commitments given.

The criteria for the analysis and classification of transactions in the consolidated financial statements according to their credit risk include both the credit risk attributable to insolvency and the country risk to which the transactions are exposed. Credit exposures that incur reasons to be rated in terms of credit risk due to both risk attributable to insolvency and country risk, these transactions are classified in the category of the risk attributable to insolvency, unless a less favourable country-risk category applies, without prejudice to impairment losses for risk attributable to insolvency being calculated by the procedure for country risk when this implies stricter criteria.

Impairment losses for the period are recognised as an expense in the consolidated income statement, with a balancing entry in the carrying amount of the asset. Subsequent reversals of previously recognised allowances and provisions for impairment are recognised as income in the consolidated income statement. For instruments measured at fair value through other comprehensive income, the instrument is adjusted to fair value, with a balancing entry under accumulated other comprehensive income in consolidated equity.

a) Classification of transactions on the basis of credit risk attributable to insolvency

Financial instruments – including off-balance sheet exposures – are classified into the following categories considering whether there has been a significant increase in credit risk since initial recognition of the transaction or a default event has occurred:

- Stage 1 – Performing exposures: the risk of a default event has not increased significantly since initial recognition of the transaction. The amount of the loss allowance for this type of instrument is equal to 12-month expected credit losses.

- Stage 2 – Performing exposures under special monitoring: the risk of a default event has increased significantly since initial recognition of the transaction. The amount of the loss allowance for this type of instruments is equal to lifetime expected credit losses.

- Stage 3 – Non-performing exposures: a default event in the transaction has occurred. The amount of the loss allowance for this type of instruments is equal to lifetime expected credit losses.

- Total write-off: transactions in which the Group has no reasonable expectations of recovery. The amount of the loss allowance for this type of instrument is equal to its carrying amount and entails the full write-off of the asset.

For financial instruments classified in Stage 1 – Performing exposures, the Group assesses whether to continue recognising 12-month expected credit losses. The Group assesses whether there has been a significant increase in credit risk since initial recognition. If so, it transfers the financial instrument to Stage 2 – performing exposures under special monitoring and recognises lifetime expected credit losses. This assessment is symmetrical, such that the financial instrument may return to Stage 1 – Performing exposures.

The Group's credit risk management systems factor in quantitative and qualitative criteria which, when combined or considered alone, could indicate that there has been a significant increase in credit risk. Irrespective of the measurements based on the probability of default and indicators of the deterioration of credit risk, to determine whether there has been a significant increase in credit risk since initial recognition, the Group uses the indicators set out in Annex 9 of Banco de España Circular 4/2017.

However, for assets with a counterparty of low credit risk, the Group applies the possibility included in the standard of considering that their credit risk has not increased significantly. Such counterparties are primarily central banks, general government, deposit guarantee funds and resolution funds, credit institutions, reciprocal guarantee companies, and non-financial corporations considered to belong to the public sector.

To determine the risk of default, the Group applies a definition that is consistent with the one used for internal credit risk management of financial instruments and considers quantitative and qualitative indicators.

In this respect, the Group considers that default occurs in credit exposures in the following circumstances:

- More than 90 days past due. This includes all of a borrower's transactions if the transactions with amounts more than 90 days past due exceed 20% of outstandings.
- There are reasonable doubts about full payment of the asset.

A financial instrument is considered credit-impaired when one or more events that have a detrimental impact on its estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- Significant financial difficulty of the issuer or the borrower.
- Breach of contract, such as a default or past-due event.
- The lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider. Annex X includes the policies and criteria for classification and provisions and allowances applied by the Group in these kinds of transaction.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial instrument because of the issuer's financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may be possible to identify a single discrete event or, instead, the combined effect of several events may have caused the financial asset to become credit-impaired.

b) Methodologies for estimating expected credit losses attributable to insolvency

In determining expected credit loss attributable to insolvency, the Group makes individual and collective estimations in accordance with the following criteria:

- It makes the following individual estimates for the following kinds of transactions:
  - Non-performing exposures: transactions in arrears which the entity considers significant; transactions classified into this category for reasons other than borrower arrears; and transactions that do not belong to a homogeneous risk group.
  - Performing exposures under special monitoring: transactions considered significant by the Entity; transactions classified into this category as a result of individual analysis other than the automated methods; and transactions that do not belong to the homogeneous risk group.
- Collective estimation is applied to calculate all transactions for which an individualised estimate does not have to be made.

Individually-assessed impairment allowances are measured at the difference - negative - between the present values of the future cash flows expected during the remaining lives of the impaired financial instruments, discounted using the effective interest rate, and their respective credit exposure amounts at the date of calculation.

Given that the Group has not developed internal methods for collective estimates, it uses the alternative solutions set out in Annex 9 of Banco de España Circular 4/2017, on the basis of its experience and on information on the banking sector, and which contemplate the type of collateral securing the exposure; the credit risk segment in question and the age of the amounts past due.

c) Credit risk attributable to country risk

Country risk is understood as the risk associated with counterparties resident in a specific country due to circumstances other than normal commercial risk (sovereign risk, transfer risk or risks arising from international financial activity) or risk attributable to insolvency. The Group classifies third-party transactions into groups on the basis of their economic performance, political situation, regulatory and institutional framework, and payment capacity and record, allocating to each the percentages of allowances stipulated in prevailing regulations.

Non-performing assets due to country risk are deemed to be those transactions with ultimate obligors resident in countries that have had long-standing difficulties in servicing their debt, the possibility of recovering such debt being considered as doubtful; and off-balance sheet exposures, recovery of which is considered a remote possibility due to circumstances attributable to the country.

The Group does not have any significant exposures to credit risk attributable to country risk, so the level of provisions in this connection are not significant in relation to total impairment allowances set aside by the Group.

3.8. Hedge accounting

As permitted by IFRS 9, the Group has opted to continue applying the recognition and measurement criteria for hedges included in IAS 39.

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, credit, currency risk and other risks. These operations are considered as hedging transactions when certain requirements stipulated in IAS 39 are met.

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

The Group enters into hedges on a transaction-by-transaction basis in accordance with criteria explained previously, continually monitoring the effectiveness of each hedge, to ensure symmetry in the values of both items.

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

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

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

- Fair value hedges: these hedge the exposure to changes in fair value of financial assets and financial liabilities or unrecognised firm commitments, or a component of these assets, liabilities or firm commitments, attributable to a particular risk and provided that these changes could affect consolidated profit or loss.

  The Group applies hedge accounting to reduce the risk that the fair value of fixed-rate assets and liabilities will fluctuate as if they were instruments indexed to a floating interest rate. The Group only hedges changes in the fair value of the hedged instrument attributed to changes in the reference rate, which constitutes the main element of the total fluctuation in the fair value of the hedged item.

  The Group uses the hypothetical derivative method to assess effectiveness, by comparing changes in the fair value of the hedging instruments and hedged items attributable to the change in the benchmark rate, as explained for fair value hedges. This method implies modelling a derivative instrument whose characteristics perfectly match those of the hedged risk, so that the change in the fair value of the hypothetical derivative should be equivalent to the change in the present value of the expected future cash flows of the hedged item. The measurement of hedge ineffectiveness is based on a comparison between the changes in the fair of the derivative actually contracted as a hedge and the changes in the fair value of the hypothetical derivative.

  Specifically, for financial instruments designated as hedged items and hedged accounting, the differences in value are recognised as follows:

  - The gains or losses arising on both the hedging instruments and the hedged items (associated with hedged risk) are recognised directly in the consolidated income statement. The balancing entry of changes in fair value of the hedged item attributable to hedged risk is recorded as an adjustment to fair value of the hedged instrument.

  - When fair value hedging is discontinued, in the case of hedged items at amortised cost, the value adjustments made as a result of the hedge accounting are recognised in the consolidated income statement until maturity of the hedged items, using the effective interest rate recalculated at the date of discontinuation of hedge accounting.

- Cash flow hedges: the Group had no cash flow hedges at 31 December 2020 or 31 December 2019.

- Hedges of net investments in a foreign operation: the Group had no hedges of this kind at 31 December 2020 or 31 December 2019.

3.9. Transfers of financial assets

The Group derecognises a transferred financial asset when it transfers all contractual rights to receive related cash flows generated or when having retained these rights, it assumes the contractual obligation to pay the cash flows to the transferee and the risks and rewards of ownership of the financial asset have been substantially transferred.

If the risks and rewards of ownership of a financial asset transferred are retained substantially, the Group continues to recognise the transferred financial asset and recognises an associated financial liability for an amount equal to the consideration received. The financial liability is subsequently measured at amortised cost. The transferred financial asset shall continue to be measured by the same criteria used before the transfer. Income from the transferred financial asset and any expense incurred on the financial liability is recognised, without offsetting, in the consolidated income statement.

If the risks and rewards of ownership of financial assets transferred are neither transferred nor substantially retained and the Group has retained control of the asset, a financial asset is recognised for an amount equal to its exposure to changes in the value of the transferred financial asset, and an associated financial liability which is measured in such a way that the net carrying amount of the two instruments is equal to:

- When the transferred financial asset is measured at amortised cost: the amortised cost of the rights and obligations retained by the Group.
- When the transferred asset is carried at fair value: the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis.

If the Group does not retain control of the financial instrument transferred, it is derecognised and any right or obligation retained or created in the transfer is recognised.

The assets (receivables from customers) transferred by the Parent in 2004 have not been derecognised given that all related risks and rewards of ownership have not been fully transferred.

3.10. Tangible assets

Tangible assets include buildings, land, furniture, vehicles, IT equipment and other installations owned by the Group or acquired under financial leases. Tangible assets are classified by concept as tangible assets for own use or subject to operating lease and investment property.

Tangible assets for own use include mainly offices and branches (constructed and under development) owned by the Group. These assets are measured at cost less accumulated depreciation and any impairment losses.

The cost of tangible assets includes the amounts paid, both initially on their acquisition or production and subsequently on any expansion, replacement or improvement, provided that in both cases it is considered probable that future economic benefits will be obtained from their use.

The acquisition or production cost of tangible assets, net of the residual value, is depreciated using the straight-line method over their useful lives, as follows:

	Years of useful life	Depreciation rates used
Buildings for own use	50	2%
Furniture	10	10%
Fixtures	10 – 12.5	8% - 10%
Information technology equipment	4	25%
Right-of-use assets	The shorter of the lease term and useful life of the underlying leased asset	

The costs of maintenance and repairs, that do not lengthen the assets useful life are recognised as an expense of the period in which they are incurred.

Finance costs incurred to finance the acquisition of tangible assets do not increase the related acquisition cost. They are recognised in the consolidated income statement in the year they are accrued.

Assets acquired under deferred payment are recognised for an amount equal to their cash price, with a liability being recorded for the amount yet to be paid. If the normal deferral period exceeds 90 days (180 days in the case of buildings), related expenses are discounted from the acquisition cost and recognised as finance expenses in the consolidated income statement.

Tangible assets are derecognised when they are disposed of, even when leased out under a finance lease, or when they are permanently retired from use and no future economic benefits are expected from their disposal, assignment or abandonment. The difference between the sales price and the carrying amount is recognised in the consolidated income statement for the period in which the assets were derecognised.

The Group periodically assesses whether there are any internal or external indications that a tangible asset may be impaired at the date of the financial statements. For those identified assets, the Group estimates the recoverable amount of the tangible asset, understood to be the higher of: (i) its fair value less costs to sell and (ii) its value in use. If the recoverable amount, thus determined, is less than the carrying amount, the difference between the two amounts is recognised in the consolidated income statement as a decrease in the carrying amount of such assets.

The accounting principles applied to assets leased out under operating leases and to non-current assets held for sale are included in notes 3.12 and 3.13.

3.11. Goodwill and other intangible assets

3.11.1. Goodwill

Goodwill is only recognised when acquired onerously and it represents payments made by the acquiring entity in anticipation of the future economic benefits from assets of the acquired entity that are not capable of being individually identified and separately recognised.

At least once a year or whenever there are indications of impairment, the Group tests goodwill for any impairment that has reduced the recoverable amount to below the carrying amount. In this event the carrying amount is written off against the consolidated income statement. Impairment losses on goodwill are not subsequently reversed.

3.11.2. Other intangible assets

The Group classifies non-monetary assets as other intangible assets when such assets are expected to provide probable economic benefits and the cost of which may be reliably estimated.

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

At 31 December 2020 and 2019, the Group has no intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortised using similar criteria to that used for the depreciation of tangible assets.

The years of useful life and related amortisation percentages applied to intangible assets with finite useful lives are as follows:

	Years of useful life	Amortisation rates used
Computer software	3	33.33%
Customer portfolios	18.75	5.33%

The Group recognises any impairment loss on the carrying amount of these assets with a balancing entry under impairment or reversal of impairment on non-financial assets – intangible assets in the consolidated income statement. The criteria for recognising impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those applied to tangible assets.

3.12. Leases

On 1 January 2019 IFRS 9 entered into force and includes amendments to the accounting of leases. The single lessee accounting model requires a lessee to recognise assets and liabilities for all leases. The standard sets out two exceptions to the recognition of lease assets and liabilities, that can be applied in the case of short-term contracts and those for which the underlying asset is of low value. The Group has decided to apply both exceptions. The lessee must recognise under assets a right to use that represents its right to use the leased asset and which is recognised under tangible assets - property, plant and equipment on the consolidated balance sheet (see note 16) and a lease liability that represents its obligation to make lease payments that are recognised under financial liabilities at amortised cost - other financial liabilities on the consolidated balance sheet (see note 18).

At the commencement date, the lease liability represents the present value of the lease payments that are not paid at that date. Liabilities recognised in this consolidated balance sheet item are measured after initial recognition at amortised cost, which is determined using the effective interest method.

Right-of-use assets are initially recognised at cost. The cost of the right-of-use asset should include the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, all initial direct costs incurred; and an estimate of costs to be incurred by the lessee such as costs relating to dismantling and removing the underlying asset. The assets recognised in this consolidated balance sheet item are measured after their initial recognition at cost less:

- Any accumulated depreciation and any accumulated impairment losses; and
- Any remeasurement of the corresponding lease liability.

Interest on the lease liability is recognised under interest expenses in the consolidated income statement. Variable lease payments not included in the initial measurement of the lease liability are recognised under administrative expenses - other administrative expenses in the consolidated income statement.

Depreciation is calculated, on a straight-line basis over the cost of the assets over the lease term. Depreciation of tangible assets is recognised under depreciation and amortisation in the consolidated income statement.

If the lessee elects one of the two exceptions to not recognise the corresponding right-of-use asset and liability on the consolidated balance sheet, the lease payments associated with the corresponding leases are recognised in the consolidated income statement over the lease term or on a straight-line basis or any other basis that is more representative of the pattern of the lessee's benefit, under other operating expenses.

Income from sub-leases and operating leases is recognised under other operating income in the consolidated income statement.

The lessor accounting model requires that, from commencement date, leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Leases that are not finance leases are considered to be operating leases.

In finance leases, when entities act as lessors of an asset, the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value, which is generally the exercise price of the purchase option available to the lessee at the end of the lease term, is recognised as financing to third parties and is therefore included under financial assets at amortised cost on the consolidated balance sheet.

In operating leases, if the entities act as lessors, they recognise the acquisition cost of the leased assets under tangible assets - property, plant and equipment - leased out under operating leases on the consolidated balance sheet. The depreciation policy for these assets is consistent with that for similar tangible assets for own use and income and expenses from operating leases is recognised in the consolidated income statement on a straight-line basis under other operating income and other operating expenses, respectively.

In the case of sale and leasebacks at fair value, profit or loss on the sale is recognised for the part effectively transferred, in the consolidated income statement at the transaction date.

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

Non-current assets and disposal groups classified as held for sale on the consolidated balance sheet reflect the carrying amounts of the individual items (non-current assets) or items grouped into a single heading (saleable group of elements or disposal group) or which form part of a business unit that is to be sold (discontinued operations), whose sale is considered highly probable, in the assets' present condition, within one year from the date of the consolidated financial statements. Accordingly, the carrying amount of those assets and any directly associated liabilities, which may be financial or non-financial, is expected to be recovered principally through a sale transaction rather than through continuing use.

At 31 December 2020 and 2019, the Group only includes real estate assets foreclosed or received in payment of debt in this line item. These assets are recognised initially at the lower of the following amounts:

- The carrying amount of the financial assets applied.
- The fair value at the date of foreclosure or receipt of the asset less the estimated costs to sell.

After initial recognition, the Group updates the benchmark valuation used originally to estimate the fair value less estimated costs to sell at least annually.

Assets foreclosed or received in payment of debt that are classified as non-current assets held for sale, for which the Group has not attained sufficient sales volumes and thus does not have the sales experience required to substantiate its ability to sell them at their fair value, are measured by applying to their benchmark value the percentage haircuts estimated by the Banco de España by way of alternative solution on the basis of its experience and its information about the banking sector, as set out in Banco de España Circular 4/2017.

All court costs associated with the claims and foreclosure of these assets are recognised immediately in the consolidated income statement for the foreclosure period. Registry fees and taxes paid may be added to the value initially recognised provided that, as a result, such value does not exceed the fair value less the estimated costs to sell mentioned in the paragraph above. All expenses related to the administration and management of the assets are recognised in the consolidated income statement in the period in which they are accrued.

3.14. Personnel expenses and post-employment benefits

3.14.1. Short-term employee benefits

These benefits are measured without discounting at the amount payable for services received and are generally recognised as personnel expenses for the year and an accrual, reflecting the difference between the total expense and the amount already settled.

3.14.2. Pension obligations

In accordance with the collective labour agreements in force, the Bank undertakes to supplement, under certain conditions, the Social Security benefits to its employees and beneficiary right holders for retirement, permanent disability, death of spouse or death of parent. Furthermore, in 2019 a savings plan was set up for the Bank's directors, in line with the prevailing remuneration policy approved by the board of directors and, where applicable, by the shareholders at their general meeting, and the articles of association, in accordance with the sector legislation applicable to credit institutions. This plan is covered by a collective life and savings insurance policy. The plan is subject to Royal Legislative Decree 1/2002 of 29 November 2002, which approves the amended Law on Pension Plans and Funds and to Royal Decree 1588/1999 of 15 October 1999 enacting the Regulation on the Application of Firms' Pension Obligations to Employees and Beneficiaries. As provided in Banco de España Circular 4/2017, these obligations are classified as defined benefit obligations.

Pension obligations of Bancofar, S.A.

The Group company Bancofar, S.A. has other obligations to current employees who joined the staff of Bancofar, S.A. from Acofar, Sociedad Cooperativa de Crédito as a result of a partial spin-off; specifically, the obligations are those set out in articles 26 and 40 of the Collective Bargaining Agreement for Credit Cooperatives (establishing a long-service bonus and benefits for widowhood and orphanhood). As provided in Banco de España Circular 4/2017, these obligations are classified as defined benefit obligations.

At 31 December 2020 the present value of the commitments for risks accrued for unvested pensions of current employees of the Bank amounts to Euros 171 thousand (Euros 192 thousand in 2019) and is covered by an internal fund (covering the obligations encompassed by Royal Decree 1588/1999) recognised under provisions - pensions and other post-employment defined benefit obligations on the consolidated balance sheet (see note 15). This figure was estimated on the basis of an actuarial study carried out by an independent actuary engaged by the Group, which considers the terms agreed in the prevailing collective bargaining agreement for credit cooperatives, as well as the following assumptions, among others:

	2020	2019
Technical interest rate	0.35%	0.5%
Mortality and survival tables	PERM 2000P (male) y PERF 2000P (female)	PERM 2000P (male) y PERF 2000P (female)
Annual growth rate of salaries	1.0%	1.0%
CPI	1.0%	1.0%

Actuarial gains and losses are deemed to be those arising from differences between previous actuarial assumptions and what has actually occurred in the plan and from changes in the actuarial assumptions used. The Group recognises any actuarial gains and losses arising on post-employment commitments with employees in the period in which they are generated or incurred, with a debit or credit to the consolidated income statement.

At 31 December 2020 and 2019 and during those years the Group did not have any, nor has it had any, vested pension obligations.

3.14.3. Death and disability

The premiums for obligations undertaken by the Group accrued each year, in respect of death and disability contingencies affecting employees during their period of service are covered by insurance policies arranged with Mapfre Vida, S.A. and are recognised in the consolidated income statement.

Accruals in relation to premiums for these insurance policies in 2020 are recognised in administrative expenses – personnel expenses – other personnel expenses in the consolidated income statement and amount to Euros 603 thousand (Euros 571 thousand in 2019).

3.14.4. Termination benefits

Termination benefits are recognised as a provision for pensions and similar obligations and as a personnel expense only when the Group is demonstrably committed to severing its relationship with an employee or group of employees before the normal retirement date, or to paying termination benefits as a result of an offer made in order to encourage voluntary redundancy by employees.

3.15. Share-based payments to employees

The Group makes no share-based payment to its employees.

3.16. Other provisions and contingencies

The Group distinguishes between provisions and contingent liabilities. Provisions are balances payable in respect of present obligations at the consolidated balance sheet date as a result of past events that could have a negative effect on the equity of the Group, occurrence of which is considered probable and the nature of which is specific, although their amount and/or settlement date are uncertain. Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

The Group's consolidated financial statements include all significant provisions when the Group considers that it will more likely than not have to settle related obligations. Although contingent liabilities are not recognised in the consolidated financial statements, related information is included under memorandum items. Provisions are quantified based on the best information available regarding the consequences of the event for which they were made, and are re-estimated at each reporting date. They are used to settle the specific obligations for which they were originally recognised. Provisions are totally or partially reversed when the obligations either cease to exist or diminish.

Legal proceedings and/or claims underway

At reporting date, there were no significant legal proceedings or claims underway which had been filed against the Group in its normal course of business. The Group's legal advisors and Parent's directors consider that the final outcome of these proceedings and claims will not have a significant effect on the annual accounts for the years in which these proceedings and claims are concluded.

3.17. Fees and commissions

The Group classifies the fees and commissions that it receives or pays as follows:

Financial fees and commissions

These fees and commissions, that are an integral part of the effective cost of yield of a financial transaction and are collected or paid in advance, are recognised in the consolidated income statement over the expected life of the financing as an adjustment to the effective yield or cost of the transaction, net of related direct costs.

Non-financial fees and commissions

These types of fees and commissions usually arise from services provided by the Group and are recognised in the consolidated income statement over the period of service. In the case of services rendered in a single act, the fees and commissions accrue when the single act is carried out.

3.18. Exchanges of tangible and intangible assets

In exchanges of tangible and intangible assets, the Group measures the assets received at the fair value of the assets given up plus, where applicable, any monetary consideration given up in exchange, unless there is clearer evidence of the fair value of the asset received. If neither of these fair values can be measured reliably, the assets received shall be recognised at the carrying amount of the assets given up plus, where applicable, any monetary consideration given up in exchange.

Losses incurred on asset exchange transactions are immediately recognised in the consolidated income statement, while related gains are only recognised if the exchange has commercial substance and the fair values of the assets can be reliably measured.

3.19. Income tax

Income tax expense is determined by the tax payable on the taxable profit of a period after taking account of any changes in that period due to temporary differences, tax credits for tax deductions and benefits, and tax losses.

Income tax expense is recognised in the consolidated income statement except when the transaction is recognised directly in equity, or when it arises on a business combination, in which case the deferred tax is recognised as one of its assets or liabilities.

For tax deductions, benefits and tax credits for tax losses to be effective, they must meet the requirements stipulated in prevailing legislation provided that their recovery is probable given that there are sufficient available deferred taxes or specific events have occurred due to which recovery is considered improbable in the future.

The effects of temporary differences, where applicable, are included in deferred tax assets or liabilities under tax assets and tax liabilities in the accompanying consolidated balance sheet.

At least at each reporting date the Group reviews recognised deferred taxes and, as a result, both the related tax assets and liabilities, making the pertinent valuation adjustments in the event that these deferred assets are not current or recoverable.

3.20. Off-balance sheet customer funds

The Group includes in memorandum accounts at fair value the amount of funds entrusted by third parties for investment in investment companies, mutual funds, pension funds, insurance-cum-savings contracts and discretionary portfolio management contracts, differentiating between the funds managed by the Group and those marketed by the Group but managed by non-Group third parties.

Additionally, assets acquired on behalf of the Group for third parties, debt securities, equity instruments, derivatives and other financial instruments that are held on deposit, as guarantees or on commission at the Group, for which it is liable to third parties, are recognised in memorandum items at fair value or at cost when no reliable estimate of fair value exists.

The fees and commissions collected for these services are recognised under fee and commission income in the consolidated income statement and are detailed in note 3.17.

3.21. Consolidated statement of recognised income and expense

This statement comprises income and expenses generated or incurred by the Group during the year in the ordinary course of business, distinguishing between amounts recognised in the income statement for the year and those recognised directly in consolidated equity, in accordance with prevailing legislation.

Accordingly, this statement presents:

a) Profit or loss for the year.

b) Net income and expenses recognised temporarily during the year as "Accumulated other comprehensive income" in equity.

c) Net income and expenses recognised, where applicable during the year, definitively in equity, as well as other items, recognition of which is definitively made directly against equity.

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

e) Total recognised income and expense calculated as the sum of the preceding points.

Changes in income and expenses recognised in consolidated equity during the year as "Accumulated other comprehensive income" are disclosed as follows:

a) Valuation gains (losses): income, net of expenses incurred during the year, recognised directly in equity. Amounts recognised during the year as accumulated other comprehensive income are recorded in this line item at the initial value of other assets or liabilities, even when they are transferred to the income statement in the same year, or they are reclassified to another line item.

b) Amounts transferred to the income statement: valuation gains or losses previously recognised in equity, even in the same period, which are accounted for in the income statement for the year.

