
# Annual Report 2020

renta4banco

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renta4banco

# Letter from the chairman

Dear shareholders,

I would like to start this letter by remembering those who are no longer with us, having succumbed to the terrible pandemic we have suffered and, albeit to a lesser degree, continue to suffer. Some of them were close and very dear to us. Their memory will always remain with us.

The 2020 financial year was exceptional in many ways, being marked by the outbreak of COVID-19 from March onwards, the lockdown of a large part of the world's population for several months, and the resulting temporary shutdown of activity in many economic sectors. Although this scenario will have a major impact not only on the economy but also, and which is worse, on the lives of many people, it is safe to say that, at the time of writing, there is a very reasonable chance that the world can begin to successfully overcome this severe crisis in the coming months, and that the effects of the crisis, although inevitable, will in any case be less negative than initially expected.

At year-end, it is safe to say that Renta 4 Banco has once again successfully faced the challenge, having confirmed the efficiency of our operational processes, our correct positioning, and the soundness of our business model.

The key to this achievement was, once again, the trust of our clients, which translated into a very significant increase in assets under administration or management, and improved revenues across all business lines.

Total client assets at 31 December amounted to €23,432 million, 5.15 more than the previous year, of which €12,547 million correspond to client assets in our own network.

Net new equity captured by our own network amounted to €964 million, and 17,656 new clients were added, an increase of 21.1% over the year, reaching a total of 101,278 clients.

In terms of revenues, the growth in net fees plus exchange rate differences was 18.4%, which, together with cost containment, resulted in an improvement in net operating income of 157.6%.

A particularly noteworthy aspect in the past year has been the good performance of the Latin American subsidiaries, which have begun to contribute positively to the income statement with a contribution of approximately 7% of the consolidated result. This good performance strengthens the belief that there is a very clear opportunity to extend our services to other countries, applying the differential business model that Renta 4 has developed in Spain.

All this resulted in a net profit attributable to the Group of €18.1 million, a 1.7% increase over the previous financial year. Profits have progressively evolved throughout the financial year, having closed with a superb fourth quarter.

The CET1 Fully Loaded capital ratio was 14.71% at the end of the financial year, well above the solvency regulatory requirements, and the Return on Equity (ROE), i.e., the return on invested capital, was 17.58%, well above the sector's average.

The above data are particularly noteworthy considering the challenges caused by the COVID-19 crisis and endorse Renta 4 Banco's positioning and business model as a differential model; in addition to reflecting once again Renta 4 Banco's great capacity to manage and adapt to complex and unexpected situations.

The financial system worldwide is changing. It is no longer a system designed only to finance the established economy but is increasingly becoming a system aimed to drive and finance innovation and transformation. The pandemic has underlined the need to transform the economic model, and this places capital markets as well as investment banking and asset management in a very special role. It is up to the financial markets and the entities that, like Renta 4 Banco, manage and advise investments, to allocate financial resources in such a way as to move towards a greener, more digital, productive, and sustainable economy.

This transformation of the financial system is even clearer in the aftermath of the pandemic and is reflected in three major legacies for 2020.

On the one hand, the zero interest-rate environment has become structural. Central banks have announced their plans to continue supplying liquidity to the economy for as long as necessary, and to keep interest rates at zero indefinitely, even after economies have reopened. This decision has a significant impact on asset valuation and investment management.

On the other hand, and this is the second legacy of 2020, it is heading towards a dual economy once the crisis is over, what some have called a K-shaped recovery. Companies and sectors that are able to adapt will create substantial value, while those that fail to adapt will either disappear or become irrelevant by being completely out of the dominant trends. As in any deep transformation process, knowing how to evolve and how to stay on the upward line of the "K" will be vital to survive, grow and generate value.

The third legacy of 2020 is connected to values. Corporate and investment social dimension, as well as environmental and health care awareness, make up a different way of understanding society and the world, which can be summed up in the ESG (environmental, social, governance) factors or what some call "conscious" capitalism.

Since its inception, Renta 4 Banco's mission has always been to promote investment as a way of improving people's lives. The values associated with the ESG factors are not new to us, because we have always understood investment in a constructive sense, as the most powerful tool to foster progress and well-being for society.