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

d) Other reclassifications: include, where applicable, transfers between "Accumulated other comprehensive income" during the year in accordance with criteria established under prevailing legislation.

The amounts disclosed in these items are presented gross, and the related tax effect is recognised under income tax.

3.22. Consolidated statement of total changes in equity

This statement presents all the changes in consolidated equity, including those arising from changes in accounting policies and from the correction of errors, if any. Accordingly, this statement presents a reconciliation of the carrying amount of all of the Group's equity line items at the beginning and end of the year, the changes being grouped together on the basis of their nature into the following items:

a) Adjustments for changes in accounting criteria and errors: significant changes in equity due, where applicable, to the retrospective restatement of balances in the financial statements as a result of changes in accounting criteria or the correction of errors.

b) Recognised income and expenses: the aggregate amount of the aforementioned items recognised in the statement of recognised income and expense.

c) Other changes in equity: the remaining items recognised in equity, such as distribution of the Group's profit or application of losses, transfers between equity items as a result of the distribution of profit/application of losses for the year and any other increase or decrease in equity.

3.23. Consolidated statement of cash flows

The following terms are used in the statement of cash flows with the meanings indicated below:

- 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: typical activities of credit institutions and other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition, sale or disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and liabilities and that are not operating activities.

When preparing the consolidated statement of cash flows, current highly-liquid investments with a low risk of change in value have been considered as "Cash and cash equivalents". For purposes of preparing the consolidated statement of cash flows, the Group considers "Cash, cash balances at central banks and other demand deposits" to be cash and cash equivalents.

4. ERRORS AND CHANGES IN ACCOUNTING ESTIMATES

In 2020 and up to the date of authorisation for issue of the consolidated annual accounts, there were no errors or changes to accounting estimates whose significance required disclosure in the consolidated annual accounts authorised for issue by the board of directors of Banco Caminos, S.A. as the Parent.

5. DISTRIBUTION OF PROFIT

The distribution of profit for 2020 that the board of directors of Banco Caminos, S.A. (the Parent) will propose for approval at the annual general meeting, and the distribution of profit for 2019 approved by the shareholders at their general meeting held on 30 June 2020, are as follows:

	Thousands of Euros	
	2020	2019
Distribution		
To legal reserve	-	-
To voluntary reserves	5,998	8,433
Total distributed	**5,998**	**8,433**
Profit for the year	**5,998**	**8,433**

At 31 December 2020 the Parent's legal reserve was equal to 20% of share capital.

The profit/loss of the consolidated subsidiaries will be distributed/applied as approved by the respective shareholders at their annual general meetings.

6. SEGMENT REPORTING

Business segments

At 31 December 2020, as 98.26% of the Group's total assets (98.07% in 2019) and 96.18% of Group profit (99.05% in 2019) corresponded to the business activity carried out by the Group's credit institutions (Banco Caminos, S.A. and Bancofar, S.A.), and as all activities are undertaken within Spain, management of the Parent monitors the Group's activity essentially through these institutions and does not, therefore, distinguish between other operating segments.

The table below presents the information required under prevailing legislation at 31 December 2020 and 2019 (data shown is after consolidation adjustments and eliminations):

2020	Thousands of Euros			
	Total Group	Banco Caminos	Bancofar	Other
Total assets	3,944,599	2,269,387	1,606,560	68,652
Of which:				
Debt securities	*1,300,488*	*1,300,012*	*-*	*476*
Loans and advances to other debtors	*2,059,995*	*558,349*	*1,495,619*	*6,027*
Total liabilities	3,689,323	2,744,638	938,202	6,483
Of which:				
Deposits from other creditors	*2,900,545*	*2,011,660*	*888,885*	*-*
Total profit or loss	9,024	5,998	2,682	344
Net interest income	*53,066*	*32,564*	*20,479*	*23*

2019	Thousands of Euros			
	Total Group	Banco Caminos	Bancofar	Other
Total assets	3,631,882	2,121,506	1,440,272	70,104
Of which:				
Debt securities	*1,304,146*	*1,303,429*	*-*	*717*
Loans and advances to other debtors	*1,896,243*	*562,665*	*1,326,742*	*6,836*
Total liabilities	3,384,919	2,634,097	744,982	5,840
Of which:				
Deposits from other creditors	*2,783,000*	*2,066,879*	*716,121*	*-*
Total profit or loss	12,205	8,433	3,657	115
Net interest income	*48,254*	*28,565*	*19,685*	*4*

Geographical segments

The Group conducts its activity entirely in Spain. Its customers and the products offered are similar throughout the country, so the Group considers it a single geographical segment.

7. FINANCIAL RISK MANAGEMENT

7.1. Credit risk

Credit risk is understood as the possibility of incurring a loss due to financial weakness in one of the Group's customers. In the case of repayable financing granted to third parties (in the form of credit facilities, loans, deposits, securities and other arrangements), credit risk arises as a result of failure to recover investments under the terms and conditions stipulated in the contracts. Off-balance sheet exposures derive from counterparties' failure to fulfil their obligations to third parties, which requires the Group to assume these obligations, by virtue of the commitment undertaken.

Credit risk is the most significant risk to which the Group is exposed in the course of its banking activity, and it is understood as the risk that the counterparty will be unable to repay the amounts owed.

The Parent defines and organises credit risk management following objective, professional criteria, the purpose of which is to streamline the process of providing customers with a final decision.

Credit risk management within the Group is a comprehensive, homogeneous process that begins when the customer applies for financing and ends when all loaned funds have been repaid. In addition, the Group has established the basic criteria for the acceptance of credit risk and the minimum documentation required to comply with prevailing legislation at all times. These criteria are defined around fundamental aspects of liquidity, security, profitability and collateral business.

When analysing loan transactions, the Group has the advantage of knowing its individual customers personally. Furthermore, it has only three offices, which makes it easier to conduct continuous monitoring and recovery of customer arrears.

When analysing and managing credit risk, the Group has tools to aid and support it in making its final decision. These tools consist of a reactive credit rating model and a comprehensive risk monitoring model for the retail customer segment (mortgages, consumer credit and cards). The aim of these is to reduce the customer response time and make the correct choice in the final decision so as to obtain a loan portfolio of the highest creditworthiness.

The following table shows the total exposure to credit risk at the end of 2020 and 2019:

	Thousands of Euros	
	2020	2019
Demand deposits at credit institutions (note 8)	32,608	74,813
Debt securities	1,300,488	1,304,146
Loans and advances to credit institutions (note 12.2)	18,626	21,622
Loans and advances to other debtors (note 12.2)	2,059,995	1,896,243
Derivatives	-	-
Total on-balance sheet exposures	**3,411,717**	**3,296,824**
Loan commitments given (note 22.1)	325,998	264,113
Financial guarantees given (note 22.2)	165,397	15,379
Other commitments given (note 22.3)	43,616	44,553
Total off-balance sheet exposures	**535,011**	**324,045**
Total exposure	**3,946,728**	**3,620,869**

Classification of debt securities and loans and advances by credit risk

At 31 December 2020 and 2019, debt securities and loans and advances classified by stage of insolvency risk as described in note 3.7.a, and the allowances and provisions recognised for impairment, are as follows:

	Thousands of Euros			
	Loans and advances		Debt securities	
	2020	2019	2020	2019
Stage 1 (performing exposures)				
Risk	1,994,744	1,806,078	1,303,103	1,306,665
Allowances and provisions	(15,706)	(11,698)	(2,615)	(2,519)
Stage 2 (performing exposures under special monitoring)				
Risk	65,204	62,606	-	-
Allowances and provisions	(4,792)	(6,247)	-	-
Stage 3 (non-performing exposures)				
Risk	78,745	87,640	-	-
Allowances and provisions	(39,574)	(42,136)	-	-
Total				
Risk	2,138,693	1,956,324	1,303,103	1,306,665
Allowances and provisions	(60,072)	(60,081)	(2,615)	(2,519)
	2,078,621	**1,896,243**	**1,300,488**	**1,304,146**

In 2020 and 2019, movements between the different risk stages were as follows:

	Thousands of Euros	
	2020	2019
Transfers between Stage 1 and Stage 2		
From Stage 1 to Stage 2	10,428	23,008
From Stage 2 to Stage 1	4,612	6,155
Transfers between Stage 2 and Stage 3		
From Stage 2 to Stage 3	4,122	2,768
From Stage 3 to Stage 2	1,599	2,590
Transfers between Stage 1 and Stage 3		
From Stage 1 to Stage 3	1,882	5,226
From Stage 3 to Stage 1	2,343	2,289

Movements in impairment allowances recognised to cover credit risk related to financial assets included in this category in 2020 and 2019 were as follows:

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at 31 December 2019	**(14,217)**	**(6,247)**	**(42,136)**	**(62,600)**
Of which:				
Estimated individually	-	*(1,131)*	*(2,600)*	*(3,731)*
Estimated collectively	*(14,217)*	*(5,116)*	*(39,536)*	*(58,869)*
Origination increases	(2,984)	(8)	(473)	(3,465)
Decreases due to derecognition	2,479	804	5,981	9,264
Changes due to variations in credit risk	(3,563)	624	(4,071)	(7,010)
Changes due to modifications without derecognition	(36)	35	(1,043)	(1,044)
Other	-	-	2,168	2,168
Balance at 31 December 2020	**(18,321)**	**(4,792)**	**(39,574)**	**(62,687)**
Of which:				
Estimated individually	-	*(1,291)*	*(2,967)*	*(4,258)*
Estimated collectively	*(18,321)*	*(3,501)*	*(36,607)*	*(58,429)*

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at 31 December 2018	**(13,681)**	**(6,692)**	**(54,494)**	**(74,867)**
Of which:				
Estimated individually	-	*(6,692)*	*(54,494)*	*(61,186)*
Estimated collectively	*(13,681)*	-	-	*(13,681)*
Origination increases	(678)	(38)	(248)	(964)
Decreases due to derecognition	1,727	1,824	12,932	16,483
Changes due to variations in credit risk	(2,407)	(827)	(7,536)	(10,770)
Changes due to modifications without derecognition	822	(514)	(485)	(177)
Other	-	-	7,695	7,695
Balance at 31 December 2019	**(14,217)**	**(6,247)**	**(42,136)**	**(62,600)**
Of which:				
Estimated individually	-	*(1,131)*	*(2,600)*	*(3,731)*
Estimated collectively	*(14,217)*	*(5,116)*	*(39,536)*	*(58,869)*

Distribution of debt securities

The distribution of debt securities by credit rating is as follows:

	Thousands of Euros	
	2020	2019
AAA	133,545	100,473
AA+	102,948	117,647
AA	61,716	58,376
AA-	64,952	68,773
A+	35,573	44,651
A	22,180	41,226
A-	334,402	379,984
BBB+	119,662	36,517
BBB	52,460	123,833
BBB-	287,113	193,156
BB+	56,441	10,887
BB	-	38,589
B	-	501
CCC	6,477	-
N/A	23,019	89,533
Total	**1,300,488**	**1,304,146**

Distribution of loans and advances to other debtors

At 31 December 2020 and 2019, risk classified as loans and advances to other debtors by Banco Caminos, S.A. and Bancofar, S.A. is shown in the following table, by customer activity sector:

	Thousands of Euros					
	2020			2019		
	Risk	Distribution (%)	*Of which: Non-performing assets*	Risk	Distribution (%)	*Of which: Non-performing assets*
Resident sector	-	-	-	-	-	-
Agriculture, livestock, hunting, forestry and fishing	1,040	0.05	107	591	0.03	-
Industry	2,601	0.12	649	2,416	0.12	185
Construction	36,582	1.73	3,110	28,264	1.45	2,058
Real estate and business activities	108,533	5.12	5,910	96,785	4.96	7,429
Energy	3,543	0.17	376	2,670	0.14	389
Services:	1,479,617	69.84	54,029	1,341,247	68.70	62,084
Trade and hotels/restaurants	*1,392,708*	*65.74*	*53,009*	*1,250,538*	*64.06*	*61,006*
Transport and communications	*8,791*	*0.41*	*26*	*8,088*	*0.41*	*38*
Financial intermediation	*19,276*	*0.91*	-	*13,145*	*0.67*	-
Other services	*58,842*	*2.78*	*994*	*69,476*	*3.56*	*1,040*
Loans and advances to individuals:	488,151	22.97	14,564	484,351	24.60	15,495
Housing	*409,647*	*19.34*	*12,336*	*404,894*	*20.74*	*12,848*
Consumer and other	*78,504*	*3.62*	*2,228*	*79,457*	*3.86*	*2,647*
Unclassified	-	-	-	-	-	-
Total	**2,120,067**	**100.00**	**78,745**	**1,956,324**	**100.00**	**87,640**
Impairment	(60,072)		(39,574)	(60,081)		(42,136)
Total	**2,059,995**		**39,171**	**1,896,243**		**45,504**

The distribution of risks classified as loans and advances to other debtors by the Group in 2020 and 2019, by gross amount per customer, is as follows:

	Thousands of Euros					
	2020			2019		
	Risk	Distribution (%)	*Of which: Non-performing assets*	Risk	Distribution (%)	*Of which: Non-performing assets*
Over 5,000	90,968	4.29	-	91,254	4.67	-
From 3,000 to 5,000	51,943	2.45	3,556	49,962	2.56	3556
From 1,000 to 3,000	781,798	36.88	26,474	665,679	34.11	37,002
From 500 to 1,000	477,142	22.51	18,738	432,123	22.13	15,936
From 300 to 500	218,679	10.31	6,641	203,512	10.42	7,469
From 100 to 300	357,091	16.84	14,999	367,979	18.64	15,736
From 50 to 100	91,129	4.30	4,880	91,339	4.68	4,342
From 10 to 50	42,066	1.98	2,979	43,824	2.24	2,883
Up to 10	9,251	0.44	478	10,652	0.55	716
Total	**2,120,067**	**100.00**	**78,745**	**1,956,324**	**100.00**	**87,640**

At 31 December 2020 and 2019, Group loans and credit facilities are segmented by type of collateral as follows:

	%	
	2020	2019
Mortgage collateral	84	86
Other collateral	1	2
Public sector	2	2
Personal guarantees	13	10

At 31 December 2020 and 2019, details of exposure to credit risk (performing exposures and performing exposures under special monitoring) secured by collateral are as follows:

	Thousands of Euros	
	2020	2019
Mortgage collateral		
Multi-purpose real estate mortgage collateral	734,119	694,322
Other mortgage collateral	987,128	863,185
Loans secured by other collateral		
Loans secured by cash collateral	10,543	9,362
Collateral in the form of pledged securities	19,018	14,173
Other collateralised loans	32,094	53,556
Total	**1,782,902**	**1,634,598**

At 31 December 2020, the value of collateral received exceeded that of loans secured. In the case of mortgage collateral, the average LTV of the portfolio is 59.03% (60.91% in 2019) (calculated as the ratio of capital outstanding to the appraisal value at the grant or novation date).

Non-performing exposures and associated allowances and provisions

The Group's default rate and its allowances and provisions for non-performing exposures at 31 December 2020 and 2019 are as follows:

	%	
	2020	2019
Default rate	3.72	4.49
Coverage ratio for non-performing exposures	50.26	48.08

A breakdown of defaults by Group segment at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Companies	82	82
Individuals, housing purchases secured by mortgage collateral	15	15
Individuals, other collateral and purposes	3	3
Property developers	-	-

Distribution of risk by type of activity and geographical area

The following table shows the distribution of loans and advances to other debtors by type of activity at 31 December 2020 and 2019:

2020	Total	Of which: Real estate collateral (b)	Of which: Other collateral (b)	Secured loans. Loan to value (f) Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
	Thousands of Euros							
General government	18	-	-	-	-	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	12,781	2,001	-	617	1,384	-	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	1,543,853	359,955	968,748	442,725	296,871	550,864	28,021	10,222
Real estate construction and property development (including land) (d)	10,935	10,935	-	8,767	1,210	958	-	-
Construction of civil works	-	-	-	-	-	-	-	-
Other purposes	1,532,918	349,020	968,748	433,958	295,661	549,906	28,021	10,222
Large corporations (e)	37,466	6,214	963	6,599	578	-	-	-
SMEs and sole proprietorships (e)	1,495,452	342,806	967,785	427,359	295,083	549,906	28,021	10,222
Other household loans (f) (by purpose) (g)	503,343	430,676	12,619	139,925	133,960	155,300	8,501	5,609
Housing	374,475	368,426	3,378	105,036	117,883	136,748	6,742	5,395
Consumer loans	6,091	545	838	908	23	67	385	-
Other purposes	122,777	61,705	8,403	33,981	16,054	18,485	1,374	214
TOTAL	**2,059,995**	**792,632**	**981,367**	**583,267**	**432,215**	**706,164**	**36,522**	**15,831**
MEMORANDUM ITEM Refinancing, refinanced and restructured transactions	*110,877*	*66,107*	*42,599*	*69,224*	*16,269*	*9,500*	*9,076*	*4,637*

(a) The definition of loans and advances to other debtors is the one used when drawing up the balance sheet. The table above includes all transactions of this nature, regardless of the heading under which they are presented on the balance sheet, other than non-current assets and disposal groups classified as held for sale. The amounts shown reflect the carrying amounts of the transactions, i.e. they are presented net of impairment provisions and allowances.

(b) Includes the carrying amount of all transactions secured by real estate or other collateral, regardless of their loan-to-value percentages or legal form (mortgage, finance lease, reverse repurchase agreements, etc.).

(c) Loan to value is the ratio resulting from dividing the carrying amount of each loan transaction at the statement date by the latest available appraised or assessed value of the associated collateral.

(d) This item comprises all activities related to real estate construction and property development, including financing of land for property development, irrespective of the counterparty's sector and principal economic activity.

(e) Non-financial corporations are classified as "Large corporations" and "SMEs" according to the definitions set forth in Commission Recommendation 2003/361/EC of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. The activity of sole proprietorships is that performed by natural persons in the course of business.

(f) Households, including non-profit institutions serving households but excluding the business activity of sole proprietorships.

(g) Loans are classified by purpose using the criteria set forth in rule 69.2.e of Circular 4/2017.

2019	Thousands of Euros							
				Secured loans. Loan to value (f)				
	Total	Of which: Real estate collateral (b)	Of which: Other collateral (b)	Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
General government	1	-	-	-	-	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	21,107	1,996	-	596	1,400	-	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	1,353,532	331,857	844,298	391,145	267,599	473,966	33,117	10,328
Real estate construction and property development (including land) (d)	7,135	6,696	-	1,761	3,596	992	-	347
Construction of civil works	-	-	-	-	-	-	-	-
Other purposes	1,346,397	325,161	844,298	389,384	264,003	472,974	33,117	9,981
Large corporations (e)	20,846	6,467	1,198	3,073	2,766	1,826	-	-
SMEs and sole proprietorships (e)	1,325,551	318,694	843,100	386,311	261,237	471,148	33,117	9,981
Other household loans (f) (by purpose) (g)	521,602	423,223	13,699	126,875	135,812	150,291	15,421	8,523
Housing	366,817	361,066	2,509	97,244	116,407	134,386	7,949	7,589
Consumer loans	6,851	589	251	595	101	13	108	23
Other purposes	147,934	61,568	10,939	29,036	19,304	15,892	7,364	911
TOTAL	**1,896,242**	**757,076**	**857,997**	**518,616**	**404,811**	**624,257**	**48,538**	**18,851**
MEMORANDUM ITEM Refinancing, refinanced and restructured transactions	*106,195*	*55,791*	*47,143*	*59,782*	*17,114*	*11,511*	*9,522*	*5,005*

(a) The definition of loans and advances to other debtors is the one used when drawing up the balance sheet. The table above includes all transactions of this nature, regardless of the heading under which they are presented on the balance sheet, other than non-current assets and disposal groups classified as held for sale. The amounts shown reflect the carrying amounts of the transactions, i.e. they are presented net of impairment provisions and allowances.

(b) Includes the carrying amount of all transactions secured by real estate or other collateral, regardless of their loan-to-value percentages or legal form (mortgage, finance lease, reverse repurchase agreements, etc.).

(c) Loan to value is the ratio resulting from dividing the carrying amount of each loan transaction at the statement date by the latest available appraised or assessed value of the associated collateral.

(d) This item comprises all activities related to real estate construction and property development, including financing of land for property development, irrespective of the counterparty's sector and principal economic activity.

(e) Non-financial corporations are classified as "Large corporations" and "SMEs" according to the definitions set forth in Commission Recommendation 2003/361/EC of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. The activity of sole proprietorships is that performed by natural persons in the course of business.

(f) Households, including non-profit institutions serving households but excluding the business activity of sole proprietorships.

(g) Loans are classified by purpose using the criteria set forth in rule 69.2.e of Circular 4/2017.

The following tables show risk concentration by activity and geographical area at 31 December 2020 and 2019:

	Thousands of Euros				
2020	**Total (a)**	**Spain**	**Rest of the EU**	**Americas**	**Rest of the world**
Central banks and credit institutions	605,340	581,188	16,972	2,529	4,651
General government	696,406	427,710	268,696	-	-
Central government	581,510	312,814	268,696	-	-
Other general government	114,896	114,896	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	502,794	248,382	254,412	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	1,680,606	1,625,444	55,162	-	-
Real estate construction and property development (including land) (b)	10,935	10,935	-	-	-
Construction of civil works					
Other purposes	1,669,671	1,614,509	55,162	-	-
Large corporations	164,788	109,626	55,162	-	-
SMEs and sole proprietorships	1,504,883	1,504,883	-	-	-
Other household loans (by purpose)	511,677	485,858	1,482	10,401	13,936
Housing	374,478	351,047	1,070	8,698	13,663
Consumer loans	6,090	5,996	11	38	45
Other purposes	131,109	128,815	401	1,665	228
TOTAL	**3,996,823**	**3,368,582**	**596,724**	**12,930**	**18,587**

(a) In this table, the definition of risk includes loans and advances, debt securities, equity instruments, derivatives (trading and hedging), investments in subsidiaries, joint ventures and associates and guarantees given, regardless of the heading under which they are presented on the balance sheet, except for non-current assets and disposal groups classified as held for sale.

The amounts shown reflect the carrying amounts of the transactions, i.e. they are presented net of impairment provisions and allowances earmarked for specific transactions. Impairment of a group of assets that cannot be allocated to specific transactions is recognised under impairment not allocated to specific transactions.

The distribution of activity by geographical area is based on the country or autonomous region where the borrowers, securities issuers, and counterparties to derivatives and contingent exposures are resident.

(b) This item comprises all activities related to real estate construction and property development, including financing of land for property development.

(c) Non-financial corporations are classified as large corporations" and "SMEs" according to the definition applicable to these two categories for purposes of calculating capital. The activity of sole proprietorships is that performed by natural persons in the course of business.

(d) The activities of households and non-profit institutions serving households are classified by purpose using the criteria set forth in rule 69.2.e. of Circular 4/2017.

2020	Thousands of Euros									
		AUTONOMOUS REGIONS								
	Total	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castile - La Mancha	Castile and León	Catalonia
Central banks and credit institutions	581,188	1,871	117	287	-	67	4,421	-	1,501	13,369
General government	427,710	-	-	-	-	-	-	-	-	-
Central government	312,814									
Other general government	114,896	-	-	-	-	-	-	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	248,382	-	-	-	-	-	-	-	-	1,954
Non-financial corporations and sole proprietorships (non-financial business activities)	1,625,444	361,360	47,746	45,334	35,845	89,419	22,150	52,777	70,807	210,693
Real estate construction and property development (including land)	10,935	-	-	-	-	-	-	-	-	1,130
Construction of civil works										
Other purposes	1,614,509	361,360	47,746	45,334	35,845	89,419	22,150	52,777	70,807	209,563
Large corporations	109,626	341	1	-	-	28	32	-	-	6,623
SMEs and sole proprietorships	1,504,883	361,019	47,745	45,334	35,845	89,391	22,118	52,777	70,807	202,940
Other household loans (by purpose)	485,858	44,208	2,851	3,940	5,845	12,643	29,672	6,031	9,693	44,944
Housing	351,047	31,672	2,486	2,631	5,357	8,592	2,378	5,259	6,974	32,697
Consumer loans	5,996	668	12	172	31	196	34	111	141	574
Other purposes	128,815	11,868	353	1,137	457	3,855	27,260	661	2,578	11,673
TOTAL	3,368,582	407,439	50,714	49,561	41,690	102,129	56,243	58,808	82,001	270,960

2020	Thousands of Euros								
	AUTONOMOUS REGIONS								
	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and credit institutions	-	249	541,252	1,134	-	7,223	9,697	-	-
General government	-	-	388,661	-	-	39,049	-	-	-
Central government			312,814						
Other general government	-	-	75,847	-	-	39,049	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	-	-	246,428	-	-	-	-	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	36,048	39,004	457,643	43,293	2,500	77,787	33,038	-	-
Real estate construction and property development (including land)	-	-	4,388	-	-	5,417	-	-	-
Construction of civil works	-	-	-	-	-	-	-	-	-
Other purposes	36,048	39,004	453,255	43,293	2,500	72,370	33,038	-	-
Large corporations (c)	1	1,728	94,926	5,946	-	-	-	-	-
SMEs and sole proprietorships	36,047	37,276	358,329	37,347	2,500	72,370	33,038	-	-
Other household loans (by purpose) (d)	5,801	4,458	297,324	4,763	37	7,369	4,457	269	1,553
Housing	4,368	3,774	230,979	3,388	5	6,654	3,617	216	-
Consumer loans	153	46	3,175	427	26	102	110	18	-
Other purposes	1,280	638	63,170	948	6	613	730	35	1,553
TOTAL	41,849	43,711	1,931,308	49,190	2,537	131,428	47,192	269	1,553

(a) In this table, the definition of risk includes loans and advances, debt securities, equity instruments, derivatives (trading and hedging), investments in subsidiaries, joint ventures and associates and guarantees given, regardless of the heading under which they are presented on the balance sheet, except for non-current assets and disposal groups classified as held for sale.

The amounts shown reflect the carrying amounts of the transactions, i.e. they are presented net of impairment provisions and allowances earmarked for specific transactions. Impairment of a group of assets that cannot be allocated to specific transactions is recognised under impairment not allocated to specific transactions.

The distribution of activity by geographical area is based on the country or autonomous region where the borrowers, securities issuers, and counterparties to derivatives and contingent exposures are resident.

(b) This item comprises all activities related to real estate construction and property development, including financing of land for property development.

(c) Non-financial corporations are classified as large corporations" and "SMEs" according to the definition applicable to these two categories for purposes of calculating capital. The activity of sole proprietorships is that performed by natural persons in the course of business.

(d) The activities of households and non-profit institutions serving households are classified by purpose using the criteria set forth in rule 69.2.e. of Circular 4/2017.

2019	Thousands of Euros				
	Total (a)	Spain	Rest of the EU	Americas	Rest of the world
Central banks and credit institutions	296,084	274,492	19,579	2,013	-
General government	690,153	520,570	169,583	-	-
Central government	541,696	372,113	169,583	-	-
Other general government	148,457	148,457	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	509,680	286,786	222,894	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	1,515,108	1,475,513	39,595	-	-
Real estate construction and property development (including land) (b)	7,135	7,135	-	-	-
Construction of civil works	-	-	-	-	-
Other purposes	1,507,973	1,468,378	39,595	-	-
Large corporations	111,181	111,181	-	-	-
SMEs and sole proprietorships	1,396,792	1,357,197	39,595	-	-
Other household loans (by purpose)	530,117	501,787	7,273	10,394	10,663
Housing	366,816	341,589	6,585	8,568	10,074
Consumer loans	6,851	6,725	38	67	21
Other purposes	156,450	153,473	650	1,759	568
TOTAL	**3,541,142**	**3,059,148**	**458,924**	**12,407**	**10,663**

(a) In this table, the definition of risk includes loans and advances, debt securities, equity instruments, derivatives (trading and hedging), investments in subsidiaries, joint ventures and associates and guarantees given, regardless of the heading under which they are presented on the balance sheet, except for non-current assets and disposal groups classified as held for sale.

The amounts shown reflect the carrying amounts of the transactions, i.e. they are presented net of impairment provisions and allowances earmarked for specific transactions. Impairment of a group of assets that cannot be allocated to specific transactions is recognised under impairment not allocated to specific transactions.

The distribution of activity by geographical area is based on the country or autonomous region where the borrowers, securities issuers, and counterparties to derivatives and contingent exposures are resident.

(b) This item comprises all activities related to real estate construction and property development, including financing of land for property development.

(c) Non-financial corporations are classified as large corporations" and "SMEs" according to the definition applicable to these two categories for purposes of calculating capital. The activity of sole proprietorships is that performed by natural persons in the course of business.

(d) The activities of households and non-profit institutions serving households are classified by purpose using the criteria set forth in rule 69.2.e. of Circular 4/2017.

	Thousands of Euros									
		AUTONOMOUS REGIONS								
2019	Total	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castile - La Mancha	Castile and León	Catalonia
Central banks and credit institutions	274,492	1,495	246	452	-	166	58	-	330	10,848
General government	520,570	-	3,066	-	-	-	-	-	-	1
Central government	372,113	-	-	-	-	-	-	-	-	-
Other general government	148,457	-	3,066	-	-	-	-	-	-	1
Other financial corporations and sole proprietorships (financial business activities)	286,786	4,834	-	-	-	-	-	-	-	7,771
Non-financial corporations and sole proprietorships (non-financial business activities)	1,475,513	334,288	40,239	38,659	34,390	83,566	19,876	45,935	64,995	186,640
Real estate construction and property development (including land)	7,135	-	-	-	-	-	-	-	-	907
Construction of civil works	-	-	-	-	-	-	-	-	-	-
Other purposes	1,468,378	334,288	40,239	38,659	34,390	83,566	19,876	45,935	64,995	185,733
Large corporations	111,181	1,043	4	-	-	28	408	-	-	4,171
SMEs and sole proprietorships	1,357,197	333,245	40,235	38,659	34,390	83,538	19,468	45,935	64,995	181,562
Other household loans (by purpose)	501,787	40,371	1,852	3,311	5,379	10,026	41,990	6,611	8,938	40,927
Housing	341,589	29,406	1,482	2,004	4,872	7,771	2,278	5,599	6,516	28,166
Consumer loans	6,725	773	15	118	42	330	45	199	158	676
Other purposes	153,473	10,192	355	1,189	465	1,925	39,667	813	2,264	12,085
TOTAL	**3,059,148**	**380,988**	**45,403**	**42,422**	**39,769**	**93,758**	**61,924**	**52,546**	**74,263**	**246,187**

2019	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
	Thousands of Euros								
	AUTONOMOUS REGIONS								
Central banks and credit institutions	57	273	249,699	1,281	-	-	9,587	-	-
General government	5,208	-	76,621	10,691	-	38,589	-	14,281	-
Central government	-	-	-	-	-	-	-	-	-
Other general government	5,208	-	76,621	10,691	-	38,589	-	14,281	-
Other financial corporations and sole proprietorships (financial business activities)	-	-	253,086	158	-	20,937	-	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	35,433	29,730	435,870	29,113	2,500	64,504	29,732	-	43
Real estate construction and property development (including land)	-	-	5,546	-	-	682	-	-	-
Construction of civil works	-	-	-	-	-	-	-	-	-
Other purposes	35,433	29,730	430,324	29,113	2,500	63,822	29,732	-	43
Large corporations (c)	1	-	105,526	-	-	-	-	-	-
SMEs and sole proprietorships	35,432	29,730	324,798	29,113	2,500	63,822	29,732	-	43
Other household loans (by purpose) (d)	3,904	7,667	313,789	3,491	51	8,919	4,285	275	1
Housing	3,201	3,705	233,913	2,304	16	6,574	3,546	236	-
Consumer loans	185	55	3,788	91	28	78	143	-	1
Other purposes	518	3,907	76,088	1,096	7	2,267	596	39	-
TOTAL	44,602	37,670	1,329,065	44,734	2,551	132,949	43,604	14,556	44

(a) In this table, the definition of risk includes loans and advances, debt securities, equity instruments, derivatives (trading and hedging), investments in subsidiaries, joint ventures and associates and guarantees given, regardless of the heading under which they are presented on the balance sheet, except for non-current assets and disposal groups classified as held for sale.

The amounts shown reflect the carrying amounts of the transactions, i.e. they are presented net of impairment provisions and allowances earmarked for specific transactions. Impairment of a group of assets that cannot be allocated to specific transactions is recognised under impairment not allocated to specific transactions.

The distribution of activity by geographical area is based on the country or autonomous region where the borrowers, securities issuers, and counterparties to derivatives and contingent exposures are resident.

(b) This item comprises all activities related to real estate construction and property development, including financing of land for property development.

(c) Non-financial corporations are classified as large corporations" and "SMEs" according to the definition applicable to these two categories for purposes of calculating capital. The activity of sole proprietorships is that performed by natural persons in the course of business.

(d) The activities of households and non-profit institutions serving households are classified by purpose using the criteria set forth in rule 69.2.e. of Circular 4/2017.

7.1.1. Information on exposure to the property development and real estate construction sectors

Information on exposure to the property development and real estate construction sectors

It is general Group policy to avoid entering into real estate financing, except in the case of small transactions which do not involve a large capital contribution. Nonetheless, certain transactions were financed for companies investing in property developments; we have therefore considered them as being exposed to real estate risk.

At 31 December 2020 land classed as performing exposures amounts to Euros 1,138 thousand (Euros 1,686 thousand in 2019).

With respect to the remaining risk, a large percentage relates to loans secured by mortgage collateral and no significant additional losses are foreseen. Regular meetings are held with borrowers to monitor their status.

The following table shows accumulated financing granted by the Group at 31 December 2020 and 2019 to finance real estate construction and property development activities, along with the associated allowances and provisions for credit risk at those dates:

2020	Thousands of Euros		
	Gross carrying amount	Excess of gross exposure over the maximum recoverable amount of the effective collateral	Accumulated impairment
Financing of real estate construction and property development (including land) (business in Spain)	11,446	796	(401)
Of which: in default/non-performing	*740*	*393*	*(393)*
Memorandum item: ***- Total write-off***	***(2,949)***		

MEMORANDUM ITEM	Thousands of Euros
Loans and advances to other debtors, excluding general government (business in Spain) (carrying amount)	*2,059,994*
Total assets (total business) (carrying amount)	*3,954,459*
Impairment and allowances and provisions for performing exposures (total business)	*18,321*

2019	Gross carrying amount	Excess of gross exposure over the maximum recoverable amount of the effective collateral	Accumulated impairment
	Thousands of Euros		
Financing of real estate construction and property development (including land) (business in Spain)	7,366	1,403	(231)
Of which: in default/non-performing	*555*	*208*	*(208)*
Memorandum item: ***- Total write-off***	***(2,949)***		

MEMORANDUM ITEM	Thousands of Euros
Loans and advances to other debtors, excluding general government (business in Spain) (carrying amount)	*1,896,243*
Total assets (total business) (carrying amount)	*3,631,882*
Impairment and allowances and provisions for performing exposures (total business)	*14,217*

The following table shows a breakdown of financing transactions granted for real estate construction and property development recognised by the Group at 31 December 2020 and 2019 (business in Spain):

	Financing: Gross amount Thousands of Euros	
	2020	2019
Not secured by mortgage collateral	184	448
Secured by mortgage collateral (breakdown by class of pledged asset) (b)	11,262	6,918
Finished buildings and other finished structures (c)	555	555
Housing	-	-
Other	555	555
Buildings and other structures under construction (c)	9,569	4,677
Housing	1,762	682
Other	7,807	3,995
Land	1,138	1,686
Consolidated urban land	1,138	1,686
Other land	-	-
Total	**11,446**	**7,366**

(a) Amount before deducting any accumulated impairment.

(b) Includes all transactions secured by mortgage collateral, irrespective of the legal form of the guarantee, or the amount as a percentage of the latest available appraised value (loan to value).

(c) If a building serves both residential (housing) and other purposes, the related financing is included in the category representing its main use.

Household loans for housing purchases (business in Spain)

Details of home purchase loans granted by the Group at 31 December 2020 and 2019 are as follows (business in Spain):

	Thousands of Euros			
	2020		2019	
	Gross carrying amount (a)	Of which: in default/ non-performing	Gross carrying amount (a)	Of which: in default/ non-performing
Loans for housing purchases	363,292	6,522	357,127	6,679
Not secured by mortgage collateral	3,613	292	3,718	327
Secured by mortgage collateral (b)	359,679	6,230	353,409	6,352

(a) Amount before deducting any accumulated impairment.

(b) Includes all transactions secured by mortgage collateral, irrespective of the amount as a percentage of the latest available appraised value.

The following table provides a breakdown of mortgage-backed home purchase loans granted to households at 31 December 2020 and 2019 based on total exposure as a percentage of the latest available appraised value (business in Spain) of loans granted by Group credit institutions:

	Loan to value (a) - Thousands of Euros					
2020	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80% < LTV ≤ 100%	LTV > 100%	Total
Gross amount	98,083	115,898	133,784	6,488	5,426	359,679
Of which: in default/non-performing	*1,490*	*659*	*413*	*1,029*	*2,639*	*6,230*
2019						
Gross amount	96,764	113,649	131,380	5,879	5,737	353,409
Of which: in default/non-performing	*1,403*	*489*	*150*	*2,334*	*1,976*	*6,352*

(a) LTV is the ratio resulting from dividing the gross carrying amount at the reporting date by the latest available appraised value.

Information on real estate assets foreclosed or received in payment of debt (business in Spain)

At 31 December 2020 and 2019, details of assets received in payment of debt and equity instruments, investments and financing granted to companies holding these assets (business in Spain) are as follows:

	Thousands of Euros			
	2020		2019	
	Gross carrying amount	Accumulated impairment	Gross carrying amount	Accumulated impairment
Real estate assets deriving from financing for real estate construction and property development (a)	949	(220)	1,062	(257)
Finished buildings and other finished structures	949	(220)	1,062	(257)
Housing	521	(160)	618	(196)
Other	428	(60)	444	(61)
Buildings and other structures under construction	-	-	-	-
Housing	-	-	-	-
Other	-	-	-	-
Land	-	-	-	-
Consolidated urban land	-	-	-	-
Other land	-	-	-	-
Real estate assets deriving from mortgage financing to households for housing purchases	9,620	(4,959)	8,741	(5,465)
Other real estate assets received in payment of debt (b)	5,527	(1,882)	6,525	(2,041)
Equity instruments foreclosed or received in payment of debt	1,232	(425)	1,233	(425)
Equity instruments of entities holding real estate assets foreclosed or received in payment of debt	-	-	-	-
Financing to entities holding real estate assets foreclosed or received in payment of debt	*1,317*	-	*1,492*	-

(a) Includes assets foreclosed or received in payment of debt deriving from financing granted by the Entity in relation to its business in Spain, as well as equity investments and financing granted to entities holding these assets.

(b) Includes real estate assets other than those deriving from financing of real estate construction and property development and mortgage financing to households for housing purchases.

As explained in note 14, most of the properties foreclosed by Banco Caminos, S.A. are held by Maxlan, S.A.U. The foreclosed properties deriving from the write-off of loans granted by Bancofar, S.A. are recognised by that institution itself.

The general policy is to try to sell these properties (a process helped by the fact that there are no developments under construction) and, if their sale is not feasible, to rent them out.

Practically all the homes are rented out, and thus consolidated earnings are not undermined.

7.1.2. Refinancing and restructuring policy for loans and credit facilities

In accordance with IFRS 9 and Banco de España Circular 4/2017, the Group uses the following definitions:

- Refinancing transaction: a transaction which, irrespective of the borrower or collateral/guarantees, is granted or used for economic or legal reasons relating to the borrower's/s' current or foreseeable financial difficulties, either to repay one or several transactions granted by the institution itself or by others in its group to the borrower/s or to one or more other companies in its/their group, or to bring these transactions wholly or partially up to date in payment, in order to facilitate debt payments by borrowers whose transactions are repaid or refinanced (principal and interest) because they are, or will foreseeably become, unable to comply with the terms and conditions on time and in due form.

- Refinanced transaction: a transaction which is brought wholly or partially up to date in payment as a result of a refinancing transaction carried out by the institution itself or by another institution in its group.

- Restructured transaction: a transaction in which, for economic or legal reasons relating to the borrower's/s' current or foreseeable financial difficulties, the financial terms and conditions are changed in order to facilitate payment of the debt (principal and interest) because the borrower is or will foreseeably become unable to comply with those terms and conditions on time and in due form, even if that change was envisaged in the contract. In any event, transactions are considered to be restructured when a debt reduction takes place, assets are received to reduce the debt or their terms and conditions are changed to extend their maturity, change the repayment table to reduce instalments in the short term or reduce their frequency, or establish or extend the principal repayment and/or interest grace period, except when it can be demonstrated that the terms and conditions were changed for reasons other than the borrowers' financial difficulties and are similar to those applying in the market on the date of change on transactions with borrowers of a similar risk profile.

- Rollover transaction: a transaction executed to replace another previously granted by the institution itself without the borrower having any financial difficulties or foreseeably having any in the future, i.e. the transaction takes place for reasons other than refinancing.

- Renegotiated transaction: a transaction whose financial terms and conditions are changed without the borrower having any financial difficulties or foreseeably having any in the future, i.e. the terms and conditions are changed for reasons other than restructuring.

To classify a transaction as a rollover or a renegotiation, the borrowers must be able to obtain transactions on the market for an amount and under financial conditions analogous to those applied by the institution at the time of the rollover or renegotiation. These conditions must also be in line with those granted at the time to other borrowers with a similar risk profile.

The general guiding principle for the Group is not to carry out refinancing or restructuring transactions unless guarantees are increased or the borrower settles at least the loan interest.

When these new guarantees are provided, their effectiveness must be taken into account.

Decisions to refinance or restructure are based on a case-by-case analysis of the transaction and are submitted to the competent body for approval.

These refinancing and restructuring decisions are periodically reviewed for monitoring purposes.
The breakdown of refinanced and restructured transactions at 31 December 2020 and 2019 is as follows:

2020 (Thousands of Euros)	TOTAL						
	Unsecured		Secured				
					Maximum amount of eligible collateral		
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral	Accumulated impairment or accumulated losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	-	-	2	2,001	1,964	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	33	3,166	239	98,205	35,414	56,334	(20,303)
Of which: financing of real estate construction and property development (including land)	-	-	*1*	*385*	*385*	-	-
Other household loans	59	1,202	205	28,979	26,842	230	(2,374)
Total	**92**	**4,368**	**446**	**129,185**	**64,220**	**56,564**	**(22,677)**
ADDITIONAL INFORMATION Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-
	Of which: NON-PERFORMING						
Credit institutions	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	-	-	-	-	-	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	19	1,198	80	30,748	7,147	21,048	(17,194)
Of which: financing of real estate construction and property development (including land)	-	-	-	-	-	-	-
Other household loans	38	804	46	8,018	6,494	-	(2,036)
Total	**57**	**2,002**	**126**	**38,766**	**13,641**	**21,048**	**(19,230)**
ADDITIONAL INFORMATION Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

2019 (Thousands of Euros)	TOTAL						
	Unsecured		Secured				
					Maximum amount of eligible collateral		
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral	Accumulated impairment or accumulated losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	-	-	-	-	-	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	30	3,680	231	96,289	27,266	61,309	(21,053)
Of which: financing of real estate construction and property development (including land)	-	-	-	-	-	-	-
Other household loans	61	1,191	204	28,357	26,573	-	(2,269)
Total	**91**	**4.871**	**435**	**124.646**	**53.839**	**61.309**	**(23.322)**
ADDITIONAL INFORMATION Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-
	Of which: NON-PERFORMING						
Credit institutions	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	-	-	-	-	-	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	17	1,190	85	34,714	8,243	23,663	(17,840)
Of which: financing of real estate construction and property development (including land)	-	-	-	-	-	-	-
Other household loans	39	874	44	8,383	7,181	-	(1,923)
Total	**56**	**2,064**	**129**	**43,097**	**15,424**	**23,663**	**(19,763)**
ADDITIONAL INFORMATION Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

At 31 December 2020 and 2019, transactions classified as non-performing during the year, following refinancing or restructuring, are broken down as follows:

	Fully secured by real estate mortgage collateral		Other collateral		Unsecured	
2020	No. of transactions	Gross amount (thousands of Euros)	No. of transactions	Gross amount (thousands of Euros)	No. of transactions	Gross amount (thousands of Euros)
Credit institutions	-	-	-	-	-	-
General government	-	-	-	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	-	-	-	-	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	4	321	-	-	4	226
Of which: financing of real estate construction and property development (including land))	-	-	-	-	-	-
Other household loans	7	440	-	-	7	68
Total	**11**	**761**	**--**		**11**	**294**

2019	No. of transactions	Gross amount (thousands of Euros)	No. of transactions	Gross amount (thousands of Euros)	No. of transactions	Gross amount (thousands of Euros)
Credit institutions	-	-	-	-	-	-
General government	-	-	-	-	-	-
Other financial corporations and sole proprietorships (financial business activities)	-	-	-	-	-	-
Non-financial corporations and sole proprietorships (non-financial business activities)	2	788	-	-	2	138
Of which: financing of real estate construction and property development (including land)	-	-	-	-	-	-
Other household loans	10	2,683	-	-	7	109
Total	**12**	**3,471**	**-**	**-**	**9**	**247**

7.1.3. Practices for the responsible granting of consumer loans and credit facilities

The Group has a Credit Risk Policies Manual, the latest update to which was approved by its board of directors on 21 December 2020.

This document is in line with Spanish Law 16/2011 on consumer credit agreements, Ministry of Economy and Finance Order EHA/2899/2011 on banking service transparency and customer protection, and Banco de España Circular 5/2012 of 27 June 2012, as amended by Banco de España Circular 4/2015 of 29 July 2015, to credit institutions and payment service providers, on banking service transparency and responsible lending.

The Risk Control Department is tasked with updating these policies and procedures as required by evolving circumstances and the needs unfolding in the course of the Group's lending business and in light of the broader economic and financial situation, and in line with the applicable regulations at any given time.

7.1.4. Risks associated with the COVID-19 pandemic

The COVID-19 pandemic is adversely affecting the global economy and, in particular, economic activity and conditions in Spain and in the areas in which the Group operates, leading to an economic recession in 2020 and relatively moderate growth in activity in 2021. Accordingly, a return to pre-crisis GDP levels will probably not be seen until 2022. Among other challenges, Spain is experiencing widespread rises in unemployment levels and declines in output, while public debt has skyrocketed as a result of the support and spending measures rolled out by the Spanish government. In addition, defaults on debt by both companies and individuals are on the rise, along with volatility in the financial markets, including exchange rates, while the value of assets and investments is falling. This has had a negative impact on the Group's earnings for 2020, and the fallout is expected to persist in the future.

Moreover, the Group may be affected by specific measures or recommendations adopted by the authorities in the banking sector, such as the recent slashes to benchmark interest rates, the loosening of prudential requirements, the suspension of dividend payments, the adoption of moratorium measures for bank customers (such as those included in Royal Decree-Law 11/2020 in Spain and which, inter alia, allow borrowers to extend maturities and defer interest payments) and eased lending through a line of public guarantees, especially to companies and self-employed workers, as well as any changes in financial asset purchase programmes.

Since the onset of the COVID-19 pandemic, the Group has seen its activity decline. For example, new lending to individuals has fallen significantly since the mobility restriction measures were first adopted in Spain. The Group likewise faces several risks, such as a possible significant increase in non-performing loans and a negative impact on the cost of credit risk.

Also, although the Group sought to continue opening its branch offices, it had to shorten opening hours, and the teams providing central services have been working remotely. Although these measures have been gradually unwound in view of the continued spread of the COVID-19 pandemic, it is unclear how long it will be until normal operations can be fully resumed. The pandemic could adversely affect the business and operations of third parties that provide critical services to the Group and, in particular, the greater demand and/or decreased availability of certain resources could in some cases make it more difficult to maintain service levels. In addition, the growing prevalence of remote working has increased cybersecurity-related risks, as the use of non-corporate networks has risen. These risks have been mitigated by applying a suite of additional measures, including notably the encryption of data in transit and at rest, multifactor identity management, the incorporation of AI-based behaviour monitoring and analysis, and the virtualisation of environments with access exclusively from machines on the internal network.

7.1.5. Moratoriums

This governance arrangement has been fundamental to managing the COVID-19 crisis in Spain, where guaranteeing the continuous flow of funds necessary for the functioning of the economy has been combined with rigorous analysis and monitoring of loan quality.

Since the beginning of the pandemic, the Group has offered moratoriums to its customers (retail, small businesses and wholesale). Together with the CECA-AEB agreement (to which the Banco Caminos Group is party), these legislative moratoriums (under Royal Decree-Laws 8/2020 and 11/2020) have been aimed at mitigating the effects of COVID-19. Depending on each case, the payment of principal and/or interest has been deferred, and the original contract maintained. Generally, these deferrals have been given for a term of less than one year. This measure has been extended to individual customers, and to legal entities in various sectors; the hotel, tourism and transport sectors have made the most use of it.

The moratoriums covered by the Royal Decree-Laws have been especially aimed at the vulnerable groups indicated in the regulation. These measures consist of a three-month deferral of the payment of principal and interest. In addition, once the legal moratorium has expired, customers have been offered the possibility to avail themselves of the sector agreement for the remainder of the term provided therein. By type of customer, they are aimed at individuals, sole proprietors and self-employed workers, and by type of product, they relate to mortgages, personal loans and consumer loans.

The moratoriums granted under the AEB's sector agreement are aimed at individuals and cover a term of up to 12 months for the deferral of the principal in mortgage loans and up to 6 months in personal loans. This sector agreement was to remain in force until 29 September 2020, but was extended until 30 March 2021. However, the new terms only provide for the deferral of the principal payments on mortgages for up to 9 months, with the 6-month period still in place for personal loans.

Furthermore, the Instituto de Crédito Oficial (ICO) has published several aid programmes aimed at self-employed workers, SMEs and companies whereby a guarantee of between 60% and 80% is granted for a term of up to five years for the new financing extended. The amount of the guarantee and term thereof depend on the size of the company and type of product. For individuals, the ICO has also provided relief in the amount of up to six months' rent in the form of loans with a term up to six years.