Renta 4 Banco is therefore prepared to face these changes, whose consequences go far beyond digital transformation and whose disruptive potential extends further than the introduction of the Internet two and a half decades ago, as they completely affect the business model, the way we relate to our clients and society, and all the processes that make up the value chain of our industry.

In recent years, we have invested time and resources in trying to understand the world to come, and to anticipate, as far as possible, what our clients will demand from us in this new scenario. We have expanded and will continue to expand our range of investment solutions for savers. We have worked and will continue to work on cataloguing and organising the wide range of investment assets we offer our clients, to make them easier to understand and use. We have trained and will continue to train all the people who make up Renta 4 Banco, who are our most valuable asset, to ensure that Renta 4 continues to be the best organisation offering savings, investment and financing solutions to a wide range of clients.

Capital markets have a very important role to play in the post-COVID world, the role of guiding and leading the transition to a more sustainable and therefore better economy. Our expertise of more than three decades in investment and capital markets is a unique platform to leverage the achievement of this goal.

Moving on to the area of Corporate Social Responsibility, our first commitment, as usual, is to create and maintain jobs. In 2020, our average workforce was 541 people, compared to the 515 of 2019. Renta 4 has not implemented temporary lay-offs (ERTE) during 2020. The entire workforce has continued to work normally, with the appropriate safety conditions and making extensive, and at times almost full, use of remote work.

In 2020, Fundación Renta 4 continued to support various programmes related to the education of underprivileged and disabled people. We maintain our programmes with Foundations such as A.G.H., Entreculturas, Recover, Agua de Coco, Pablo Horstmann or Asociación Granadown. Several new projects have been added to these, which have been pitched and chosen in open vote sessions by our employees.

Likewise, as a result of the pandemic crisis and as announced at last year's Annual General Meeting, in 2020 we carried out a number of actions to help affected groups. Financial donations were made to purchase protective equipment (masks, gloves, and PPE) for the Military Emergency Response Unit (UME) as part of the Operation Balmis. In November and December, Renta 4 cooperated jointly with the Avanza ONG association to purchase food and assemble and distribute 260 "Christmas hampers", which the association distributed among vulnerable families. This action was reinforced with a call for volunteers among employees and clients who, together with their families, came to the Avanza's facilities for four days to carry out the distribution of the hampers.

Following the same approach, similar initiatives have been launched in Chile, Peru, and Colombia, in collaboration with NGOs that directly help the most exposed groups in this crisis. In Peru, through the Ayuda en Acción NGO; in Colombia, in extreme poverty neighbourhoods of Bogota, through Fundación Gotas de Amor; and in Chile, through Fundación Las Rosas, helping the most vulnerable population group in this pandemic, the elderly.

Firm in its commitment to education, Fundación Renta 4 also launched scholarships for university students aimed to help young people affected by the COVID-19 crisis and whose financial situation prevented them from facing the costs associated with their studies. The donation enabled the granting of 11 scholarship of up to €5,000 each to cover tuition fees and accommodation. The scholarships were open to any citizen of a Member State of the European Union, Chile, Peru, or Colombia.

To conclude, as every year, I would like to emphasise that none of the above would have been possible without the trust placed in us by our clients and shareholders, and the work of a great team at both personal and professional levels, who are fully dedicated to our clients. My final remarks are therefore to thank clients and shareholders for their trust and all those people who work at Renta 4 for their talent, dedication, and effort.

Mr. Juan Carlos Ureta Domingo

Chairman

# 1

# Consolidated financial statements

for the year 2020

# 1.1

## Consolidated Balance Sheets

**Renta 4 Banco S.A. and Subsidiaries**
Consolidated balance sheets at 31 December 2020 and 2019

Thousands of Euros

| Asset | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash, cash balances with central banks and other demand deposits** | **8** | **744,174** | **652,215** |
| **Financial assets held for trading** | **9** | **55,079** | **27,195** |
| Derivatives | | 467 | 7 |
| Equity instruments | | 51,797 | 27,188 |
| Debt securities | | 2,815 | - |
| *Memorandum item: Loaned or given as collateral with the right to sell or pledge* | | - | - |
| **Financial assets designated at fair value with changes in other comprehensive income** | **10** | **580,321** | **850,419** |
| Equity instruments | | 429 | 7,347 |
| Debt securities | | 579,892 | 843,072 |
| *Memorandum item: Loaned or given as collateral with the right to sell or pledge* | | 283,928 | 377,616 |
| **Financial assets at amortised cost** | **11** | **315,846** | **153,998** |
| Debt securities | | 107,591 | - |
| Loans and advances | | 208,255 | 153,998 |
| Central banks | | - | - |
| Credit institutions | | 42,518 | 34,274 |
| Clientele | | 165,737 | 119,724 |
| *Memorandum item: Loaned or given as collateral with the right to sell or pledge* | | 51,294 | - |

Thousands of Euros

| Asset | Note | 2020 | 2019 |
|---|---|---|---|
| **Investments in joint ventures and associates** | **12** | **362** | **348** |
| Jointly controlled companies | | - | - |
| Associates | | 362 | 348 |
| **Tangible assets** | **13** | **60,399** | **62,153** |
| Tangible fixed assets | | 56,944 | 58,579 |
| For own use | | 56,944 | 58,579 |
| Transferred under an operating lease | | - | - |
| Real estate investment | | 3,455 | 3,574 |
| *Of which: transferred under an operating lease* | | 3,455 | 3,574 |
| *Memorandum item: acquired under a finance lease* | | 20,220 | 20,723 |
| **Intangible assets** | **14** | **20,110** | **18,513** |
| Goodwill | | 15,291 | 15,291 |
| Other intangible assets | | 4,819 | 3,222 |
| **Tax assets** | **20** | **994** | **940** |
| Current tax assets | | - | - |
| Deferred tax assets | | 994 | 940 |
| **Other assets** | **15** | **1,850** | **1,157** |
| Rest of the assets | | 1,850 | 1,157 |
| **TOTAL ASSETS** | | **1,779,135** | **1,766,938** |

Thousands of Euros

| Liabilities | Note | 2020 | 2019 |
|---|---|---|---|
| **Financial liabilities held for trading** | **9** | **522** | **6** |
| Derivatives | | 522 | 6 |
| Short positions | | - | - |
| Debt instruments issued | | - | - |
| Other financial liabilities | | - | - |
| **Financial liabilities at amortised cost** | **16** | **1,643,451** | **1,650,096** |
| Deposits | | 1,509,868 | 1,476,415 |
| Central banks | | - | 9,808 |
| Credit institutions | | 14,046 | 19,540 |
| Clientele | | 1,495,822 | 1,447,067 |
| Debt instruments issued | | - | - |
| Other financial liabilities | | 133,583 | 173,681 |
| *Memorandum item: Subordinated liabilities* | | - | - |
| **Provisions** | **17** | **313** | **492** |
| Pensions and other post-employment defined benefit obligations | | - | - |
| Other long-term employee compensations | | - | - |
| Outstanding tax litigation and procedural issues | | 301 | 490 |
| Commitments and guarantees granted | | 12 | 2 |
| Remaining provisions | | - | - |
| **Tax liabilities** | **20** | **8,020** | **6,490** |
| Current tax liabilities | | 6,461 | 4,846 |
| Deferred tax liabilities | | 1,559 | 1,644 |
| **Share capital repayable on demand** | | - | - |
| **Other liabilities** | **15** | **5,158** | **5,603** |
| *Of which: Social work fund (only savings banks and credit cooperatives)* | | - | - |
| **TOTAL LIABILITIES** | | **1,657,464** | **1,662,687** |