The amounts of the moratoriums (both those in force and those completed) and of the state-backed financing extended, as well as the number of customers at 31 December 2020, are as follows:

Amounts of moratoriums and state-backed financing at 31 December 2020 (thousands of Euros)	Moratoriums				State-backed financing			
	In force	Completed	Total	No. of customers	Total	No. of customers	Total moratoriums and guarantees	(%) Loans and receivables
Total at 31/12/2020	**14,902**	**3,035**	**17,937**	**78**	**46,420**	**185**	**64,357**	**3.10%**

The amounts of the moratoriums (both those in force and those completed) and of the state-backed financing extended by segment at 31 December 2020 are as follows:

Amounts of moratoriums and state-backed financing by item at 31 December 2020 (thousands of Euros)	Moratoriums			
	In force	Completed	Total	State-backed financing
Total at 31/12/2020	**14,902**	**3,035**	**17,937**	**46,420**
Individuals	14,902	3,035	17,937	4,311
Of which: mortgages	*14,651*	*2,853*	*17,504*	-
SMEs	-	-	-	42,109
Non-financial institutions	-	-	-	-
Other	-	-	-	-

Amounts of moratoriums and state-backed financing based on the related credit risk at 31 December 2020 (thousands of Euros):	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Total at 31/12/2020	**12,670**	**3,305**	**1,962**	**17,937**
Individuals	12,670	3,305	1,962	17,937
Of which: mortgages	12,382	3,209	1,913	17,504
SMEs	-	-	-	-
Non-financial institutions	-	-	-	-
Other	-	-	-	-

These measures involve the temporary suspension, in whole or in part, of contractual obligations such that they are deferred for a specific period of time. On the understanding that the moratoriums granted due to COVID-19 provide temporary relief to debtors and that the economic value of the affected loans has not been significantly impacted, the moratorium measures granted have not been considered as substantial contractual modifications and, therefore, the modified loans are recognised as a continuation of the original loans. Therefore, when the moratoriums do not give rise to the right to collect interest, a temporary impairment loss arises on the loan, which is calculated as the difference between the present value of the original and modified cash flows, which are both discounted at the effective interest rate of the original loan. The difference is recognised at the original time under "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net" in the consolidated income statement, and as a reduction in the value of the loans under assets in the consolidated balance sheet.

As regards the classification of exposures based on credit risk, the Group has rigorously applied the applicable legislation when granting moratoriums and has strengthened the procedures for monitoring credit risk both during the term of the moratoriums and at maturity.

Accordingly, granting a moratorium does not in itself automatically trigger a significant increase in risk, and initially the loans subject to the moratorium continue to be classified in the category in which they were previously classified, unless, on the basis of their risk profile, they should be classified in a worse category.

The accounting treatment of one-off transactions, i.e. those not covered by the general frameworks described above, and of expired moratoriums that have required additional support, falls in line with the updated assessment of the customer's credit quality and the characteristics of the solution to be granted. If applicable, they will be treated as refinancings or restructurings.

State support for lending does not affect the assessment of the significant increase in risk, since this is assessed through the instrument's credit quality. However, in expected credit loss estimates, the guarantor's backing enables a possible reduction in the level of allowances and provisions required since, for the portion covered, the loss that would be incurred in enforcing a guarantee is taken into account.

The public guarantees given by the Instituto de Crédito Oficial have been considered as an integral part of the contractual terms of the loans extended, under the consideration that the guarantees are granted at the same time as the financing is extended to the customer and are inseparable from it.

7.1.6. Impacts on credit risk coverage due to the COVID-19 pandemic

The COVID-19 pandemic has brought about macroeconomic uncertainty with a direct impact on financial institutions' credit risk and, in particular, on expected credit losses under International Financial Reporting Standard (IFRS) 9. Although the duration of this uncertain situation remains unpredictable, the expectation is that in the circumstances an intense downturn will arise, to be followed by a recovery in economic activity, but without reaching pre-crisis GDP levels in the short term, on the back of government and monetary authorities' support measures.

This situation has led accounting regulators and banking supervisors to adopt specific measures to mitigate the effects that this crisis could have both on the calculation of expected credit losses under the applicable standard and on solvency, thereby prompting:

- Banks to assess all available information, lending greater weight to long-term forecasts versus short-term economic conditions.

- Governments to take ad hoc measures aimed at avoiding declines.

- Financial institutions to develop management measures, such as the design of specific products tailored to operations that may be generated in this crisis.

Practically all accounting and prudential authorities have coordinated to issue recommendations or measures to deal with the situation caused by COVID-19 within the framework of estimating expected credit losses under the applicable standard.

The common denominator of all recommendations is that, considering the high degree of uncertainty as regards the depth, duration and scope of the current crisis, the difficulty of making reliable macroeconomic forecasts, the transitory nature of the economic shock and the need to incorporate the effect of governments' mitigating measures, it is advisable and necessary to exercise extreme prudence and take any and all measures that allow the Group to provide against and minimise the impact of the crisis on its consolidated balance sheet and consolidated income statement.

In this connection, the Group has considered these recommendations in calculating expected credit losses under the applicable standard (IFRS 9), considering that the economic situation caused by the COVID-19 pandemic is transitory and will be accompanied by a recovery, although there are uncertainties as to the extent and timing of thereof. Accordingly, in calculating these losses, the following recommendations, inter alia, were taken into consideration:

- Identify the most vulnerable sectors or groups of borrowers within its purview, quantify possible future defaults once the positive effects of the mitigating measures (ICO guarantees, moratoriums, furlough schemes, etc.) have ceased, actively manage its risks and prudently recognise allowances and provisions for impairment to ensure conservative coverage levels.

- Keep valuations of collateral and foreclosed assets up to date, taking into account the new circumstances of the real estate market, and quantify the possible impacts in the event of falls in property prices.

Overall, the COVID-19 pandemic has had an adverse effect on the Group's consolidated results and capital base. In 2020, the main impacts were an increase in the cost of risk associated with lending, mainly due to the deterioration of the macroeconomic environment and impairment recognised as a result of credit risk and contingent commitments.

7.2. Market risk

This risk arises from possible adverse variations in interest rates on assets and liabilities, the exchange rates at which assets and liabilities or off-balance sheet figures are translated, and market prices of marketable financial instruments.

The sophistication of the monitoring and measuring processes is commensurate with the risk assumed by the Group and, therefore, market risk management is deemed to be good.

None of the financial instruments traded in active markets had become relatively illiquid at 31 December 2020 and 2019.

7.2.1. Interest rate risk

This risk is understood as the sensitivity of the Group's net interest margin to changes in market interest rates.

In order to adequately measure interest rate risk, the Banco Caminos Group assesses its main risk sources – repricing risk and rate curve risk, among other factors – from two complementary standpoints: impact on net interest income (short term) and on economic value (long term).

The management objective is to promote stability in the net interest income and the equity value in the event of movements in market rates, while respecting the established solvency and other regulatory limits.

The control and monitoring of structural interest rate risk management is based on a set of metrics and tools that enable the Group to monitor its risk profile appropriately.

Sensitivity to interest rate risk

The table below shows an internal analysis of the sensitivity of consolidated economic value and net interest income to movements in interest rates at 31 December 2020:

	Thousands of Euros	
	Impact on economic value	Impact on net interest income
200 basis point increase in Euribor	(13,068)	18,541
200 basis point decrease in Euribor	19,459	(4,034)

At 31 December 2019, estimated sensitivity at consolidated level was as follows:

	Thousands of Euros	
	Impact on economic value	Impact on net interest income
200 basis point increase in Euribor	(8,689)	2,772
200 basis point decrease in Euribor	22,637	(1,109)

Note: The scenarios include regulatory modifications by the European Banking Authority and the Banco de España applicable as of June/December 2019. The new scenarios include new minimum interest rates of between -1% and 0%.

The above analysis was performed based on outstanding transactions at 31 December. Given the financial situation in the domestic and international markets, the sensitivity analysis was performed using the assumptions shown in the table above as it is not possible to estimate the probability of the various interest rate scenarios.

7.2.2. Price risk

This risk arises as a consequence of changes in market prices, on account of either factors specific to the individual instrument or factors that affect all instruments traded on the market.

The Group's Treasury and Capital Markets areas take advantage of business opportunities which present themselves (trading portfolio), and provide services to carry out transactions defined by the bodies responsible for the overall management of interest rate and liquidity risk which make up the Entity's remaining portfolios (financial assets at fair value through other comprehensive income, financial assets at amortised cost, and non-trading financial assets mandatorily at fair value through profit or loss).

In order to carry out these functions, the financial instruments authorised by the board of directors and/or the executive committee have been used, establishing internal limits and procedures for measuring risk on each product, the latter generally being liquid assets, within current market trends.

The Group's trading portfolio is not subject to capital consumption from this type of risk as the average balance of all the Bank's portfolios falls below the thresholds stipulated in capital adequacy legislation for measuring price risk. However, the Entity applies an objective, consistent methodology to monitor invested financial instruments based on a daily analysis of all prices, which is contrasted, also on a daily basis, by the Group's Risk Control area.

At all times the objective is to shorten the average life of the portfolio such that the impact on equity will not be significant compared to the excess capital.

7.2.3. Currency risk

At the 2020 year end, total Group assets denominated in foreign currency amount to Euros 13,981 thousand (Euros 11,110 thousand in 2019) and total liabilities denominated in foreign currency stand at Euros 13,854 thousand (Euros 11,190 thousand in 2019).

7.3. Liquidity risk

This risk reflects the possible difficulty in availing of or having access to sufficient liquid funds at an adequate cost to meet all payment obligations.

Liquidity is a key factor in the Banco Caminos Group's strategy and is managed through comprehensive daily monitoring of the Group's liquidity.

Liquidity risk management is rooted in:

- Senior management, with whom responsibility ultimately lies.
- The Investment Committee, which continually analyses the target liquidity position and designs strategies to secure and/or anticipate the financing requirements deriving from the Group's business activities, all of which are underpinned by guidelines set by senior management, with particular regard for the reports provided by the external expert engaged by the Assets and Liabilities Committee (ALCO).
- The Financial area, which is responsible for the day-to-day management and for executing the measures adopted by the Investment Committee, while the Sales department must provide coordination between the different branches on the various management guidelines from a customer loan perspective.
- The Risk Control department, which is tasked with monitoring and controlling the established limits and reporting periodically on the Group's liquidity position.

Decisions regarding liquidity and financing are based on an understanding of the current situation of the institutions that make up the Group (environment, strategy, balance sheet and liquidity statement), the future liquidity needs of their various businesses (liquidity projections) and on access to and the status of its sources of wholesale funding.

The Group's aim is to maintain levels of liquidity sufficient to cover its short- and long-term requirements from stable sources of funding while optimising the impact of finance costs on the consolidated income statement.

Throughout 2020, the Group's liquidity was characterised by:

- In the midst of the COVID-19 scenario (see note 2.8), the Group's liquidity risk may be affected, thereby making it more difficult to meet the targets of maintaining an appropriate liquidity buffer, and the risk of illiquidity also increases. To mitigate the impact that COVID-19 may have on financial institutions' liquidity, on 30 April 2020 the European Central Bank made certain modifications to the terms and conditions of the TLTRO III facilities in order to support the continued access of companies and households to bank credit in the face of the disruptions and temporary funding shortages associated with the COVID-19 pandemic (see note 18.1).

- A high level of basic liquidity in order to achieve balanced exposure to liquidity risk, as regards the term (short and long term) and the various sources of funds (inflows and outflows).

- Compliance with regulatory ratios, including the liquidity coverage ratio (LCR), which at year end was significantly above the minimum threshold.

- Holding an ample liquidity buffer in the form of last-resort funds in the event of heightened market stress, meaning times when it is not possible to obtain financing at satisfactory prices or maturities.

- Holding an ample liquidity buffer in the form of last-resort funds in the event of heightened market stress, meaning times when it is not possible to obtain financing at satisfactory prices or maturities. The amount drawn down against the Banco de España credit facility remains unchanged. At the 2020 year end pledged securities stand at Euros 621 million (Euros 358 million in 2019) and the credit facility has been drawn down in an amount of Euros 605 million (drawn down by Euros 322 million in 2019). These are the amounts reported by the Banco de España (obtained after valuing the Eurocartera by ISIN and issuer credit rating) using different measurement criteria than those applied for accounting purposes.

The breakdown of the Group's basic liquidity position is as follows:

	Thousands of Euros	
	2020	**2019**
Liquidity Caminos Group	**753,940**	**327,548**
Securities available for lending	*398,816*	*97,673*
Banco de España treasury account balance (note 8)	*346,132*	*159,087*
Balance available at other financial institutions	*8,992*	*70,788*
Funds Banco de España + credit institutions	**67,954**	**40,128**
Banco de España credit facility (Eurosystem)	*67,954*	*40,128*
Credit facility with credit institutions	-	-
Treasury bills, Group companies	-	-
Total balance	**821,894**	**367,676**
Fixed income (available for pledging)	**290**	**11,393**
Total balance (with portfolio)	**822,184**	**379,069**

A breakdown of the Group's financial instruments by remaining term to maturity at 31 December 2020 and 2019 is provided below. The maturity dates considered when preparing the breakdown below are the expected maturity dates as per contractual conditions. The breakdown depicts a short-term liquidity gap for the Group, a common feature of the retail banking business; however, historic experience with these deposits shows a very high level of recurrence:

	Thousands of Euros								
2020	**On demand**	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Unspecified or unclassified maturity**	**Total**
Assets									
Cash, cash balances at central banks and other demand deposits	380,217	-	-	-	-	-	-	-	380,217
Loans and advances	28,581	932	7,427	9,095	19,844	185,177	1,807,230	20,335	2,078,621
Debt securities	-	3,334	-	78,531	26,187	438,737	753,699	-	1,300,488
Other assets with specified maturity	-	-	-	-	-	-	-	-	-
Total	**408,798**	**4,266**	**7,427**	**87,626**	**46,031**	**623,914**	**2,560,929**	**20,335**	**3,759,326**
Liabilities									
Deposits from central banks	-	-	78,779	-	-	522,214	-	-	600,993
Deposits from credit institutions	1,648	20,001	30,993	6,000	12,606	227	-	739	72,214
Deposits from other creditors	1,610,947	26,812	367,420	257,230	334,103	302,728	1,242	63	2,900,545
Other liabilities with specified maturity	44,988	19,097	80	-	-	1,510	397	2,390	68,462
Total	**1,657,583**	**65,910**	**477,272**	**263,230**	**346,709**	**826,679**	**1,639**	**3,192**	**3,642,214**
Gap	**(1,248,785)**	**(61,644)**	**(469,845)**	**(175,604)**	**(300,678)**	**(202,765)**	**2,559,290**	**17,143**	**117,112**
Accumulated gap	**(1,248,785)**	**(1,310,429)**	**(1,780,274)**	**(1,955,878)**	**(2,256,556)**	**(2,459,321)**	**99,969**	**117,112**	

2019	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified or unclassified maturity	Total
	Thousands of Euros								
Assets									
Cash, cash balances at central banks and other demand deposits	231,794	-	3,432	-	-	-	-	-	235,226
Loans and advances	81,148	26,219	16,936	20,530	15,035	156,115	1,601,817	65	1,917,865
Debt securities	-	5,303	146,748	156,815	185,084	258,017	548,671	3,508	1,304,146
Other assets with specified maturity	-	-	-	-	-	-	-	-	-
Total	**312,942**	**31,522**	**167,116**	**177,345**	**200,119**	**414,132**	**2,150,488**	**3,573**	**3,457,237**
Liabilities									
Deposits from central banks	-	-	-	238,556	-	79,104	-	-	317,660
Deposits from credit institutions	14,136	169,009	-	5,000	12,000	-	-	-	200,145
Deposits from other creditors	1,413,735	344,859	164,561	175,493	199,054	359,510	56,548	69,240	2,783,000
Other liabilities with specified maturity	2,021	-	-	-	-	-	-	45,020	47,041
Total	**1,429,892**	**513,868**	**164,561**	**419,049**	**211,054**	**438,614**	**56,548**	**114,260**	**3,347,846**
Gap	**-1,116,950**	**-482,346**	**2,555**	**-241,704**	**-10,935**	**-24,482**	**2,093,940**	**-110,687**	**109,391**
Accumulated gap	**-1,116,950**	**-1,599,296**	**-1,596,741**	**-1,838,445**	**-1,849,380**	**-1,873,862**	**220,078**	**109,391**	

In respect of the tables above, note that although customer current and savings accounts held by the Group have been classified as demand deposits based on their contractual terms, the actual settlement term for these balances is estimated to be longer.

7.4. Fair value of financial instruments

The tables below present the fair value of the Group's financial instruments, by class of financial asset and financial liability and level, at 31 December 2020 and 2019:

- Level 1: Financial instruments whose fair value is determined based on their quoted prices in active markets with no modifications to these quoted prices.

- Level 2: Financial instruments whose fair value is estimated on the basis of their quoted price in organised markets for similar instruments or through other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.

- Level 3: Instruments whose fair value is estimated through valuation techniques in which a certain significant input is not based on observable market data.

For purposes of the above paragraphs, an input is considered significant if it is important in determining the fair value as a whole.

The following table summarises the carrying amounts of financial instruments based on their fair value hierarchy levels at 31 December 2020 and 2019:

2020	Level 1	Level 2	Level 3	Total fair value	Total balance sheet
	Thousands of Euros				
ASSETS					
Cash, cash balances at central banks and other demand deposits	380,217	-	-	380,217	380,217
Financial assets held for trading	676	563	-	1,239	1,239
Non-trading financial assets mandatorily at fair value through profit or loss	25,029	35,636	26,882	87,547	87,547
Financial assets at fair value through other comprehensive income	435,885	306,688	174,047	916,620	916,620
Financial assets at amortised cost	388,722	-	2,078,621	2,467,343	2,447,281
LIABILITIES					
Financial liabilities at amortised cost					
Deposits from central banks	-	-	600,993	600,993	600,993
Deposits from credit institutions	-	-	72,214	72,214	72,214
Deposits from other creditors	-	-	2,900,545	2,900,545	2,900,545
Other financial liabilities	-	-	68,462	68,462	68,462
Derivatives	-	18,420	-	18,420	18,420
2019					
ASSETS					
Cash, cash balances at central banks and other demand deposits	235,226	-	-	235,226	235,226
Financial assets held for trading	1,915	-	2,147	4,062	4,062
Non-trading financial assets mandatorily at fair value through profit or loss	64,811	16,954	11,615	93,380	93,380
Financial assets at fair value through other comprehensive income	789,883	171,281	158,050	1,119,214	1,119,214
Financial assets at amortised cost	6,216	160,979	1,917,865	2,085,060	2,070,039
LIABILITIES					
Financial liabilities at amortised cost					
Deposits from central banks	-	-	317,660	317,660	317,660
Deposits from credit institutions	-	-	200,145	200,145	200,145
Deposits from other creditors	-	-	2,783,000	2,783,000	2,783,000
Other financial liabilities	-	-	47,041	47,041	47,041
Derivatives	-	10,319	-	10,319	10,319

The Group's general criteria for estimating the fair value of its financial instruments are:

- If an active market publishes observable quoted prices and that market is considered sufficiently deep, those prices are used to obtain the instruments' fair value.

- For instruments traded in an inactive market or for which there is no market, in most cases fair value is initially determined using their acquisition cost. Subsequently, if their fair value cannot be reliably estimated by observing recent transactions in identical or similar instruments or on the basis of recent transaction prices, or using a valuation model in which all the variables are taken exclusively from market-observable inputs, the fair values shown in the tables above are taken as their cost and are presented as "Level 3" for fair value hierarchy purposes.

- In the specific cases of financial assets classified as cash and deposits at central banks and as financial assets at amortised cost, and liabilities classified as financial liabilities at amortised cost, in the tables above, the Bank's management believes, on account of the nature of their interest rates, terms to maturity and counterparties, etc., that their carrying amounts (amortised cost) do not differ significantly from their fair values; accordingly, their amortised cost is used as a proxy for their fair value.

No financial instruments at fair value held at the 2020 and 2019 year ends have been transferred between Levels 2 and 3.

7.5. Fair value of property, plant and equipment

At 31 December 2020, there are items of property, plant and equipment for own use with a carrying amount of Euros 43,626 thousand (Euros 44,586 thousand in 2019) whose fair value at those dates does not differ significantly from their carrying amount (see note 16).

8. CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS

At 31 December 2020 and 2019, the breakdown of cash, cash balances at central banks and other demand deposits on the accompanying balance sheet is as follows:

	Thousands of Euros	
	2020	2019
Cash	1,477	1,326
Cash balances at central banks (note 7.3)	346,132	159,087
Other demand deposits	32,608	74,813
Total	**380,217**	**235,226**

The account held at the Banco de España must meet the minimum reserve ratio.

In 2020 and 2019 accrued interest expenses on the account held at Banco de España amount to Euros

17 thousand and Euros 278 thousand, respectively (see note 24.1).

At 31 December 2020 and 2019, other demand deposits denominated in currencies other than the Euro amount to Euros 7,009 thousand and Euros 2,291 thousand, respectively.

The average annual interest rate on other demand deposits in 2020 and 2019 was approximately 0.02% and 0.01%, respectively.

For purposes of drawing up the consolidated statement of cash flows, the Group considers cash, cash balances at central banks and other demand deposits to be cash (see note 3.5.4).

9. FINANCIAL ASSETS HELD FOR TRADING

Details of this caption of the consolidated balance sheet are as follows:

	Thousands of Euros	
	2020	2019
Debt securities	366	3,508
Equity instruments	310	404
Derivatives		
Derivative on securitisation bond cash flows	563	150
Total	**1,239**	**4,062**

The expiry of the derivative contract written on securitisation bond cash flows is linked to the loans allocated by the Group to TDA 20 Mixto, F.T.A. (see note 12.3). The notional amount of the contract is linked to the outstanding balance of the loans allocated to the aforementioned securitisation fund by Banco Caminos.

10. NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

Details of this caption of the accompanying consolidated balance sheet are as follows:

	Thousands of Euros	
	2020	2019
Debt securities	19,190	29,282
Equity instruments	68,357	64,098
Total	**87,547**	**93,380**

10.1. Debt securities

Details of debt securities classified by counterparty are as follows:

	Thousands of Euros	
	2020	2019
Credit institutions	8,419	13,614
Other financial corporations	10,771	15,668
Total	19,190	29,282

At 31 December 2020 and 2019, the portfolio of non-trading financial assets mandatorily at fair value through profit or loss does not include any debt securities denominated in a foreign currency.

At 31 December 2020 and 2019 there were no collateralised securities relating to monetary policy and intraday financing included in the portfolio of non-trading financial assets mandatorily at fair value through profit or loss.

Details of this item, by remaining term to maturity, are provided in note 7.3 Liquidity risk.

Interest accrued in 2020 on debt securities amounted to Euros 721 thousand (Euros 430 thousand in 2019) (see note 24.1).

10.2. Equity instruments

This heading on the accompanying consolidated balance sheet includes financial instruments issued by other entities, such as shares and non-voting equity units, which have the nature of equity instruments for the issuer, except for those companies over which control is exercised or in which an ownership interest of over 20% is held, or those over which the investor has significant influence while holding a lower percentage of ownership. This heading also includes units in collective investment undertakings.

At 31 December 2020 and 2019, the breakdown of the balance of this heading, by sector of activity of the issuer, is as follows:

	Thousands of Euros	
	2020	2019
Units in collective investment undertakings	53,974	54,190
Units in venture capital entities	12,422	7,623
Other sectors	1,961	2,285
Total	68,357	64,098

At 31 December 2020, there are no equity instruments denominated in currencies other than the Euro (Euros 237 thousand in 2019).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Details of this caption of the consolidated balance sheet are as follows:

	Thousands of Euros	
	2020	2019
Debt securities	912,272	1,119,182
Equity instruments	4,348	32
Total	**916,620**	**1,119,214**

11.1. Debt securities

Details of debt securities classified by counterparty are as follows:

	Thousands of Euros	
	2020	2019
Spanish general government	78,334	392,471
Credit institutions	28,493	16,803
Other resident sectors	206,711	267,196
Non-resident general government	268,696	171,338
Other non-resident sectors	332,556	273,794
Impairment	(2,518)	(2,420)
Total	**912,272**	**1,119,182**

At 31 December 2020, debt securities denominated in foreign currencies included in the portfolio of financial assets at fair value through other comprehensive income amounted to Euros 6,803 thousand (Euros 5,262 thousand in 2019).

Interest accrued in 2020 on debt securities amounted to Euros 12,132 thousand (Euros 14,003 thousand in 2019) (see note 24.1), with an average rate of return in 2020 and 2019 of approximately 1.19% and 1.25%, respectively.

At 31 December 2020 and 2019, the effective amount of these assets allocated to other creditors by the Group was Euros 42,409 thousand and Euros 305,931 thousand, respectively. The allocated securities are recognised as liabilities on the consolidated balance sheet for the amount agreed with the counterparty.

At 31 December 2020, securities pledged as collateral for monetary policy and intraday financing transactions and included under financial assets at fair value through other comprehensive income amounted to Euros 301,672 thousand (Euros 381,025 thousand in 2019).

Details of this item, by remaining term to maturity, are provided in note 7.3 Liquidity risk.

11.2. Equity instruments

At 31 December 2020 and 2019, the breakdown of this heading by sector of activity of the issuer is as follows:

	Thousands of Euros	
	2020	2019
Units in collective investment undertakings	14	32
Units in venture capital entities	4,334	-
Other resident sectors	-	-
Total	**4,348**	**32**

At 31 December 2020 and 2019, there are no equity instruments denominated in currencies other than the Euro.

11.3. Impairment losses

At the 2020 and 2019 year ends, details of impairment losses recognised by the Group on the portfolio of financial assets at fair value through other comprehensive income are as follows:

	Thousands of Euros	
	2020	2019
Opening balance	(2,420)	(2,102)
Net charges to income for the year	(93)	(892)
Other movements	(5)	574
Closing balance	**(2,518)**	**(2,420)**

11.4. Accumulated other comprehensive income

At 31 December 2020 and 2019, details of accumulated other comprehensive income in consolidated equity, resulting from changes in fair value of the portfolio assets, are as follows:

	Thousands of Euros	
	2020	2019
Debt securities	11,869	11,842
Equity instruments	-	-
Total	**11,869**	**11,842**

12. FINANCIAL ASSETS AT AMORTISED COST

Details of this caption of the consolidated balance sheet are as follows:

	Thousands of Euros	
	2020	2019
Debt securities	368,660	152,174
Loans and advances to credit institutions (note 7.1)	18,626	21,622
Loans and advances to other debtors (note 7.1)	2,059,995	1,896,243
Total	**2,447,281**	**2,070,039**

12.1. Debt securities

Details of this caption of the consolidated balance sheet are as follows:

	Thousands of Euros	
	2020	2019
Bonds and debentures		
Spanish general government	349,358	132,542
Other resident sectors	19,399	19,731
Impairment	(97)	(99)
Total	**368,660**	**152,174**

At 31 December 2020 and 2019, all securities allocated to this portfolio were denominated in Euros.

Interest accrued in 2020 on debt securities recognised at amortised cost amounted to Euros 2,871 thousand (Euros 2,660 thousand in 2019) (see note 24.1). The average rate of interest accrued on the securities in this portfolio in 2020 and 2019 was approximately 0.99% and 2.39%, respectively.

Of the securities included in the portfolio of debt securities recognised at amortised cost at 31 December 2020, the Group had temporarily allocated an effective amount of Euros 205,709 thousand (Euros 117,202 thousand in 2019) and had securities pledged as collateral amounting to Euros 34,853 thousand (Euros 20,168 thousand in 2019).

Details of this heading by remaining term to maturity are set forth in note 7.3.

Movement in impairment losses recognised by the Group on debt securities included in the portfolio of financial assets at amortised cost at the 2020 and 2019 year ends is as follows:

	Thousands of Euros	
	2020	2019
Opening balance	(99)	(100)
Net charges to income for the year	2	1
Closing balance	**(97)**	**(99)**

12.2. Loans and advances to credit institutions

Details of this heading are as follows:

	Thousands of Euros	
	2020	2019
Time deposits	-	3,432
Other financial assets	18,626	18,190
Valuation adjustments		
Accrued interest	-	-
Total	**18,626**	**21,622**

At 31 December 2020 and 2019 deposits at credit institutions in currencies other than the Euro amounted to Euros 0 thousand and Euros 3,432 thousand, respectively.

Details of this heading by remaining term to maturity are set forth in note 7.3.

Interest accrued in 2020 on loans and advances to credit institutions recognised at amortised cost amounted to Euros 503 thousand (Euros 136 thousand in 2019) (see note 24.1). The average annual interest rate in 2020 and 2019 was approximately 0.16% and 0.04%, respectively.

12.3. Loans and advances to other debtors

The breakdown of this heading of the accompanying consolidated balance sheet by type of transaction, credit status and counterparty sector is as follows:

	Thousands of Euros 2020	2019
Type of transaction and credit status:		
On demand, short notice	3,234	3,454
Credit card receivables	4,158	5,021
Trade receivables	-	16
Other term loans	2,015,268	1,836,787
Non-performing assets	78,745	87,640
Other financial assets	18,475	20,950
Valuation adjustments	(59,885)	(57,625)
Total	**2,059,995**	**1,896,243**
By sector:		
Spanish general government	-	-
Other resident sectors	2,034,176	1,867,915
Other non-resident sectors	25,819	28,328
	2,059,995	**1,896,243**
By currency:		
Euros	2,059,995	1,896,243
Foreign currency	-	-
Total	**2,059,995**	**1,896,243**
Type of interest rate:		
Fixed	204,728	183,460
Variable	1,855,267	1,712,783
Total	**2,059,995**	**1,896,243**

Other term loans include approximately Euros 734,119 thousand in loans secured by mortgage collateral at 31 December 2020 (Euros 694,322 thousand at 31 December 2019).

Details of this item, by remaining term to maturity, are provided in note 7.3.

Interest accrued in 2020 on loans and advances to other creditors amounted to Euros 36,751 thousand (Euros 36,337 thousand in 2019) (see note 24.1). The average annual interest rate on the assets recognised under this heading in 2020 and 2019 was approximately 1.79% and 2.34%, respectively.

In 2020 and 2019, the Group renegotiated the terms and conditions of certain transactions with borrowers, modifying the original terms and conditions of those transactions, specifically obtaining additional guarantees with respect to those originally provided, generating greater certainty for the Parent as to their repayment. A breakdown of transactions renegotiated by the Group in recent years and until 31 December 2020, and which would now presumably be in default or classified as non-performing (impaired) had they not been renegotiated, is provided below:

	Thousands of Euros 2020	2019
Loans and advances to other debtors		
Secured by mortgage collateral	119,084	113,278
Secured by personal guarantees	3,038	3,684
Total	**122,122**	**116,962**

In 2004, the Entity securitised loans to customers. At 31 December 2020 and 2019, the outstanding balance amounts to Euros 4,455 thousand and Euros 5,345 thousand, respectively. In accordance with the criterion described in note 3.9, these assets were not derecognised.

Details of securitised assets that have not been derecognised, by type of asset, are as follows:

	Thousands of Euros	
	2020	2019
Mortgage loans	4,455	5,345

The above assets were transferred to the securitisation fund TDA 20 Mixto, F.T.A. As the Group substantially retained the risks (credit risk) associated with these assets, they were not derecognised.

At 31 December 2020, the Parent held bonds issued by the securitisation fund to which these assets were transferred (which are secured by the assets securitised by the Bank) in an amount of Euros 3,216 thousand (Euros 4,083 thousand in 2019). At 31 December 2020 and 2019, the amount of the aforementioned bonds is presented by deducting funds received under financial asset transfers from deposits from other creditors on the accompanying consolidated balance sheet (see note 18.3).

Details of liabilities recognised as a result of not having derecognised the above assets are as follows:

	Thousands of Euros	
	2020	2019
Financial liabilities at amortised cost (note 18.3)	1,239	1,262

Details of valuation adjustments made to transactions classified as loans and advances to other debtors are as follows:

	Thousands of Euros	
	2020	2019
Valuation adjustments:		
Impairment	(60,072)	(60,082)
Accrued interest	3,123	3,222
Other	(2,936)	(765)
Total	**(59,885)**	**(57,625)**

The classification of impaired assets pending collection, based on ageing, is as follows:

31 December 2020	Up to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
	Thousands of Euros				
Unsecured transactions	2,855	534	1,018	7,861	12,268
Transactions secured by completed dwellings	14,592	195	389	18,150	33,326
Other secured transactions	18,935	1,964	264	11,988	33,151
Total	**36,382**	**2,693**	**1,671**	**37,968**	**78,745**
31 December 2019					
Unsecured transactions	3,580	680	854	6,000	11,114
Transactions secured by completed dwellings	9,796	917	2,070	25,371	38,154
Other secured transactions	22,232	254	1,762	14,124	38,372
Total	**35,608**	**1,851**	**4,686**	**45,495**	**87,640**

At 31 December 2020 and 2019, non-performing assets are secured by the following guarantees or credit improvements in addition to the collateral provided by the respective borrowers (shown at fair value at the date the loan was granted):

	Thousands of Euros
2020	66,477
2019	45,504

During 2020 and 2019, movement in impaired financial assets derecognised from the consolidated balance sheet (write-off assets) given that the likelihood of their recovery was considered remote, is as follows:

	Thousands of Euros	
	2020	2019
Opening balance	42,751	37,948
Additions	2,231	8,071
With a charge to impairment	2,168	7,351
With a direct charge to profit or loss	2	122
Past-due receivables	61	598
Recoveries	(116)	(3,268)
Debt forgiveness	(1)	(2,999)
Collection in cash without additional financing	(66)	(189)
Other	(49)	(80)
Closing balance	**44,866**	**42,751**

12.4. Impairment losses

Details of impairment losses recognised by the Group at the 2020 and 2019 year ends for assets from the portfolio of financial assets at amortised cost are as follows:

2020	Stage 3	Stages 1 y 2	Country risk	Total
	Thousands of Euros			
Balance at 31 December 2019	(42,133)	(17,945)	(4)	(60,082)
Net allowances for the year	527	(2,552)	1	(2,025)
Defaulted balances written off against allowances	2,020	-	-	2,020
Other movements	15	-	-	15
Balance at 31 December 2020	**(39,571)**	**(20,497)**	**(3)**	**(60,072)**

2019	Stage 3	Stage 1 y 2	Riesgo país	Total
	Thousands of Euros			
Balance at 31 December 2018	(54,494)	(18,165)	(6)	(72,665)
Net allowances for the year	4,665	220	2	4,887
Defaulted balances written off against allowances	7,455	-	-	7,455
Other movements	241	-	-	241
Balance at 31 December 2019	**(42,133)**	**(17,945)**	**(4)**	**(60,082)**

Details of impairment losses – financial assets at amortised cost recognised in the consolidated income statement for the years ended 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Net allowance for the year	(2,025)	4,887
Recovery of write-offs	113	147
Other	(9)	-
Total (note 24.1)	**(1,921)**	**5,034**

At 31 December 2020 and 2019, impairment losses recognised cover the minimum provisions required by the Banco de España, taking into account the situation and circumstances of transactions and borrowers.

13. DERIVATIVES – HEDGE ACCOUNTING

A breakdown of this caption of the accompanying consolidated balance sheet at the 2020 and 2019 year ends is as follows:

	Thousands of Euros			
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Swaps				
Debt securities hedges	-	14,185	-	6,220
Loan portfolio hedges	-	4,235	-	4,099
Total	**-**	**18,420**	**-**	**10,319**

The hedging derivatives were arranged over the counter.

All of the hedging derivatives are interest rate swaps; they hedge the fair value of the interest rates received on one debt security and two loan portfolios, all of which have been recognised by the Group within financial assets at amortised cost.

The amount recognised within liabilities reflects the present value of the derivatives at 31 December 2020 and 2019.

The valuation methods used to determine the fair values of the derivatives are based on the present value of the estimated future cash flows, discounted using rates derived from observable interest rate curves.

The breakdown by currency and maturity of the asset and liability headings corresponding to hedging derivatives at 31 December 2020 and 2019 is as follows:

	Thousands of Euros			
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
By currency:				
Euros	-	18,420	-	10,319
US Dollars	-	-	-	-
	-	18,420	-	10,319
By maturity:				
Less than 1 year			-	
1 to 5 years	-	-	-	-
Over 5 years	-	18,420	-	10,319
	-	18,420	-	10,319

The breakdown of the asset and liability headings corresponding to hedging derivatives at 31 December 2020 and 2019 is as follows:

	2020		
	Notional amount	Fair value	
		Assets	Liabilities
Other interest rate transactions			
Swaps	338,419	-	18,420

	2019		
	Notional amount	Fair value	
		Assets	Liabilities
Other interest rate transactions			
Swaps	131,912	-	10,319

Details, by type of product, of the fair value and notional amount of the derivatives designated as hedging instruments in fair value hedge transactions at 31 December 2020 and 2019 are as follows:

	Thousands of Euros			
	Debit balances		Credit balances	
2020	Fair value	Notional amount	Fair value	Notional amount
Interest rate swaps (IRS)	-	-	18,420	338,419
2019				
Interest rate swaps (IRS)	-	-	10,319	131,912

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

A breakdown of the fair value and notional amount, by type of hedged item, for transactions designated as hedges at 31 December 2020 and 2019 is as follows:

	Thousands of Euros			
	Debit balances		Credit balances	
2020	Fair value (1)	Notional amount	Fair value	Notional amount
Debt securities	13,051	285,916	-	-
Loans and advances	4,188	52,503	-	-
Total	**17,239**	**338,419**	**-**	**-**
2019				
Debt securities	6,216	75,000	-	-
Loans and advances	4,062	56,101	-	-
Total	**10,278**	**131,101**	**-**	**-**

(1) Shows the change in fair value of the hedged item

At 31 December 2020 and 2019, a breakdown of gains or losses on derivatives designated as hedging instruments, by type of hedged item, is as follows:

	Thousands of Euros				
	Net interest margin			Gains or losses from hedge accounting, net	
2020	Rectification of income	Rectification of expenses	Gain/(loss) on hedged item	Gain/(loss) on hedging instruments	Total ineffective portion
Debt securities	(1,340)	-	-	5	-
Loans and advances	(653)	-	(319)	355	-
2019					
Debt securities	(193)	-	-	(8)	-
Loans and advances	(444)	-	(2,789)	(2,788)	-

14. NON-CURRENT ASSETS HELD FOR SALE

Details at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Foreclosed assets	17,330	17,561
Impairment	(7,487)	(8,187)
Total	**9,843**	**9,374**

The fair value of the foreclosed assets is in all cases greater than the corresponding carrying amount recognised.

Movement in foreclosed assets during 2020 and 2019 is as follows:

	Thousands of Euros
Balance at 31 December 2018	17,632
Additions	455
Disposals	(526)
Balance at 31 December 2019	17,561
Additions	339
Disposals	(570)
Balance at 31 December 2020	17,330

The breakdown of foreclosed assets by nature is as follows:

	Thousands of Euros	
	2020	2019
Real estate assets	16,097	16,328
Other	1,233	1,233
Total	**17,330**	**17,561**

Law 8/2012 of 30 October 2012, on the write-down and disposal of the real estate assets of the financial sector, stipulates that credit institutions must transfer any assets foreclosed or received in payment of debt related to land for real estate construction and property development, including both the existing debt at 31 December 2012 and that subsequently generated, to a corporation for the management of these assets. In addition, it provides that transfers to the asset management company must take place before the deadline for making provisions applicable to the institution pursuant to articles 1 and 2 of Royal Decree-Law 2/2012.

At 31 December 2020 and 2019, in addition to the Parent, the investees with non-current assets held for sale are as follows:

	% ownership			
	2020		2019	
	Direct	Indirect	Direct	Indirect
Maxlan, S.A.U.	100.00	-	100.00	-
Bancofar, S.A.	82.99	-	82.62	-

Details of impairment losses on non-current assets held for sale recognised by the Group at the 2020 and 2019 year ends are as follows:

	Thousands of Euros	
	2020	2019
Opening balance	(8,187)	(7,848)
Net allowances/reversals charged to profit or loss for the year	(100)	(68)
Other movements	800	(271)
Closing balance	**(7,487)**	**(8,187)**

15. EQUITY INVESTMENTS: JOINT VENTURES AND ASSOCIATES

A summary of significant equity investments in Group companies acquired and divested during 2020 and 2019 is as follows:

- In 2020 the investment in Bancofar, S.A. was increased by 0.4%.
- In 2019 Banco Caminos, S.A. purchased Gefonsa, S.V, S.A.U. from Corporación Banco Caminos, S.L.U., and Gefonsa, S.V., S.A.U. was subsequently merged with Banco Caminos, S.A. (see note 1).

As explained in note 1.2, at 31 December 2020 and 2019 all Group companies are fully consolidated. At 31 December 2020 and 2019, there are no interests in joint ventures or associates.

In 2020, the main movement involving investees was the increase of Banco Caminos, S.A.'s interest in Bancofar, S.A. by 0.4% at a cost of Euros 388 thousand.

16. TANGIBLE ASSETS

Details of this consolidated balance sheet caption at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Own use	43,626	44,586
Right-of-use assets	2,916	1,379
Investment property	4,803	5,002
Total	**51,345**	**50,967**

Details of this consolidated balance sheet item and movement in 2020 and 2019 are as follows:

For own use	IT equipment	Furniture, fixtures and other	Buildings	Right-of-use assets (*)	Investment property	Total
	Thousands of Euros					
Cost						
Balance at 31/12/2018	3,668	8,774	48,339	-	8,599	69,380
First-time application of IFRS 16	-	-	-	1,731	-	1,731
Additions	-	1,456	2,264	-	-	3,720
Disposals	(1,237)	(2,672)	-	-	(449)	(4,358)
Transfers	-	-	-	-	-	-
Balance at 31/12/2019	2,431	7,558	50,603	1,731	8,150	70,473
Additions	5	298	-	2,239	-	2,542
Disposals	-	-	-	-	-	-
Transfers	-	1	92	-	-	93
Balance at 31/12/2020	2,436	7,857	50,695	3,970	8,150	73,108
Accumulated depreciation						
Balance at 31/12/2018	(3,443)	(5,064)	(5,665)	-	(1,681)	(15,853)
Additions	(6)	(235)	(610)	(352)	(119)	(1,322)
Disposals	1,230	683	-	-	-	1,913
Transfers	-	-	-	-	-	-
Balance at 31/12/2019	(2,219)	(4,616)	(6,275)	(352)	(1,800)	(15,262)
Additions	(90)	(419)	(750)	(702)	(120)	(2,081)
Disposals	-	-	-	-	-	-
Transfers	-	(2)	-	-	-	(2)
Balance at 31/12/2020	(2,309)	(5,037)	(7,025)	(1,054)	(1,920)	(17,345)

(*) Right-of-use assets were included following the entry into force of IFRS 16. Right-of-use assets mainly comprise leases on buildings and premises for the branch network. The clauses included in the lease agreements are essentially consistent with lease agreements under customary market conditions (see note 3.12).

For own use	IT equipment	Furniture, fixtures and other	Buildings	Right-of-use assets (*)	Investment property	Total
	Thousands of Euros					
Impairment						
Balance at 31/12/2018	-	-	(2,990)		(1,405)	(4,395)
Additions	-	-	-	-	(100)	(100)
Disposals	-	-	94	-	157	251
Transfers	-	-	-	-	-	-
Balance at 31/12/2019	-	-	(2,896)	-	(1,348)	(4,244)
Additions	-	-	(95)	-	(79)	(174)
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance at 31/12/2020	-	-	(2,991)	-	(1,427)	(4,418)
Carrying amount at 31/12/19	**212**	**2,942**	**41,432**	**1,379**	**5,002**	**50,967**
Carrying amount at 31/12/2020	**127**	**2,820**	**40,679**	**2,916**	**4,803**	**51,345**

(*) Right-of-use assets were included following the entry into force of IFRS 16. Right-of-use assets mainly comprise leases on buildings and premises for the branch network. The clauses included in the lease agreements are essentially consistent with lease agreements under customary market conditions (see note 3.12).

At 31 December 2020 and 2019, the Group had no firm commitments to buy or sell property and equipment for a significant amount.

The Group has no tangible assets for significant amounts with use or ownership restrictions, that are idle, or which are pledged to secure repayment of debts.

At 31 December 2020, fully depreciated assets amount to Euros 9,416 thousand (Euros 7,848 thousand in 2019). Investment property mainly comprises buildings owned by the Group and leased to third parties (operating leases).

In 2020 the Group received rental income from investment property and leases amounting to Euros 474 thousand (Euros 516 thousand in 2019) from assets classified as investment property (see note 24.3).

17. INTANGIBLE ASSETS

The breakdown of this consolidated balance sheet caption is as follows:

	Thousands of Euros	
	2020	2019
Goodwill		
De FAM Caminos, S.A.	4,337	4,337
Other intangible assets		
Customer portfolios	3,282	3,607
Other intangible assets	7,072	2,805
Total	**14,691**	**10,749**

The goodwill associated with FAM Caminos, S.A. derives from the acquisition in 2011 of an 80% shareholding in this entity. As explained in note 3.11.1, goodwill has been tested for impairment, specifically by valuing this investee using the discounted cash flow methodology. The main assumptions underpinning the cash flow projections are as follows:

	Thousands of Euros	
	2020	2019
Projection period	2021-2024	2020-2024
Growth of managed insurance premiums	0.7%-1.8%	1.5%-2%
Growth of revenue from the provision of services to insurers	0.70%-1.80%	1.5%-2%
Discount rate	11.71%	8.59%

The goodwill associated with Arcogest, S.G.C., S.A. (an entity which merged into Gefonsa, S.V., S.A.U. in 2015) derives from the investment acquired in 2014. In 2019 an impairment loss was recognised for the full amount of this goodwill with a charge to consolidated profit or loss (see note 15).

Intangible assets related to customer portfolios correspond to the acquisition in 2012 by the Group company Gespensión Caminos, E.G.F.P., S.A.U. from Mutualidad FAM of a customer portfolio comprising the account, unitholder and beneficiary units of the latter's three pension funds. This transaction entailed the substitution of Gespensión Caminos, E.G.F.P., S.A.U. as pension fund manager, for which the latter delivered consideration of Euros 6,100 thousand.

Based on the estimates and projections used by the Group's directors, the forecasts of attributable income support the recognised carrying amounts of goodwill and customer portfolios.

The remainder of the balance shown on the accompanying consolidated balance sheet under other intangible assets essentially comprises investments in computer programs and other intangible assets.

Details of intangible assets and movement during 2020 and 2019 are as follows:

	Thousands of Euros		
		Other intangible assets	
	Goodwill	Customer portfolios	Other
Cost			
Balance at 31/12/2018	4,589	6,124	4,560
Additions	-	-	1,870
Disposals	(252)	-	-
Transfers	-	-	-
Balance at 31/12/2019	4,337	6,124	6,430
Additions	-	-	5,259
Disposals	-	-	(461)
Transfers	-	-	-
Balance at 31/12/2020	4,337	6,124	11,228
Accumulated amortisation			
Balance at 31/12/2018	-	(2,192)	(3,271)
Additions		(325)	(354)
Disposals	-	-	-
Transfers	-	-	-
Balance at 31/12/2019	-	(2,517)	(3,625)
Altas	-	(325)	(531)
Disposals	-	-	-
Other	-	-	-
Balance at 31/12/2020	-	(2,842)	(4,156)
Carrying amount at 31/12/19	**4,337**	**3,607**	**2,805**
Carrying amount at 31/12/2020	**4,337**	**3,282**	**7,072**

There are no intangible assets with use or ownership restrictions. In 2020 impairment losses amounting to Euros 463 thousand (zero in 2019) were recognised on these assets.

The Group is in the midst of a process to change its core banking business and to modernise and digitalise processes to provide a better service to its customers. Additions to intangible assets relate mainly to these undertakings, which are being capitalised as and when they are put into operation.

18. FINANCIAL LIABILITIES AT AMORTISED COST

Details of this caption under liabilities on the consolidated balance sheet are as follows:

	Thousands of Euros	
	2020	2019
Deposits from central banks	600,993	317,660
Deposits from credit institutions	72,214	200,145
Deposits from other creditors	2,900,545	2,783,000
Other financial liabilities	68,462	47,041
Debt securities issued	-	-
Total	**3,642,214**	**3,347,846**

18.1. Deposits from central banks

Details of this heading under liabilities on the consolidated balance sheet, by type of instrument, are as follows:

	Thousands of Euros	
	2020	2019
Banco de España	605,000	322,000
Valuation adjustments:		
Accrued interest	(4,007)	(4,340)
Total	**600,993**	**317,660**

Deposits from central banks on the balance sheet at 31 December 2020 solely comprise time deposits taken from the European Central Bank through Banco de España. The amount recorded includes drawdowns from the European Central Bank's TLTRO III facilities, amounting to Euros 605,000 thousand at 31 December 2020.

On 30 April 2020 the European Central Bank made certain modifications to the terms and conditions of the TLTRO III facilities in order to support the continued access of companies and households to bank credit in the face of the disruptions and temporary funding shortages associated with the COVID-19 pandemic. Financial institutions whose rate for eligible net loans and receivables is more than 0% in the period from 1 March 2020 to 31 March 2021 will pay an interest rate of 0.5% below the average rate on deposit facilities in the period from 24 June 2020 to 23 June 2021. The interest rate to be applied to the amount drawn down on these facilities is therefore -1%. Outside of the foregoing period, the average interest rate for deposit facilities (currently -0.5%) will apply, provided that the financing objectives are met as per the terms and conditions of the European Central Bank.

The Bank is reasonably certain that these financing objectives will be met. The effective interest rate for each facility is therefore -1% and the interest rate reduction associated with the COVID-19 pandemic will be recognised for accounting purposes in the annual period from 24 June 2020 to 23 June 2021.

Deposits from central banks accrued interest at an average annual rate of 0.73% in 2020 (0.41% in 2019).

In 2020 interest income accrued on deposits held at the Banco de España amounted to Euros 3,958 thousand (Euros 1,306 thousand in 2019) (see note 24.1).

Details of this item, by remaining term to maturity, are provided in note 7.3 Liquidity risk.

18.2. Deposits from credit institutions

Details of this heading under liabilities on the consolidated balance sheet, by type of instrument, are as follows:

	Thousands of Euros	
	2020	2019
Time deposits	70,631	186,933
Other deposits	1,591	13,226
Valuation adjustments:		
Accrued interest	(8)	(14)
Total	**72,214**	**200,145**

Interest accrued in 2020 on deposits from credit institutions amounted to Euros 97 thousand (Euros 355 thousand in 2019) (see note 24.1). The average annual interest rate on deposits from credit institutions in 2020 was -0.05% (0.04% in 2019).

Details of this item, by remaining term to maturity, are provided in note 7.3 Liquidity risk.

18.3. Deposits from other creditors

Details of this heading under liabilities on the consolidated balance sheet at 31 December 2020 and 2019, by counterparty and type of financial liability, are as follows:

	Thousands of Euros	
	2020	2019
Spanish general government	6,437	5,974
Other private sectors		
Current accounts	1,606,288	1,500,888
Fixed-term deposits	1,071,993	1,007,172
Funds received under financial asset transfers (note 12.3)	1,239	1,262
Repurchase agreements	213,144	266,457
Valuation adjustments	1,444	1,247
Total	2,900,545	2,783,000
By currency		
Euros	2,886,747	2,771,823
Foreign currency	13,798	11,177
Total	2,900,545	2,783,000

In 2020 and 2019 fixed-term deposits include covered bonds for a nominal amount of Euros 50,000 thousand in both years, with details as follows (see note 12.3):

			Thousands of Euros	
			Carrying amount	
Date Issue	Maturity date	Maturity date	2020	2019
20/07/2007	20/07/2022	5.1353%	50,727	51,203

Details of valuation adjustments applied to deposits from other creditors in other resident sectors are as follows:

	Thousands of Euros	
	2020	2019
Valuation adjustments		
Accrued interest	1,444	1,247
Liabilities at fair value	-	-
Total	1,444	1,247

Interest accrued in 2020 on deposits from other creditors amounted to Euros 4,317 thousand (Euros 5,940 thousand in 2019) (see note 24.1). The average annual interest rate on deposits from other creditors in 2020 was 0.03% (0.06% in 2019).

Details of this item, by remaining term to maturity, are provided in note 7.3.

18.4. Other financial liabilities

All financial liabilities recognised in this line item on the accompanying consolidated balance sheet are classified as financial liabilities at amortised cost, and are therefore measured at amortised cost. This heading also includes payment obligations having the nature of financial liabilities not included in other items.

Details of other financial liabilities by type of financial instrument are as follows:

	Thousands of Euros	
	2020	2019
Payment obligations	6,273	3,415
Tax collection accounts	13,206	6,094
Payment orders outstanding and traveller's cheques	25,355	12,186
Financial liabilities arising from rights of use	2,924	1,160
Other items	20,704	24,186
Total	**68,462**	**47,041**

Financial liabilities arising from rights of use reflect the application of IFRS 16, whereby the Group, as lessee, is required to initially recognise a liability representing its payment commitments and an asset representing the right to use the underlying asset over the lease term (see note 16).

Other items include balances to be reinstated to the fund TDA Mixto 20, F.T.A. amounting to Euros 94 thousand and Euros 101 thousand at 31 December 2020 and 2019, respectively, for repayment of loans ceded to the fund (see note 12.3). Other items also primarily include customer transfers pending settlement.

18.5. Valores representativos de deuda emitidos.

The breakdown of this caption is as follows:

	Thousands of Euros	
	2020	2019
Covered bonds	350,000	-
Own securities	(350,000)	-
Valuation adjustments	-	-
Accrued interest	-	-
Total	**-**	**-**

The covered bond issues launched by Banco Caminos, S.A. and Bancofar, S.A. were agreed by its board of directors by virtue of the authorisations granted by the Banks' shareholders at their general meeting and pursuant to the limits approved by the aforementioned governing body.

On 25 November 2020, the terms were set for two issues of covered bonds for a nominal amount of Euros 350,000 thousand (Banco Caminos, S.A.: Euros 200,000 thousand; and Bancofar, S.A.: Euros 150,000 thousand). The securities were issued at 100% of the nominal amount and will pay an annual variable coupon in half-yearly instalments of 0.041% per annum until 25 November 2027 for each of the issues. The redemption date of the securities will be 25 November 2027, although they may be redeemed early in certain circumstances at the discretion of Banco Caminos, S.A. and Bancofar, S.A.

The Group has the following covered bond issues outstanding:

Date Issue	Thousands of Euros Nominal amount	Thousands of Euros Outstanding balance	Interest rate	Quotation	Date Maturity
25/11/2020	200,000	200,000	0.041%	MARF	25/11/2027
25/11/2020	150,000	150,000	0.041%	MARF	25/11/2027

The Group holds all issues as own securities at 31 December 2020.

18.6.Information required by Law 2/1981 of 25 March 1981 on mortgage market regulation and by Royal Decree 716/2009 of 24 April 2009 implementing certain aspects of that Law.

Banco Caminos, S.A. and Bancofar, S.A. are the two Group companies that issue covered bonds.

As the Parent directly issues mortgage-backed securities, it must disclose in its annual accounts the information on the special accounting register stipulated in Royal Decree 716/2009 of 24 April 2009 implementing certain aspects of Law 2/1981 of 25 March 1981 on mortgage market regulation and other mortgage and financial system rules, and in Banco de España Circular 7/2010 which modifies, inter alia, the information that institutions must disclose in their annual accounts in relation to the special accounting register referred to in article 21 of above-mentioned Royal Decree 716/2009, and the specific representations of the board of directors to be included in the notes to the annual accounts in this regard.

The members of the board of directors affirm that Banco Caminos, S.A. and Bancofar, S.A. have specific policies and procedures that encompass all of its activities relating to mortgage market bond issues, guaranteeing strict compliance with applicable mortgage market regulations. The risk policies applicable to mortgage market transactions stipulate maximum financing limits on the loan to value (LTV) appraisal; there are also additional specific policies adapted to each mortgage product, which occasionally apply more stringent limits. The general policies establish a relationship between the amount of the loan and the income or repayment capacity of the borrower with which all transactions must comply. As regards verifying the client's data and solvency, Banco Caminos, S.A. and Bancofar, S.A. have procedures and tools in place to contrast documentation and carry out internal audits that ensure the reliability of its findings. The procedures of Banco Caminos, S.A. and Bancofar, S.A. envisage an individual valuation performed by an independent appraisal firm for each mortgage originating in the mortgage market.

The following individual information at 31 December 2020 and 2019 is relative to and included in the special accounting register referred to in article 21 of Royal Decree 716/2009 of 24 April 2009.

18.6.1. Asset transactions

At 31 December 2020 and 2019, the nominal amount of total mortgage loans and credit, and certain information on their eligibility with respect to the mortgage market, are as follows:

	Thousands of Euros Nominal amount 2020	2019
Total loans (a) (b)	425,518	440,340
Collateralised mortgage bonds issued (c)	2,459	3,065
Of which: Loans recognised under assets (d)	*2,459*	*3,065*
Mortgage transfer certificates issued	1,996	2,280
Of which: Loans recognised under assets (d)	*1,996*	*2,280*
Mortgage loans pledged as collateral to secure financing received	-	-
Loans backing issues of mortgage bonds and covered bonds (e)	421,063	434,995
Ineligible loans (f)	80,237	119,921
Loans meeting eligibility requirements except limit stipulated in article 5.1 of Royal Decree 716/2009	-	16,813
Other ineligible loans	80,237	103,108
Eligible loans (g)	340,826	315,074
Loans covering mortgage bond issues	-	-
Loans suitable for securing covered bond issues	340,826	315,074
Ineligible amounts (h)	-	-
Eligible amounts	340,826	315,074

Memorandum item	Present value 2020	2019
Loans covering mortgage bond issues (i)	-	-

(a) Includes all transactions of this nature, irrespective of the heading under which they are presented on the balance sheet.

(b) Receivable amount of principal drawn down on loans guaranteed by mortgages in the Bank's favour (including those acquired through collateralised mortgage bonds and mortgage transfer certificates), even if they have been derecognised, irrespective of the percentage of the latest appraised value this amount represents (loan to value).

(c) Amount of principal drawn down on loans transferred in the form of collateralised mortgage bonds or mortgage transfer certificates, even if they have been derecognised.

(d) Amount of principal drawn down on loans transferred but not derecognised.

(e) Total loans less the sum of collateralised mortgage bonds issued, mortgage transfer certificates issued and mortgage loans pledged as collateral to secure financing received.

(f) Mortgage-backed loans not transferred to third parties or pledged as collateral to secure financing received, which do not meet the eligibility requirements of article 3 of Royal Decree 716/2009 for issues of mortgage bonds and covered bonds.

(g) Loans eligible for issues of mortgage bonds and covered bonds in accordance with article 3 of Royal Decree 716/2009, without deducting the eligibility limits specified in article 12 of that Royal Decree.

(h) Amount of eligible loans that, based on the criteria specified in article 12 of Royal Decree 716/2009, are not eligible to secure issues of mortgage bonds and covered bonds.

(i) Present value calculated in accordance with article 23 of Royal Decree 716/2009.

The following table reflects the nominal amount of mortgage loans and credit at 31 December 2020 and 2019:

	Thousands of Euros			
	2020		2019	
	Loans backing issues of mortgage bonds and covered bonds (b)	*Of which: Eligible loans (c)*	Loans backing issues of mortgage bonds and covered bonds (b)	*Of which: Eligible loans (c)*
TOTAL (a)	**421,063**	**340,826**	**434,995**	**315,074**
SOURCE OF TRANSACTIONS	**421,063**	**340,826**	**434,995**	**315,074**
Transacted by the Bank	416,605	336,837	432,317	313,758
Assumed from other institutions	4,458	3,989	2,678	1,316
Other	-	-	-	-
CURRENCY	**421,063**	**340,826**	**434,995**	**315,074**
Euros	421,063	340,826	434,995	315,074
Other currencies			-	-
PAYMENT STATUS	**421,063**	**340,826**	**434,995**	**315,074**
Performing	402,928	333,734	416,254	315,074
Other status	18,135	7,092	18,741	-
AVERAGE REMAINING TERM TO MATURITY	**421,063**	**340,826**	**434,995**	**315,074**
Up to 10 years	54,129	39,504	44,902	36,248
10 to 20 years	184,523	150,280	182,664	139,394
20 to 30 years	176,305	148,833	200,502	137,645
More than 30 years	6,106	2,209	6,927	1,787
INTEREST RATE	**421,063**	**340,826**	**434,995**	**315,074**
Fixed	24,587	20,300	20,517	18,273
VVariable	396,476	320,526	414,478	296,801
Mixed	-	-	-	-

(a) Includes all transactions of this nature, irrespective of the heading under which they are presented on the balance sheet.

(b) Receivable amount of principal drawn down on mortgage-backed loans, irrespective of the percentage of the latest appraised value this amount represents (loan to value), not transferred to third parties or pledged as collateral to secure financing received.

(c) Loans eligible for issues of mortgage bonds and covered bonds in accordance with article 3 of Royal Decree 716/2009, without deducting the eligibility limits specified in article 12 of that Royal Decree.

	Thousands of Euros			
	2020		2019	
	Loans backing issues of mortgage bonds and covered bonds (b)	*Of which: Eligible loans (c)*	Loans backing issues of mortgage bonds and covered bonds (b)	*Of which: Eligible loans (c)*
BORROWER	**421,063**	**340,826**	**434,995**	**315,074**
Legal entities and sole proprietorships (business activities)	72,850	41,687	70,053	35,110
Of which: Real estate construction and property development (including land)	*9,980*	*1,344*	*3,808*	*1,205*
Other household loans	348,213	299,139	364,942	279,964
TYPE OF COLLATERAL	**421,063**	**340,826**	**434,995**	**315,074**
Assets/finished buildings	398,699	330,352	427,819	313,869
Housing	351,003	305,461	373,453	283,178
Of which: Subsidised housing	-	-	*5,531*	*4,885*
Offices and commercial premises	28,532	22,089	30,243	19,334
Other buildings and structures	19,164	2,802	24,123	11,357
Assets/buildings under construction	13,596	3,488	-	-
Housing	9,870	3,488	-	-
Of which: Subsidised housing	-	-	-	-
Offices and commercial premises	-	-	-	-
Other buildings and structures	3,726	-	-	-
Land	8,768	6,986	7,176	1,205
Developed land	8,278	6,564	1,947	-
Other land	490	422	5,229	1,205

(a) Includes all transactions of this nature, irrespective of the heading under which they are presented on the balance sheet.

(b) Receivable amount of principal drawn down on mortgage-backed loans, irrespective of the percentage of the latest appraised value this amount represents (loan to value), not transferred to third parties or pledged as collateral to secure financing received.

(c) Loans eligible for issues of mortgage bonds and covered bonds in accordance with article 3 of Royal Decree 716/2009, without deducting the eligibility limits specified in article 12 of that Royal Decree.

The following table provides a breakdown of the nominal amount of mortgage loans and credit eligible for issues of mortgage bonds and covered bonds at 31 December 2020 and 2019, based on the risk as a percentage of the latest available appraised value for mortgage market purposes:

	2020 - Loan to value (b) - Thousands of Euros					
Type of collateral	LTV ≤ 40%	40% < LTV ≤ 60%	LTV > 60%	60% < LTV ≤ 80%	LTV > 80%	Total
Eligible loans (b) (c):	105,273	133,845	-	101,708	-	340,826
Housing	93,772	120,035		101,708	-	315,515
Other real estate	11,501	13,810	-			25,311

	2019 - Loan to value (b) - Thousands of Euros					
Type of collateral	LTV ≤ 40%	40% < LTV ≤ 60%	LTV > 60%	60% < LTV ≤ 80%	LTV > 80%	Total
Eligible loans (b) (c):	102,565	125,709	590	86,210	-	315,074
Housing	89,449	108,493		86,210	-	284,152
Other real estate	13,116	17,216	590			30,922

(a) Includes all transactions of this nature, irrespective of the heading under which they are presented on the balance sheet.

(b) Loan to value is the ratio resulting from dividing the principal drawn down on each loan transaction by the latest available appraised value of the associated collateral.

(c) Loans eligible for issues of mortgage bonds and covered bonds in accordance with article 3 of Royal Decree 716/2009, without deducting the eligibility limits specified in article 12 of that Royal Decree.

Details at 31 December 2020 and 2019 of the nominal amount of undrawn mortgage loans and credit backing issues of mortgage bonds and covered bonds are as follows:

	Thousands of Euros Undrawn principal (b)	
	2020	2019
Mortgage loans backing issues of mortgage bonds and covered bonds (a)	421,063	434,995
Potentially eligible (c)	340,826	315,074
Ineligible	80,237	119,921

(a) Includes all transactions of this nature, irrespective of the heading under which they are presented on the balance sheet.

(b) Committed amounts (limit) less drawdowns from all mortgage-backed loans, irrespective of the risk as a percentage of the most recent appraised value (loan to value), not transferred to third parties or pledged as collateral to secure financing received. The available balance also includes amounts that are only transferred to developers when homes are sold.

(c) Loans that are potentially eligible for issues of mortgage bonds and covered bonds according to article 3 of Royal Decree 716/2009.

Changes in the nominal amount of mortgage loans and credit backing issues of mortgage bonds and covered bonds in 2020 and 2019 are as follows:

	Thousands of Euros			
	2020		2019	
	Eligible loans (b)	Ineligible loans (c)	Eligible loans (b)	Ineligible loans (c)
Opening balance	315,074	119,921	309,891	125,208
Derecognised during the period	46,720	63,720	(40,660)	(33,192)
Past-due principal collected in cash			(40)	(286)
Cancelled before maturity	12,020	6,161	(19,167)	(24,257)
Assumed by other institutions			-	-
Other	34,700	57,559	(21,453)	(8,649)
Additions during the period	72,472	24,036	45,843	27,905
Transacted by the Bank	22,592	9,026	38,079	25,201
Assumed from other institutions	1,752	65	122	858
Other	48,128	14,945	7,642	1,846
Closing balance (a)	340,826	80,237	315,074	119,921

(a) Includes all transactions of this nature, irrespective of the heading under which they are presented on the balance sheet.

(b) Loans eligible for issues of mortgage bonds and covered bonds in accordance with article 3 of Royal Decree 716/2009, without deducting the eligibility limits specified in article 12 of that Royal Decree.

(c) Mortgage-backed loans not transferred to third parties or pledged as collateral to secure financing received, which do not meet the eligibility requirements of article 3 of Royal Decree 716/2009 for issues of mortgage bonds and covered bonds.

In 2020 and 2019, the Group had replacement assets linked to issues of covered bonds or mortgage bonds, for the following amounts:

REPLACEMENT ASSETS (by nature)	Thousands of Euros			
	2020		2019	
	Covered bonds issued	Mortgage bonds issued	Covered bonds issued	Mortgage bonds issued
Covered bonds acquired	-	-	-	-
Mortgage bonds acquired	-	-	-	-
Securities issued by mortgage securitisation funds	-	-	-	-
Securities issued by asset securitisation funds	-	-	-	-
Other debt securities	350,000	-	-	-
Other financial assets	50,727	-	51,203	-
Total	**400,727**	**-**	**51,203**	**-**

18.6.2. Liability transactions

Details of the aggregate nominal amount of mortgage-backed securities issued at 31 December 2020 and 2019, by remaining term to maturity, are as follows:

	2020			2019		
	Thousands of Euros		Average term to maturity (b)	Thousands of Euros		Average term to maturity (b)
	Nominal amount	Present value (a)		Nominal amount	Present value (a)	
Mortgage bonds issued (c)	-	-		-	-	
Of which: recognised under liabilities	-			-		
Covered bonds issued (c)	400,727			51,203		
Of which: recognised under liabilities	*250,527*			*51,203*		
Debt securities. Issued by public offering	-			-		
Remaining term to maturity less than one year	-			-		
Remaining term to maturity more than one year and less than two years	-			-		
Remaining term to maturity more than two years and less than three years	-			-		
Remaining term to maturity more than three years and less than five years	-			-		
Remaining term to maturity more than five years and less than ten years	-			-		
Remaining term to maturity more than ten years	-			-		
Debt securities. Other issues	350,000			-		
Remaining term to maturity less than one year	-			-		
Remaining term to maturity more than one year and less than two years	-			-		
Remaining term to maturity more than two years and less than three years	-			-		
Remaining term to maturity more than three years and less than five years	-			-		
Remaining term to maturity more than five years and less than ten years	350,000			-		
Remaining term to maturity more than ten years	-			-		
Deposits	50,727			51,203		
Remaining term to maturity less than one year	-			-		
Remaining term to maturity more than one year and less than two years	-			-		
Remaining term to maturity more than two years and less than three years	-			-		
Remaining term to maturity more than three years and less than five years	50,727			51,203		
Remaining term to maturity more than five years and less than ten years	-			-		
Remaining term to maturity more than ten years	-			-		
Collateralised mortgage bonds issued (d)	2,459			3,065		99
Issued by public offering	-		-	-		-
Other issues	2,459			3,065		99
Mortgage transfer certificates issued (d)	1,996			2,280		117
Issued by public offering	-		-	-		-
Other issues	1,996			2,280		117

(a) Present value calculated in accordance with article 23 of Royal Decree 716/2009.

(b) Weighted average remaining term to maturity by amounts, expressed in months rounded up.

(c) Mortgage bonds and covered bonds include all instruments issued by the Bank and pending redemption, even if they have not been recognised under liabilities (because they have not been placed with third parties or have been repurchased).

The amount of collateralised mortgage bonds and mortgage transfer certificates issued that solely comprise mortgage loans recognised under assets (on the balance sheet).

19. PROVISIONS

Details of this consolidated balance sheet caption at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Pensions and other post-employment defined benefit obligations	3,630	3,352
Pending legal issues and tax litigation	1,523	1,596
Commitments and guarantees given	2,855	4,018
Other provisions	2,792	3,927
Total	**10,800**	**12,893**

Changes in these items in 2020 and 2019 are as follows:

	Thousands of Euros				
	Pensions and other post-employment defined benefit obligations (*)	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balance at 31 December 2018	**202**	**2,300**	**5,289**	**3,293**	**11,084**
Allowances	3,193	-	1,340	2,603	7,136
Recoveries	-	-	(2,611)	(1,339)	(3,950)
Transfers	-	-	-	-	-
Applications and other changes	(43)	(704)	-	(630)	(1,377)
Balance at 31 December 2019	**3,352**	**1,596**	**4,018**	**3,927**	**12,893**
Allowances	334	546	1,028	1,878	3,786
Reversals	-	(454)	(2,191)	(480)	(3,125)
Transfers	-	-	-	-	-
Applications and other changes	(56)	(165)	-	(2,533)	(2,754)
Balance at 31 December 2020	**3,630**	**1,523**	**2,855**	**2,792**	**10,800**

(*) See note 20

Pending legal issues and tax litigation, and other provisions, reflect provisions recognised by the Group to cover probable or certain expenses, losses or liabilities arising from ongoing litigation related to the ordinary course of the Group's business. They are recognised at the estimated amount of the outflows of resources required to settle such liabilities.

20. OTHER ASSETS AND OTHER LIABILITIES

Details of other assets and other liabilities on the accompanying consolidated balance sheet for 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Other assets:		
Accrual of unmatured loans	4,983	7,735
Insurance contracts linked to pensions (note 3.14.2)	3,460	3,160
Other items	148	825
Total	**8,591**	**11,720**
Other liabilities:		
Accrued expenses	10,419	2,346
Other liabilities	42	3,933
Total	**10,461**	**6,279**

21. CONSOLIDATED EQUITY

21.1. Capital

This item mainly reflects the shares into which the Parent's equity is divided among its shareholders.

At 31 December 2020 the Group has treasury shares totalling Euros 1,197 thousand (Euros 1,392 thousand in 2019).

On 26 June 2009, the Parent's board of directors agreed to apply Euros 32 thousand of the Parent's available reserves to the share capital, free of charge for the shareholders, with an increase in value of 9 cents per share, thus bringing the Parent's share capital to Euros 21,163,490.06.

Additionally, on 12 February 2010, the decision to split capital in the proportion of 10 new shares for each old share was raised to public deed. This was to be carried out by decreasing the par value of all of the shares from Euros 60.20 to Euros 6.02, increasing the total number of shares comprising the Entity's share capital from 351,553 to 3,515,530, all subscribed and fully paid up.

At their meeting held on 22 June 2011, availing of provision nine of Law 2/2011, the Parent's shareholders resolved to request Euros 7,241 thousand of the mandatory reserve fund from Almagro, Sociedad Cooperativa de Consumidores y Usuarios. This amount had been transferred to the cooperative as a legal requirement when Caja Caminos was transformed into a bank. A balance of Euros

9 thousand was left on deposit in the cooperative (see notes 1 and 21.2). In addition, the shareholders agreed that once the aforementioned amount had been returned, the Bank would pay corporate income tax amounting to Euros 913 thousand and would use the remaining Euros 6,328 thousand to increase share capital, raising the par value of existing shares by Euros 1.80 per share.

At their meeting held on 29 November 2011, the Entity's board of directors resolved to set 14 December 2011 as the date for the capital transfer referred to in the preceding paragraph. The share capital increase was executed in a public deed on 14 December 2011.

At 31 December 2020 and 2019, following the capital increase referred to above, the Bank's share capital stood at Euros 27,491 thousand, consisting of 3,515,530 registered shares with a par value of Euros 7.82 per share, all of which are of the same type and series, and are subscribed and fully paid up.

21.2. Retained earnings and share premium

Changes in the share premium and in reserves, within shareholders' equity, are shown in the consolidated statement of total changes in equity for 2020 and 2019.

A breakdown is as follows:

	Thousands of Euros	
	2020	2019
Legal reserve of the Parent	5,518	5,518
Voluntary reserves of the Parent	89,024	81,028
Reserves of subsidiaries	66,309	63,201
Share premium	29,028	29,033
Total	**189,879**	**178,780**

The share premium arose from the voluntary contributions approved by the General Assembly of Caja Caminos on 28 June 2002 and the capital increase approved by the General Assembly on 29 June 2007 (see note 1). The share premium is freely distributable. At the reporting date, the share premium has been called up and therefore recognised.

In addition, in 2008 the mandatory reserve fund of Euros 7,250 thousand was transferred to Almagro Sociedad Cooperativa de Consumidores y Usuarios as approved at the Extraordinary Assembly held on 29 June 2007 (see note 1). Of this amount, Euros 6,328 thousand was returned in 2011 to increase capital as described in note 21.1, and Euros 913 thousand was returned in 2012 to settle corporate income tax.

Reserves in consolidated companies

Details by company, after considering consolidation adjustments, are as follows:

Company	Thousands of Euros 2020	2019
Banco Caminos, S.A.	123,569	115,574
Bancofar, S.A.	39,301	37,554
Corporación Banco Caminos, S.L.U.	9,983	9,744
FAM Caminos, S.A.	4,282	3,530
Gabinete de Estudios y Gestión Jurídica, S.A.	5,100	5,050
Gespensión Caminos, E.G.F.P., S.A.U.	2,988	2,743
Gestifonsa, S.G.I.I.C., S.A.U.	3,682	3,560
Maxlan, S.A.	160	338
Servifonsa, A.I.E.	3	3
Sistemcam, S.A.U.	811	684
Total	189,879	178,780

21.3. Consolidated profit

The contribution to consolidated profit for the year, by company, taking into account the effect of consolidation adjustments, is as follows:

Company	Thousands of Euros 2020	2019
Banco Caminos, S.A.	5,671	7,168
Bancofar, S.A.	8,264	11,174
Corporación Banco Caminos, S.L.U.	(592)	(514)
FAM Caminos, S.A.	2,196	1,322
Gabinete de Estudios y Gestión Jurídica, S.A.	(1,350)	(1,347)
Gespensión Caminos, E.G.F.P., S.A.U.	1,694	1,458
Gestifonsa, S.G.I.I.C., S.A.U.	2,061	1,969
Maxlan, S.A.	(69)	(268)
Servifonsa, A.I.E.	(1,163)	(1,000)
Sistemcam, S.A.U.	(8,348)	(8,613)
Total	8,364	11,349

21.4. Accumulated other comprehensive income

This consolidated balance sheet heading reflects the net amount of changes in the fair value of assets classified as financial assets at fair value through other comprehensive income which, as explained in note 3.5, should be classified as part of the Group's equity. The related gains or losses are taken to the consolidated income statement when the associated assets are sold.

The consolidated statement of recognised income and expense for 2020 and 2019 reflects the variations in this heading during those years.

21.5. Minority interests

Details of minority interests at 31 December 2020 and 2019 are as follows:

Company	Thousands of Euros 2020	2019
Bancofar, S.A.	17,360	17,562
FAM Caminos, S.A.	1,486	1,331
Total	18,846	18,893

22. OFF-BALANCE SHEET EXPOSURES AND OTHER MEMORANDUM ACCOUNTS

22.1. Loan commitments given

Loan commitments given are irrevocable commitments, or commitments that are revocable only in the event of a material adverse change, to provide financing under specified terms and conditions, such as balances drawable by third parties within the Group's pre-established limits.

Details of loan commitments given, grouped by counterparty, at the 2020 and 2019 year ends are shown in the following table:

	Thousands of Euros	
	2020	2019
Drawable by third parties		
Spanish general government	-	-
Other resident sectors		
Credit cards	26,050	25,647
Immediately drawable accounts	297,264	235,227
Conditional	1,349	2,039
Non-resident	1,335	1,200
Total	**325,998**	**264,113**

22.2. Financial guarantees given

Details of financial guarantees given by the Group at the 2020 and 2019 year ends are as follows:

	Thousands of Euros	
	2020	2019
Guarantees given	165,397	15,379
Other bank guarantees and indemnities	-	-
Total	**165,397**	**15,379**

A significant portion of these guarantees will expire without any payment obligation arising for the Group. 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 income generated on guarantee instruments is recognised in the consolidated income statement under fee and commission income and is calculated by applying the pertinent contractual interest rate to the face value of the guarantee.

The Parent did not hold any assets securing transactions performed by itself or by third parties at 31 December 2020 or 2019.

22.3. Other contingent commitments

Details of contingent commitments at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Other bank guarantees and indemnities	21,006	19,242
Drawable guarantee facilities and portfolio	22,610	25,311
Total	43,616	44,553

22.4. Trust and investment services activities

Details of the Group's off-balance sheet customer funds at 31 December 2020 and 2019, specifying whether or not they are managed by the Group, are as follows:

	Thousands of Euros	
	2020	2019
Mutual funds and investment firms	441,953	455,687
Pension funds	261,895	272,163
Discretionary portfolio management	298,923	313,535
Funds marketed and managed by the Banco Caminos Group	1,002,771	1,041,385
Funds marketed but not managed by the Banco Caminos Group	268,812	234,940
Total	1,271,583	1,276,325

At 31 December 2020 the Group had 428 portfolio management contracts (446 contracts in 2019) with a market value of Euros 298,923 thousand (Euros 313,535 thousand in 2019). The investments were made as follows:

	Thousands of Euros	
	2020	2019
Investments in listed domestic shares and equity holdings	49,774	54,095
Investments in unlisted domestic shares and equity holdings	2,241	2,151
Investments in listed domestic fixed income securities	53,649	68,221
Investments in listed foreign securities	187,743	183,298
Cash with financial intermediaries	5,516	5,770
Total	298,923	313,535

Details of the Group's net fee and commission income from the above activities in 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Management fees		
Investment firms and mutual funds	6,823	5,107
Insurance products	3,719	3,063
Pension funds	2,542	3,002
Total (note 24.2)	13,084	14,235

The Group also provides securities custody and management services to customers. Related commitments undertaken by the Parent at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2019	2018
Third-party securities	1,271,411	1,441,942

23. TAXATION

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or the corresponding inspection period has elapsed. The Parent has open to inspection by the taxation authorities all taxes on its activity for the last four years. All Group companies have all applicable taxes open to inspection for the last four years. Group management considers that no significant contingencies would arise from the years and taxes open to inspection.

Due to the different possible interpretations of the tax legislation applicable to the operations of the Parent, certain contingent tax liabilities may exist for the years open to inspection that cannot be objectively quantified. However, the Parent's directors and its tax advisors consider the possibility of these contingencies materialising in future inspections to be remote and that, in any event, the tax liability that could arise therefrom would not have a significant impact on the accompanying annual accounts.

In 2010, the Parent availed of the consolidated tax regime for the Parent of the Group and for those subsidiaries that qualify for inclusion in the tax group according to tax legislation, in keeping with the established procedure. The subsidiary Bancofar, S.A. joined the tax group on 1 January 2015. At 31 December 2020 the tax group comprised nine companies (nine companies in 2019). The balances receivable from and payable to the companies within the tax group are recognised under tax assets and tax liabilities, as appropriate. Amounts capitalised in respect of unused deductions are determined based on the calculation made for the consolidated tax group.

The reconciliation of profit for the year to taxable income for 2020 and 2019, without considering the income tax expense on transactions recognised directly in equity, is as follows:

	Thousands of Euros	
	2020	2019
Profit for the year before tax	11,781	17,740
Increase (decrease) due to permanent differences	(192)	754
Adjusted accounting profit	11,589	18,494
Increase (decrease) due to temporary differences	(828)	(3,604)
Taxable income	**10,761**	**14,890**

	Thousands of Euros			
	2020		2019	
	Tax accrued	Tax payable	Tax accrued	Tax payable
Tax payable / (receivable)				
On adjusted accounting profit	3,477	-	5,548	-
On taxable income	-	3,228	-	4,467
Deductions	(646)	(646)	(350)	(350)
Tax payable / (receivable) after deductions	2,831	2,582	5,198	4,117
Withholdings and payments on account	-	(3,245)	-	(4,028)
Other items	(74)	-	337	-
Tax payable / (receivable)	2,757	(663)	5,535	89

Other than the tax losses generated by Bancofar, S.A. before joining the tax group (Euros 18,510 thousand), at 31 December 2020 the tax group did not have any available tax loss carryforwards or unused deductions.

The Parent has availed of the tax benefits relating to income tax deductions and credits envisaged in current tax legislation.

Tax assets include the amount of taxes recoverable in the next twelve months (current tax assets) and those recoverable in future years, including available tax loss carryforwards, deductions and credits (deferred tax assets). Tax liabilities include current and deferred tax liabilities. However, the related tax provisions are recognised under provisions on the accompanying consolidated balance sheet.

Details of tax assets and tax liabilities at 31 December 2020 and 2019 are as follows:

	Thousands of Euros			
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Current	1,240	1,131	2,877	1,840
Deferred	25,985	6,297	24,274	5,742
Total	**27,225**	**7,428**	**27,151**	**7,582**

Deferred tax assets primarily reflect provisions recognised and impairment losses on financial assets that the Entity considered non-deductible, and deferred taxes arising from losses on financial assets at fair value through other comprehensive income. This heading also includes tax credits for loss carryforwards of Bancofar, S.A. (which was not part of the tax group at 31 December 2014) amounting to Euros 6,192 thousand (Euros 5,553 thousand in 2019).

At 31 December 2020 and 2019, Euros 15,133 thousand and Euros 14,752 thousand, respectively, were still to be included in taxable income of future tax periods in respect of deferred tax assets convertible into a receivable from the taxation authorities pursuant to article 130 of the Corporate Income Tax Law.

The Group has estimated the taxable profit expected to be obtained by Bancofar, S.A. in the next 10 years (the period over which estimates are considered sufficiently reliable) on the basis of the budgets. The Group has also analysed the reversal period of its taxable temporary differences, identifying those that will revert in the periods in which Bancofar, S.A.'s available tax loss carryforwards can be utilised. On the basis of this analysis, the Group has recognised deferred tax assets in respect of the available tax loss carryforwards of Bancofar, S.A. (which will be offset on an individual basis because they were generated before this company joined the tax group) and the deductible temporary differences of the Group for which it is considered probable that sufficient taxable profit will be generated in the future.

Deferred tax liabilities primarily comprise the deferred tax associated with the revaluation of financial assets at fair value through other comprehensive income.

Royal Decree-Law14/2013 of 29 December 2013

Royal Decree-Law 14/2013 of 29 December 2013, on urgent measures to adapt Spanish law to European Union legislation on the supervision and solvency of financial institutions, was published in the Official State Gazette ("BOE") on 30 November 2013. With effect from 1 January 2014, this Royal Decree-Law included additional provision twenty-two, *"Conversion of deferred tax assets into a receivable from the taxation authorities",* in the Revised Corporate Income Tax Law ("TRLIS" as per the Spanish acronym) approved by Royal Legislative Decree 4/2004 of 5 March 2004.

Pursuant to this clause, deferred tax assets arising from impairment provisions for receivables or other assets deriving from potential insolvency of debtors not related to the taxpayer, provided article 12.2.a) of the TRLIS does not apply, as well as those arising from the application of articles 13.1.b) and 14.1.f) of the same law in respect of provisions for or contributions to employee benefit schemes and, where applicable, early retirement schemes, are converted into a receivable from the taxation authorities when any of the following circumstances arise:

a) The taxpayer recognises accounting losses in its annual accounts (audited and approved by the corresponding body). In this case, the amount of deferred tax assets to be converted will be determined by applying to total deferred tax assets the percentage resulting from the ratio of accounting losses for the year to total capital and reserves.

b) The entity is in liquidation or has been legally declared insolvent.

For conversion of deferred tax assets into a receivable from the taxation authorities in this case, the taxpayer may request a credit from the taxation authorities or offset the receivable against other tax liabilities to the state which the taxpayer itself generates at the time of conversion.

In addition, these deferred tax assets may be exchanged for government debt securities once the legal offset period for tax losses provided for in the law (currently 18 years), computed as of the recognition of the tax assets, has elapsed.

A new section 13 was added to article 19, *"Timing of recognition"*, of the TRLIS for the purpose of determining the tax base for income tax purposes, with retrospective effect for tax periods commenced on or after 1 January 2011.

Pursuant to the aforementioned section 13 of article 19 of the TRLIS, impairment provisions for receivables or other assets deriving from potential insolvency of debtors not related to the taxpayer, provided article 12.2.a) of the TRLIS does not apply, as well as those deriving from the application of articles 13.1.b) and 14.1.f) of the same law in respect of provisions for or contributions to employee benefit schemes and, as the case may be, early retirement schemes, which have generated deferred tax assets, are included in the tax base up to the limit of the taxable income before their inclusion and the offset of tax loss carryforwards.

Law 27/2014 of 27 November 2014

Corporate Income Tax Law 27/2014 of 27 November 2014 (the CIT Law) was approved on 27 November 2014 and came into force on 1 January 2015, repealing the Revised Corporate Income Tax Law (TRLIS) approved by Royal Legislative Decree 4/2004 of 5 March 2004. Article 11.12 of the new CIT Law incorporates the text of the repealed Article 19.13 of the TRLIS, with effect from 1 January 2015, although the new CIT Law introduced, inter alia, certain restrictions and the application of article 11.12.

Meanwhile, Article 130 of the CIT Law incorporated the text of additional provision twenty-two of the TRLIS into the new law, stating that the aforementioned deferred tax assets may be exchanged for government debt securities once a period of 18 years, computed from the last day of the tax period in which the assets were recognised, has elapsed. For assets recognised before the Law came into force, the calculation period begins from the date of entry into force.

The new CIT Law approved a change in the corporate income tax rate, setting a rate of 28% for 2015 and 25% from 2016 onwards. However, pursuant to section 5 of article 58 of the CIT Law, consolidated tax groups that include at least one credit institution will be subject to a tax rate of 30%. Accordingly, as the Bank is the parent of its tax group, this tax group continued to pay a CIT rate of 30% in 2015 and subsequent years.

Article 26 of the CIT Law does not stipulate a time limit for the offset of tax loss carryforwards that were available in the period that began when the Law came into effect on 1 January 2015. Similarly, transitional provision twenty-three of the CIT Law does not stipulate any time limit to avail of the deductions for double taxation provided for in articles 30, 31 and 32 of the TRLIS that had not been applied in the period commenced after the entry into force of the new law.

Law 48/2015 of 29 October 2015 on the General State Budgets for 20166

ELaw 48/2015, of 29 October, on the General State Budgets for 2016 was enacted on 30 October 2015. Effective for tax periods beginning on or after 1 January 2016, this law amended the tax regime to establish the aforementioned conversion, set new conditions for availing of the regime and introduced certain reporting obligations with respect to the deferred tax assets affected by the regulation. It also provided for a transitional regime applicable to deferred tax assets generated before 1 January 2016, whereby the right to conversion could be retained provided certain conditions were met, although to do so a financial contribution had to be paid, which was regulated by the new additional provision thirteen of the CIT Law.

Royal Decree-Law 3/2016 of 2 December 2016

Lastly, Royal Decree-Law 3/2016 of 2 December 2016, adopting tax measures to consolidate public finances and other urgent social measures, must be considered. This legislation provides that impairment losses on investments that were tax deductible for tax periods up to 2013 but not thereafter must be reversed at a minimum annual amount on a straight-line basis over a five-year period.

Regarding tax periods commenced on or after 1 January 2016, this legislation places a limit of 25% on the offset of taxable income against prior years' tax loss carryforwards for companies with revenue of at least Euros 60 million. The same restrictions apply to the reversal of deferred tax assets provided for in article 11.12 of the CIT Law. In addition, this Royal Decree-Law places a new limit on the application of deductions for double taxation, specifically 50% of the full income tax charge, and any unused portion may be applied in future tax periods under the same terms and conditions and with no time limit.

Furthermore, for tax periods commenced on or after 1 January 2017, article 3. Two of Royal Decree-Law 3/2016 stipulates that losses incurred on transfers of equity investments are not deductible when the investments in question qualify for the exemption for profit obtained, both in respect of dividends and capital gains arising on the transfer of the investments.

Royal Decree-Law 27/2018 of 28 December 2018

Royal Decree-Law 27/2018 (the "RDL"), adapting the Corporate Income Tax Law to the new Banco de España Circular 4/2017 as regards first-time application of IFRS 9, was approved on 28 December 2018 with effect from 1 January 2018.

The RDL includes, among others, the following measures:

<u>Impacts of first-time application (transitional provision thirty-nine)</u>

- The preamble to the RDL states that to reduce the tax effects of this accounting requirement, transitional rules have been put into place whereby the aforementioned debits and credits to reserve accounts are to be included in the tax base, as soon as they have tax effects pursuant to the tax regulations, in equal parts in each of the first three tax periods beginning on or after 1 January 2018.

- Thus, debits and credits to reserve accounts arising from adjustments for the first-time application of IFRS 9, when due to the application of the tax regulations, shall have tax effects, i.e. they must be taken into consideration when determining the tax base for the 2018 tax period. The legislation concerns debits and credits having tax effects and which are therefore deductible/taxable, and due to their integration in three equal parts the provisions of article 130 on monetisation of deferred tax assets do not apply, thus the deferral in three equal parts does not give rise to monetisable deferred tax assets.

- Such inclusion in equal parts shall continue to apply even if the element in question is derecognised. Only if the taxpayer is dissolved during the aforementioned three-year period shall the remaining amount be included in the tax base of the last tax period, unless it is dissolved as a result of a restructuring operation eligible for the tax neutrality regime.

- In accordance with this legislation, the Group included an amount of Euros 328 thousand during the year (Euros 328 thousand in 2019). No further amounts remained thereafter.

Accounting for equity instruments under IFRS 9 (article 17.1 of the TRLIS)

- Under the new regulations, investments in equity instruments must be measured at fair value through profit or loss unless the entity elects irrevocably at inception to present these fair value changes in other comprehensive income. If this option is elected, a major change in IFRS 9 is that gains or losses accumulated in other comprehensive income are not reclassified to consolidated profit or loss on disposal (as was the case previously with available-for-sale financial assets), but rather to reserves.

- Accordingly, to guarantee their inclusion in the tax base upon disposal, the RDL amends article 17.1 of the Corporate Income Tax Law, such that changes in value arising from the application of the fair value criterion are not only included when they are to be taken to consolidated profit or loss, but also when they should be recognised in a reserve account where stipulated by a legal or regulatory standard.

Adaptation of corporate income tax regulations to Circular 4/2017

- With regard to Circular 4/2017 and the terminology and credit risk loss model adopted therein, notably the deductibility criteria are set out in the corporate income tax regulations, which thus far have not been adapted.

- However, the introduction to the RDL states the following: “Lastly, until approval is given for adaptation of the regulatory provisions for credit risk allowances and provisions of financial institutions, the provisions currently in force are considered to be applicable, albeit under the terms used in the new Circular.”

24. INCOME STATEMENT

24.1. Interest income, Interest expenses and Gains or losses on financial assets and liabilities

Details of these consolidated income statement headings are as follows:

	Thousands of Euros	
	2020	**2019**
Interest income		
Deposits at central banks (note 8.1)	3,958	1,306
Deposits at credit institutions (note 12.2)	503	136
Deposits at other financial corporations	785	338
Loans and advances to other debtors (note 12.3)	36,751	36,337
Debt securities (notes 10.1, 11.1 and 12.1)	15,724	17,078
Non-performing assets	1,442	248
Other interest	414	-
Total	**59,577**	**55,443**
Interest expenses		
Deposits from central banks (note 18.1)	(17)	(278)
Deposits from credit institutions (note 18.2)	(97)	(355)
Deposits from other creditors (note 18.3)	(4,317)	(5,940)
Rectification of expenses as a result of hedging transactions	(1,243)	(521)
Loans and advances	(345)	-
Other interest	(492)	(95)
Total	**(6,511)**	**(7,189)**

	Thousands of Euros	
	2020	2019
Gains or losses on financial assets and liabilities (net)		
Financial assets held for trading	713	625
Other instruments at fair value through profit or loss	-	-
Financial assets and financial liabilities not measured at fair value through profit or loss, net	21	1,503
Other	(128)	1,633
Total	**606**	**3,761**

24.2. Fees and commissions

Fee and commission income and fee and commission expenses in the accompanying consolidated income statement reflect the amount of all fees and commissions received, paid and payable by the Group accrued during the year, except those forming an integral part of the effective interest rate on financial instruments. The recognition criteria for these items are set forth in note 3.17.

Details of fee and commission income and expenses in 2020 and 2019, by item, are as follows:

	Thousands of Euros	
	2020	2019
Fee and commission income		
Contingent exposures and commitments	556	511
Collection and payment service	1.387	1.904
Securities services	1.431	2.502
Asset management (note 22.4)	13.084	11.172
Other fees and commissions	67	106
Total	**16,525**	**16,195**
Fee and commission expenses		
Fees and commissions assigned to other entities and correspondents	(3,009)	(1,661)
Fee and commission expenses on securities transactions	(613)	(877)
Other fees and commissions	(1,066)	(1,780)
Total	**(4,688)**	**(4,318)**

24.3. Other operating income and expenses

Details for 2020 and 2019 are as follows:

	Thousands of Euros	
Other operating income	2020	2019
Income from investment property (see note 16)	474	516
Other operating income	1,307	1,906
Total	**1,781**	**2,422**
Other operating expenses		
Contribution to the Deposit Guarantee Fund (note 2.7)	(2,000)	(1,775)
Contribution to the Single Resolution Fund (note 2.7)	(1,130)	(975)
Other items	(403)	(375)
Total	**(3,533)**	**(3,125)**

24.4. Personnel expenses

Details of this consolidated income statement heading in 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Salaries and bonuses of serving personnel	(17,176)	(19,585)
Social Security contributions	(4,532)	(4,215)
Contributions to pension funds	(551)	(482)
Termination benefits	(2,400)	(752)
Training expenses	(97)	(146)
Other personnel expenses	(1,011)	(732)
Total	**(25,767)**	**(25,912)**

The number of employees in the Group in 2020 and 2019 and their distribution by professional category and gender are as follows:

	2020				2019			
	No. at year end			Average no.	No. at year end			Average no.
	Male	Female	Total		Male	Female	Total	
Senior management	7	1	8	9	7	2	9	9
Management and qualified personnel	88	99	187	191	110	73	183	185
Other administrative and sales personnel	96	54	150	155	85	76	161	157
	191	**154**	**345**	**355**	**202**	**151**	**353**	**351**

In 2020 the Group had one employee with a disability rating of 33% or more.

24.5. Other administrative expenses

Details of this consolidated income statement heading are as follows:

	Thousands of Euros 2020	Thousands of Euros 2019
Property, fixtures and materials	(1,199)	(2,843)
Information technology	(7,551)	(7,679)
Communications	(355)	(679)
Advertising and publicity	(825)	(1,094)
Legal and lawyer expenses	(593)	(424)
Technical reports	(3,746)	(2,237)
Surveillance and security carriage services	(480)	(1,036)
Insurance and self-insurance premiums	(208)	(896)
Governing and control bodies	(507)	(422)
Entertainment and staff travel expenses	(185)	(473)
Association membership fees	(191)	(210)
Outsourced administrative services	(1,519)	(438)
Contributions and taxes		
Property	(142)	(111)
Other	(1,557)	(1,568)
Other expenses	(1,743)	(1,331)
Total	**(20,801)**	**(21,441)**

25. RELATED PARTIES

The Group's balances and transactions with related parties at 31 December 2020 and 2019 are as follows:

	Thousands of Euros – Other related parties (*) 2020	Thousands of Euros – Other related parties (*) 2019
ASSETS		
Loans and advances	7,683	8,278
LIABILITIES		
Deposits	19,063	62,097
OFF-BALANCE-SHEET ITEMS		
Guarantees given	184	737
Contingent commitments		1
CONSOLIDATED PROFIT OR LOSS		
Income:		
Interest, similar income and other	265	280
Expenses:		
Interest expenses and fee and commission expenses	130	271

(*) Includes balances receivable from and payable to members of the board of directors and companies related thereto.

In 2020, loans and credit facilities extended to members of the board of directors and their related parties accrued annual interest ranging from 0.13% to 5.25% (annual interest ranging from 0.13% to 5.25% in 2019).

26. REMUNERATION OF THE BOARD OF DIRECTORS AND KEY MANAGEMENT PERSONNEL, PENSION OBLIGATIONS TO SERVING AND FORMER MEMBERS OF THE BANK'S BOARD OF DIRECTORS AND TRANSPARENCY REQUIREMENTS

26.1. Remuneration of the board of directors and senior management

The members of the board of directors of the Parent received the following allowances in their capacity as directors in 2020 and 2019:

	Euros		
2020	Remuneration in cash	Remuneration in kind	Total remuneration
Ana Villacañas Beades	69,199	1,405	70,604
José Polimón López	67,800	1,405	69,205
Manuel Jodar Casanova	51,699	1,405	53,104
Socorro Fernández Larrea	50,999	1,405	52,404
Francisco Gil Fernandez	35,399	-	35,399
Iñigo de la Serna Hernaiz	24,000	1,405	25,405
Francisco José de Lera Losada	23,777	1,291	25,068
Luis Maria Ortega Basagoiti	14,100	-	14,100
Mateo Velasco Arranz	-	1,405	1,405
Enrique Serra González	-	1,405	1,405
TOTAL	336,973	11,126	348,099
2019			
Mateo Velasco Arranz	23,100	1,403	24,503
José Polimón López	47,300	1,403	48,703
Francisco Gil Fernandez	34,000	1,403	35,403
Enrique Serra González	7,200	1,403	8,603
Alfonso Costa Cuadrench	6,400	-	6,400
Luis Maria Ortega Basagoiti	21,100	1,403	22,503
Ana Villacañas Beades	32,300	1,403	33,703
Socorro Fernández Larrea	16,500	1,403	17,903
Manuel Jodar Casanova	11,877	1,560	13,437
TOTAL	199,777	11,381	211,158

In 2020 and 2019, the members of the board of directors did not receive any other form of remuneration from the Bank, except that received by the chairman and the managing director as employees of the Parent.

In addition, the Entity or the natural persons who represent it received remuneration of Euros 38 thousand in 2020 for their management of other companies (Euros 83 thousand in 2019).

The Parent considers key management personnel to be the steering committee, comprising the managing director, six general managers, a general secretary and a general management equivalent, the general manager of internal control, corporate governance and supervisor relations, six of whom are registered with the Banco de España, and whose combined total remuneration amounted to Euros 1,672 thousand in 2020 (Euros 1,580 in 2019). At 31 December 2020 the number of general managers fell to five.

In addition, premiums totalling Euros 889 thousand were paid to insurance companies in respect of pension obligations (group life insurance policy) in 2020 (Euros 960 thousand in 2019). A corporate employee benefits plan is also in place for key personnel, which has been endowed in an amount of Euros 3,460 thousand to date (Euros 3,160 thousand in 2019).

Public liability insurance premiums of Euros 64 thousand were paid in 2020 on behalf of the Parent's directors to cover potential damage or loss caused in the performance of their duties (Euros 59 thousand in 2019).

The Parent has no commitments to pay termination benefits over and above the statutory amount in the event of dismissals.

26.2. Conflicts of interest concerning the directors of the Entity

As required by article 229 of the Spanish Companies Act, the directors have informed the Bank that in 2020 they or their related parties as defined in 231 of the Spanish Companies Act:

- Did not carry out transactions with the Entity other than those conducted in the ordinary course of business under standard client terms and for insignificant amounts, understood as transactions for which reporting is not necessary to give a true and fair view of the equity, financial position and financial performance of the Entity.
- Did not use the name of the Entity or refer to their office as directors to bring undue influence to bear on private transactions.
- Did not use the Entity's assets, including confidential information of the Entity, for personal purposes.
- Did not take advantage of the Entity's business opportunities.
- Did not obtain advantages or remuneration from third parties other than the Entity and its Group in connection with the discharge of their duties, other than mere courtesy items.
- Did not carry out activities, on their own behalf or on behalf of third parties, that would effectively entail entering into one-off or potential competition with the Entity or that would in any way give rise to a permanent conflict of interest with the Entity.

27. OTHER INFORMATION

27.1. Customer services

Pursuant to article 17 of Ministry of Economy Order ECO/734/2004 of 11 March 2004 on customer service departments and the financial institution ombudsman, and article 25 of the Parent's Customer Ombudsman Regulations, the following information is included relating to 2020 and 2019:

A total of 7 complaints and 106 claims were logged in 2020. Of the claims reaching the Claims Service subsequent to 15 December 2020, 33 had not yet been answered but were still within the response deadline stipulated in the Customer Service Department Regulations.

Of the 80 claims and complaints answered by the Customer Service Department, 13 claims were not accepted for processing. Of the total number of claims accepted for processing (67), 41 were resolved in favour of the customer and 26 were not resolved in favour of the customer. Moreover, 28 claims required a total payment of Euros 18,129.23 to be made to customers. In 2020, Banco Caminos received three claims from Banco de España, one of which was resolved in favour of the Bank and the others have not yet been resolved by Banco de España.

A total of four complaints and 83 claims were received in 2019, all of which were answered by the Customer Service Department and the Customer Ombudsman, in keeping with the Regulations. Of the total number of claims, 35 were not accepted for processing. Of the total number of claims accepted for processing, 8 were resolved in favour of the customer and 44 were not resolved in favour of the customer. Moreover, 4 claims required a total payment of Euros 33,628.01 to be made to customers. In 2019, one decision was reviewed by the Spanish National Securities Market Commission (CNMV), which ruled in favour of Banco Caminos, S.A., inasmuch as the latter indicated in its reply that the customer claim had been resolved.

27.2. Agency agreements

The Group did not have any "agency agreements", as defined in article 22 of Royal Decree 1245/1995 of 14 July 1995, at either the 2020 or 2019 reporting date or at any time during those years.

27.3. Equity investments in credit institutions

At 31 December 2020 and 2019, the Bank held 5% or more of the equity or voting rights of the following domestic or foreign credit institutions:

	%	
	2020	2019
Bancofar, S.A.	82.99	82.62

27.4. Environmental impact and greenhouse gas emission allowances

Given the activity in which the Group engages, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position or results. Therefore, no specific disclosures relating to environmental matters are included in these notes to the consolidated annual accounts.

The Group does not have any greenhouse gas emission allowances.

27.5. Audit fees

The Group paid the following fees for the audit of its accounts, irrespective of the invoice date, and for other services during the years ended 31 December 2020 and 2019:

	Thousands of Euros		
2020	Audit of the annual accounts	Other services	Total
KPMG Auditores, S.L.	134	44	178
Other firms	39	-	39
Total	173	44	217

	Thousands of Euros		
2019	Audit of the annual accounts	Other services	Total
Ernst & Young	107	-	107
Other firms	38	32	70
Total	145	32	177

The services commissioned from its auditor by the Group meet the independence requirements stipulated in current legislation on the audit of accounts and do not include the performance of work not deemed compatible with the audit function.

Other services includes fees for services relating to the issue of the "Independent auditor's report on the protection of customer assets", the "Agreed-upon procedures report on the information prepared for the ex ante contributions to the Single Resolution Fund", the "Agreed-upon procedures report on the intervention price of the ordinary shares representing the share capital of Banco Caminos, S.A." and "Translation services for the audited consolidated annual accounts".

No other professional services were provided to the Parent or subsidiaries by other entities affiliated with KPMG International in 2020.

27.6. Unclaimed balances and deposits

The Group has no unclaimed balances as described in article 18 of Law 33/2003 of 3 November 2003 on the assets of public administrations.

27.7. Average supplier payment period

Law 15/2010, amending Law 3/2004 of 29 December 2004 introducing measures to combat late payment in commercial transactions, was published on 5 July 2010.

Among other matters, this legislation eliminates scope for "agreements between the parties", which allowed the supplier payment period to be extended. It comes in response to the financial ramifications of the economic crisis on all sectors, which was leading to an increase in payment defaults, delays and deferrals in the settlement of invoices, with an especially severe impact for small and medium-sized companies due to their high dependence on short-term credit, all compounded by the liquidity crunch. In addition, in order to address these issues, the law sets a maximum payment period between companies of 60 calendar days from the date the goods are delivered or the services rendered, which took effect on 1 January 2013.

The table below provides the disclosures required under additional provision three of Law 15/2010 using the templates provided in the Resolution issued by the Spanish Accounting and Auditing Institute (ICAC) on 29 January 2016 regarding the information to be disclosed in the notes to the annual accounts in relation to the average supplier payment period in commercial transactions:

	Days	
	2020	2019
Average supplier payment period	30.18	27.30
Transactions paid ratio	28	28
Transactions payable ratio	56	17
	Thousands of Euros	
Total payments made	32,530	32,897
Total payments outstanding	1,727	762

27.8. Other commitments

At 31 December 2020 and 2019, the Group had no commitments other than those disclosed in the preceding notes.

27.9. Seasonal nature of operations

The most significant operations conducted by the Group are fundamentally the activities typically befitting financial institutions. Therefore, its operations are not substantially affected by seasonal factors.

27.10. Earnings per share

In 2020 and 2019, Banco Caminos, S.A. had 3,515,530 shares. Individual earnings of the Parent were approximately Euros 1.71 per share in 2020 and Euros 2.40 per share in 2019. Group profit attributable to owners of the Parent amounts to approximately Euros 2.38 and Euros 3.17 per share in 2020 and 2019, respectively.

These amounts reflect both basic and diluted earnings per share, as there are no instruments that could potentially be considered ordinary shares.

27.11. Other consolidated public disclosures required under Banco de España Circular 4/2017

The other consolidated public disclosures required under Banco de España Circular 4/2017 are provided below:

- The Group's balances at 31 December 2020 and 2019 in respect of refinancing and restructuring transactions are provided in note 7.1.3.
- Note 7.1.2 includes the disclosures regarding loans extended by credit institutions for the financing of real estate construction and property development and for housing purchases (business in Spain) at 31 December 2020 and 2019.
- Note 7.1.2 also provides the disclosures regarding assets foreclosed or received in payment of debt by the group of credit institutions (business in Spain) at 31 December 2020 and 2019.
- The breakdown of loans to other debtors by activity at 31 December 2020 and 2019 is provided in note 7.1.1.

- The concentration of exposures by activity and geographical area at 31 December 2020 and 2019 is disclosed in note 7.1.1.

28. EVENTS AFTER THE REPORTING PERIOD

Between the reporting date and the date on which these consolidated annual accounts were authorised for issue no other events having a significant effect hereon took place that have not been disclosed herein.

APPENDIX I

Appendix I forms an integral part of note 15 to the consolidated annual accounts of the Banco Caminos Group for 2020.

SUBSIDIARIES 2020

		%		Thousands of Euros					
		Ownership					Dividends		
Company	Registered office	Direct	Indirect	Carrying amount	Profit/ (loss) for 2020	Other equity	Supple-mentary	Interim	Activity
Bancofar, S.A.	C/ Fortuny, 51	82.99	-	44,740	2,681	99,434	1,511	-	Credit institution
Corporación Banco Caminos, S.L.U.	C/ Almagro, 8	100.00	-	30,000	229	39,983	-	-	Asset acquisition and holding
FAM Caminos, S.A.	C/ Almagro, 42	-	80.00	5,384	1,022	5,419	176	-	Related insurance broker
Gabinete de Estudio y Gestión Jurídica, S.A.	C/ Almagro, 8	64.76	35.24	24,874	40	29,974		-	Asset acquisition, management and sale
Gespensión Caminos, E.G.F.P., S.A. U.	C/ Fernando el Santo, 3	-	100.00	9,203	277	11,867	325	-	Investment fund management
Gestifonsa, S.G.I.I.C., S.A.U.	C/ Almagro, 8	-	100.00	694	910	4,049	326	-	CIU management
Maxlan, S.A.U.	C/ Almagro, 8	100.00	-	14,522	(80)	14,681	-	-	Land development, management, purchase and sale
Servifonsa, A.I.E.	C/ Almagro, 8	87.27	12.73	247	-	250	-	-	Administrative, financial and accounting services
Sistemcam, S.A.U.	C/ Almagro, 8	-	100.00	602	282	1,413	-	-	IT services

SUBSIDIARIES 2019

Company	Registered office	% Ownership Direct	% Ownership Indirect	Thousands of Euros Carrying amount	Profit/ (loss) for 2019	Other equity	Dividends Supple-mentary	Dividends Interim	Activity
Bancofar, S.A.	C/ Fortuny, 51	82,62	-	44.352	3.657	97.371	1.461	-	Credit institution
Corporación Banco Caminos, S.L.U.	C/ Almagro, 8	100,00	-	30.000	5.241	34.742	-	-	Asset acquisition and holding
FAM Caminos, S.A.	C/ Almagro, 42	-	80,00	5.384	1.102	5.551	131	-	Related insurance broker
Gabinete de Estudio y Gestión Jurídica, S.A.	C/ Almagro, 8	64,76	35,24	24.874	50	29.924		-	Asset acquisition, management and sale
Gespensión Caminos, E.G.F.P., S.A. U.	C/ Fernando el Santo, 3	-	100,00	9.203	499	11.692	254	-	Investment fund management
Gestifonsa, S.G.I.I.C., S.A.U.	C/ Almagro, 8	-	100,00	694	501	3.874	379	-	CIU management
Maxlan, S.A.U.	C/ Almagro, 8	100,00	-	14.522	(178)	18.859	-	-	Land development, management, purchase and sale
Servifonsa, A.I.E.	C/ Almagro, 8	87,27	12,73	247	-	250	-	-	Administrative, financial and accounting services
Sistemcam, S.A.U.	C/ Almagro, 8	-	100,00	602	127	1.285	-	-	IT services

APPENDIX II

Appendix II forms an integral part of note 2.4 to the consolidated annual accounts of the Banco Caminos Group for 2020.

Balance sheets at 31 December 2020 and 2019

The summary separate balance sheets of Banco Caminos, S.A. at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
ASSETS	**2020**	**2019**
Cash, cash balances at central banks and other demand deposits	297,959	160,774
Financial assets held for trading	929	3,759
Non-trading financial assets mandatorily at fair value through profit or loss	87,039	92,874
Financial assets at fair value through other comprehensive income	916,130	1,118,465
Financial assets at amortised cost	1,535,467	1,354,916
Investments in subsidiaries, joint ventures and associates	100,737	100,291
Tangible assets	15,233	14,862
Intangible assets	3,297	1,225
Tax assets	8,109	7,061
Other assets	8,601	4,112
Non-current assets and disposal groups classified as held for sale	413	413
TOTAL ASSETS	**2,973,914**	**2,858,752**
LIABILITIES		
Financial liabilities at amortised cost	2,768,931	2,669,967
Derivatives - hedge accounting	15,949	7,530
Provisions	9,312	9,343
Tax liabilities	6,048	5,392
Other liabilities	5,893	4,565
TOTAL LIABILITIES	**2,806,133**	**2,696,797**
EQUITY		
Shareholders' equity	155,862	150,106
Accumulated other comprehensive income	11,919	11,849
TOTAL EQUITY	**167,781**	**161,955**
TOTAL EQUITY AND TOTAL LIABILITIES	**2,973,914**	**2,858,752**
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURES		
Loan commitments given	*81,562*	*62,741*
Financial guarantees given	*162,930*	*13,462*
Other commitments given	*43,616*	*44,079*

Balance sheets at 31 December 2020 and 2019

The summary separate income statements of Banco Caminos, S.A. for the years ended 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Interest income	36,669	33,136
(Interest expenses)	(3,789)	(4,190)
A) NET INTEREST INCOME	**32,880**	**28,946**
Dividend income	1,609	1,542
Fee and commission income	7,419	6,856
(Fee and commission expenses)	(2,360)	(2,116)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1	1,503
Gains or (-) losses on financial assets and liabilities held for trading, net	710	622
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(128)	1,624
Gains or (-) losses from hedge accounting, net	42	(7)
Exchange differences [gain or (-) loss], net	132	195
Other operating income	4,999	1,362
(Other operating expenses)	(2,512)	(2,262)
B) GROSS INCOME	**42,792**	**38,265**
(Administrative expenses)	(29,683)	(27,202)
(Depreciation and amortisation)	(2,081)	(2,029)
(Provisions or (-) reversal of provisions)	(488)	986
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net)	(2,832)	1,235
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures or associates)	(259)	73
(Impairment or (-) reversal of impairment on non-financial assets)	(276)	-
Gains or (-) losses on derecognition of non-financial assets, net	-	(133)
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	22
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**7,172**	**11,217**
(Tax expense or (-) income related to profit or loss from continuing operations)	(1,174)	(2,784)
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**5,998**	**8,433**
Profit or (-) loss after tax from discontinued operations	-	-
E) PROFIT OR (-) LOSS FOR THE YEAR	**5,998**	**8,433**

Balance sheets at 31 December 2020 and 2019

The summary statements of recognised income and expense of Banco Caminos, S.A. for the years ended 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Profit for the year	**5,998**	**8,433**
Other comprehensive income	**70**	**(4,330)**
Items that will not be reclassified to profit or loss	24	-
Items that may be reclassified to profit or loss	46	(4,330)
Debt instruments at fair value through other comprehensive income	66	(6,186)
Income tax relating to items that may be reclassified to profit or (-) loss	(20)	1,856
Total comprehensive income for the year	**6,068**	**4,103**

Balance sheets at 31 December 2020 and 2019

The summary statements of total changes in equity of Banco Caminos, S.A. for the years ended 31 December 2020 and 2019 are as follows:

SOURCES OF EQUITY CHANGES (Thousands of Euros)	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Opening balance 2019	**27,491**	**29,028**	**-**	**-**	**78,309**	**-**	**-**	**(604)**	**8,200**	**-**	**16,179**	**158,603**
Total comprehensive income for the year	-	-	-	-	-	-	-	-	8,433	-	(4,330)	4,103
Other changes in equity	-	-	-	-	8,237	-	-	(788)	(8,200)	-	-	(751)
Purchase of treasury shares	-	-	-	-	-	-	-	(829)	-	-	-	(829)
Sale or cancellation of treasury shares	-	-	-	-	37	-	-	41	-	-	-	78
Transfers among components of equity	-	-	-	-	8,200	-	-	-	(8,200)	-	-	-
Closing balance 2019	**27,491**	**29,028**	**-**	**-**	**86,546**	**-**	**-**	**(1,392)**	**8,433**	**-**	**11,848**	**161,955**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 2020	**27,491**	**29,028**	**-**	**-**	**86,546**	**-**	**-**	**(1,392)**	**8,433**	**-**	**11,848**	**161,955**
Total comprehensive income for the year	-	-	-	-	-	-	-	-	5,998	-	70	6,068
Other changes in equity	-	-	-	-	7,996	-	-	195	(8,433)	-	-	(242)
Purchase of treasury shares	-	-	-	-	-	-	-	(731)	-	-	-	(731)
Sale or cancellation of treasury shares	-	-	-	-	50	-	-	926	-	-	-	976
Transfers among components of equity	-	-	-	-	8,433	-	-	-	(8,433)	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(487)	-	-	-	-	-	-	(487)
Closing balance 2020	**27,491**	**29,028**	**-**	**-**	**94,542**	**-**	**-**	**(1,197)**	**5,998**	**-**	**11,919**	**167,781**

Balance sheets at 31 December 2020 and 2019

The summary statements of cash flows of Banco Caminos, S.A. for the years ended 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
A) CASH FLOWS FROM OPERATING ACTIVITIES	**131,659**	**10,625**
Profit for the year	5,998	8,433
Adjustments to obtain cash flows from operating activities	2,081	2,029
Net increase/decrease in operating assets	17,097	(186,126)
Net increase/decrease in operating liabilities	106,482	186,289
Income tax received/paid	-	-
B) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**9,219**	**(18,417)**
Payments	(4,971)	(25,912)
Cobros	14.190	7.495
C) CASH FLOWS USED IN FINANCING ACTIVITIES	**(3,692)**	**(1,917)**
Payments	(3,887)	(1,954)
Receipts	195	37
D)EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**137,185**	**(9,709)**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**160,774**	**170,483**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**297,959**	**160,774**
MEMORANDUM ITEM: COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash	*1,033*	*962*
Cash equivalents at central banks	*271,380*	*96,929*
Other financial assets	*25,546*	*62,883*
Less: bank overdrafts repayable on demand	-	-

APPENDIX III

BANCO CAMINOS, S.A. AND ITS CONSOLIDATED GROUP

ANNUAL BANKING REPORT

The information required to comply with the provisions of article 87.1 of Law 10/2014 of 26 June 2014, on the regulation, supervision and solvency of credit institutions, is provided below.

a) Name, nature of activities and geographical location of the Group

The standard and regular business activity of Banco Caminos, S.A. is to receive funds from the public in the form of deposits, loans, financial assets temporarily transferred under repurchase agreements or other similar instruments that entail repayment obligations, and uses such funds to grant loans, credit facilities and other similar operations to serve the financial needs of customers. Thus, it may carry out all types of asset, liability and service transactions that credit institutions are entitled to perform. Although the Entity primarily conducts its operations throughout Spain, it may also perform abroad such operations as are legally permitted. The Bank carries out its activities through three offices located in Madrid and Barcelona.

The statutory activity of Bancofar, S.A. is banking, to which end it has 29 branches located throughout Spain at 31 December 2020.

b) Turnover, profit before tax, tax on profit and public subsidies received (data for the consolidated Group)

	Thousands of Euros	
	2020	2019
Interest and similar income	59,577	55,443
Profit before tax	11,781	17,740
Tax on profit	(2,757)	(5,535)
Public subsidies received	-	-

c) Number of full-time employees

	Number of employees	
	2020	2019
Number of full-time employees	345	353

The return on assets, calculated as net profit divided by the Group's total consolidated balance sheet, was 0.23% at 31 December 2020 (0.34% in 2019).

BANCO CAMINOS, S.A. AND ITS CONSOLIDATED GROUP

CONSOLIDATED DIRECTORS' REPORT

2020 was marked by the outbreak of Coronavirus COVID-19 in China and its rapid spread throughout the world. The World Health Organization declared the outbreak of the virus to be a pandemic on 11 March 2020. This situation has had and continues to have a negative impact on the global economy and activity, as well as economic conditions in Spain where the Group operates, with GDP shrinking by 11% in 2020, one of the biggest downturns among developed countries and without precedent in recent history.

Spanish macroeconomic data in 2020 was worrying and, despite expectations of a recovery in 2021 supported by the Next Generation EU funds, a considerable number of uncertainties that directly affect key sectors in our economy remain. As such, the outlook for the global economy in the near future continues to depend on how the pandemic and new advances in vaccines against COVID 19 unfold. Hope lies in swift vaccinations.

In such a complicated climate, with many activity sectors suffering from the impact of the health crisis and the economic fallout, the pharmaceutical industry has shown immense strength, and not only from an economic perspective. Our Group, whose activity is closely tied to pharmacies, is particularly proud of their efforts at such a pivotal time and is firmly committed to supporting them.

Since the onset of this crisis the Caminos Group has taken all necessary measures to ensure that its central services and bank branches are secure places that protect the health and safety of its employees and clients, focusing on guaranteeing the continuity of the business prioritising operational safety and monitoring the impacts on the business and risks of the Caminos Group (such as the impacts on profit, capital and liquidity). However, this situation has not warranted any substantial changes to the Group's strategic plan in the medium and long term.

In 2020 the Caminos Group, like the rest of the sector and the national and global economy, was affected by the Coronavirus COVID-19 pandemic. The impact on the Spanish economy was initially seen in the first quarter of the year, before being severely exacerbated in the second quarter when the country suffered the biggest drop in GDP ever seen during times of peace, mainly due to plummeting domestic demand as a result of the strict measures adopted to stem the pandemic, with Spain performing worse than the other EMU countries.

This health crisis, without precedent in the world in the last 100 years, not only triggered an economic and social crisis as a result of the partial shutdown in activity, but also had an immediate impact in the fixed-income and equity markets, which slumped until mid-March before largely recovering during the rest of the year.

Given the nature of its business and the structure of its balance sheet, the Caminos Group was affected by this collapse during the first quarter of the year and, on the back of the markets, subsequently recovered to pre-crisis levels.

If we isolate the effect of COVID-19 and its impact on the markets, overall the Group has remained on the same course shown over the years, maintaining balanced growth in the balance sheet, achieving good performance in the generation of recurring revenues and consolidating the guidelines for transforming the Group to better fit the financial sector environment as a result of applying its Strategic Plan.

However, mindful of the reality surrounding it and applying the same prudence that has guided its decisions throughout the years, the Group has initiated a reinforcement plan with measures aimed at strengthening liquidity, solvency and risk provisions.

The key indicators of the consolidated income statement show positive performance in recent years, namely Net Interest Income, Core Revenues, Gross Income and Operating Income.

Costs savings are also seen, with a positive effect on efficiency, despite the Group's ongoing investment process and the extra resources needed to implement remote working with robust security assurances as a result of COVID-19.

Pre-tax profit in 2020 was hit by the provisions made to cover the potential adverse effects of the crisis in the coming years.

Looking closer at the income statement, interest income is higher at 31 December than the prior year due to three main factors:

- The Group maintained its performance in loans and credit facilities despite low interest rates because new lending is being arranged at similar rates to the old loan portfolio and shows growth.

- The Bank was able to reinvest its own portfolio, which this year had significant amounts maturing in respect of loans with much higher yields than those currently offered in the market, at higher than expected IRRs taking advantage of the market volatility in the first quarter, meaning the fall in such income was lower than foreseen.

- Lastly, low interest rates, which caused the aforementioned decline in income, made it possible to substantially increase income from Deposits/TLTROs, which more than offset the lower return on own fixed-income and equity portfolios.

What sets this year apart from last year is that, in line with market rates, Banco Caminos started to charge for CTAs/Repos/Simultaneous purchases with negative interest rates, which generated considerable income and largely offset the lower profitability of the fixed-income portfolio.

The Group was able to reduce interest expenses year-on-year by gradually transferring the lower interest rates to its liabilities.

In view of the foregoing, despite the scenario of low interest rates and, therefore, interest income, assets are performing even better than the prior year.

One of the most notable differences compared to the same period in the previous year, and with respect to the budget, derives from the ROF.

In recent years the Group has significantly reduced its dependence on the generation of ROF, generally minimising disposals from the banking book except when warranted by market conditions. The application of IFRS 9 also involves, in addition to the trading portfolio, measuring part of the banking book through profit or loss, particularly equity instruments and fixed-income securities with special characteristics. The ROF has been temporarily impacted by the fluctuation in quoted prices as a result of market volatility.

As mentioned, because of the COVID-19 crisis, the first quarter of 2020 saw widespread declines in fixed-income and equity markets, with the main global indices falling by over 20%.

Measurements through profit or loss had a significant negative impact during the first quarter and, despite recovering in the rest of the year, were not in line with the prior year.

Fee and commission income was considerably lower than budgeted due to the market slumps and COVID-19 measures adopted (free transfers, cash withdrawals, etc.), although such factors also generated savings in fee and commission expenses.

As planned for 2020 in the context of investments and new developments, administration expenses remained at a similar level to 2019, which is testament to the cost-saving efforts made despite the considerable extra expenditure on measures to combat the pandemic and the Group's ongoing investment cycle. As such, the Group has improved its efficiency.

Savings were also achieved in personnel expenses thanks to the Steering Committee foregoing any variable remuneration.

The Group continues to apply a very conservative policy in the measurement and calculation of provisions and allowances for the loan portfolio, focusing its efforts on managing non-performing loans and improving the NPL ratio once more this year.

In short, the balance sheet and income statement both show performance in line with, or above, the targets set for 2020, to revenues from core banking business (net interest income plus fees/commissions).

Nevertheless, the Entity has prudently determined the need to make significant provisions for possible adverse effects in the future, for which it has implemented cost-saving measures (despite the additional expenses related to COVID-19) and minimised employee variable remuneration costs.

Because of the considerable provisions made, pre-tax profit is lower than the same period in the previous year despite the higher-than-expected Operating Income.

The healthy trend in the above indicators helped to consolidate the substantial climb in the Common Equity Tier 1 (CET 1) capital ratio seen in the previous year at a rate of over 13.5%. This satisfactory high level in absolute terms provides the Entity with reasonable assurance regarding its ability to consolidate the foundations for higher growth in the years to come.

Group management has set the following strategic objectives for capital management:

- Consistently comply with applicable legislation on minimum capital requirements.
- Seek maximum capital management efficiency in order for capital consumption to be considered, alongside other return and risk variables, as a fundamental variable in analyses associated with the Entity's investment decision making.
- Reinforce the proportion of Tier 1 capital with respect to the Group's capital as a whole.

Details of transactions involving Banco Caminos, S.A. treasury shares are provided in the accompanying statement of changes in equity for 2020. The disclosures regarding risk management through financial instruments are presented in note 6 to the accompanying consolidated annual accounts, while details of the average supplier payment period are provided in note 27.7. The Bank did not conduct any research and development work in 2020 or 2019.

At their meeting held on 29 March 2021, the members of the board of directors of Banco Caminos, S.A. authorised the issue of the annual accounts and directors' report for 2020, wherein it is stated that the aforementioned documents were prepared in accordance with the financial principles applicable to the Entity and that they give a true and fair view of the equity, financial position and financial performance of Banco Caminos, S.A. and its consolidated Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Between the reporting date and the date on which these consolidated annual accounts were authorised for issue no other events having a significant effect hereon took place that have not been disclosed herein.

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