Thousands of Euros

| Equity | Note | 2020 | 2019 |
|---|---|---|---|
| **Equity** | **18** | **121,402** | **102,994** |
| Capital | | 18,312 | 18,312 |
| Paid-up capital | | 18,312 | 18,312 |
| Required unpaid capital | | - | - |
| Memorandum item: Capital not required | | - | - |
| Share premium | | 8,496 | 8,496 |
| Other reserves | | 76,943 | 67,074 |
| Accumulated reserves or losses on investments in joint ventures and associates | | - | - |
| Others | | 76,943 | 67,074 |
| (-) Treasury shares | | (486) | (601) |
| Profit attributable to the owners of the parent company | | 18,137 | 17,830 |
| (-) Interim dividends | | - | (8,117) |
| **Accumulated other comprehensive income** | | **(637)** | **337** |
| Items that will not be reclassified to profit and losses | | (383) | 128 |
| Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income | **10** | (383) | 128 |
| Other valuation adjustments | | - | - |
| Elements that can be reclassified to profit and losses | | (254) | 209 |
| Currency Conversion | | (2,073) | (1,330) |
| Changes in fair value of debt instruments measured at fair value with changes in other comprehensive income | **10** | 1,819 | 1,539 |
| **Minority interest (non-controlling ownership interests)** | | **906** | **920** |
| Accumulated other comprehensive income | | (225) | (100) |
| Other elements | | 1,131 | 1,020 |
| **TOTAL EQUITY** | | **121,671** | **104,251** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,779,135** | **1,766,938** |
| **MEMORANDUM ITEM** | | | |
| Guarantees granted | **19** | 707 | 672 |
| Contingent commitments granted | **19** | 19,931 | 20,999 |
| Other obligations issued | **19** | 8,657 | 9,115 |
| | | **29,295** | **30,786** |

# 1.2

## Consolidated income statements of Renta 4 Banco, S.A., and Subsidiaries

Consolidated Income Statements for financial years ended on December 31, 2020 and 2019.

Thousands of Euros

| | Note | 2020 | 2019 |
|---|---|---|---|
| Interest income | **22 a)** | 4,430 | 6,232 |
| (Interest expense) | **22 a)** | (4,032) | (2,397) |
| **(A) INTEREST MARGIN** | | **398** | **3,835** |
| Dividend income | | 89 | 320 |
| Results of entities accounted for using the equity method | | 101 | 120 |
| Commission income | **22 b)** | 161,732 | 132,347 |
| (Commission expenses) | **22 b)** | (87,568) | (64,437) |
| Gains or (-) losses on derecognition in accounts of financial assets and liabilities not measured at fair value with changes in profit or loss, net | **22 a)** | 1 | 8,099 |
| Gains or (-) losses on financial assets and liabilities held for trading, net | **22 a)** | 9,484 | 6,396 |
| Exchange differences [profit or (-) loss], net | **22 g)** | 11,116 | 4,059 |
| Other operating income | **22 c)** | 271 | 227 |
| (Other operating expenses) | **22 c)** | (3,500) | (2,460) |
| **(B) GROSS MARGIN** | | **92,124** | **88,506** |
| (Administrative expenses) | | (56,030) | (54,596) |
| (Personnel Expenses) | **22 d)** | (35,756) | (35,834) |
| (Other administrative expenses) | **22 e)** | (20,274) | (18,762) |
| (Amortisation) | **13 and 14** | (8,950) | (8,594) |
| (Provisions or (-) reversal of provisions) | **17** | (225) | (220) |

Thousands of Euros

| | Note | 2020 | 2019 |
|---|---|---|---|
| (Impairment or reversal of impairment and gains or losses from changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or losses from changes in fair value) | **22 f)** | (2,900) | (316) |
| (Financial assets at fair value with changes in other comprehensive income) | | 82 | (116) |
| (Financial assets at amortised cost) | | (2,982) | (200) |
| **(C) OPERATING INCOME** | **11** | **24,019** | **24,780** |
| Gains or (-) losses on derecognition in accounts of non-financial assets and ownership interest, net | | - | - |
| Of which: investments in subsidiaries, joint ventures and associates | | - | - |
| **(D) PRE-TAX PROFITS OR (-) LOSSES FROM CONTINUING OPERATIONS** | | **24,019** | **24,780** |
| (Expenses or (-) income from taxes on income from continuing operations) | | (5,973) | (7,178) |
| **(E) GAINS OR (-) LOSSES AFTER TAX FROM CONTINUING OPERATIONS** | | **18,046** | **17,602** |
| Gains or (-) losses after tax from discontinued operations | | - | - |
| **F) PROFIT OR (-) LOSS** | | **18,046** | **17,602** |
| Attributable to minority interests (non-controlling interests) | | (91) | (228) |
| Attributable to the owners of the parent company | | 18,137 | 17,830 |
| **EARNINGS PER SHARE** | | | |
| Basic | | 0,45 | 0,44 |
| Diluted | | 0,45 | 0,44 |

# 1.3

## Consolidated statements of recognised income and expenses

**Renta 4 Banco, S.A. and Subsidiaries**
Consolidated Statements of Recognised Income and Expenses for financial years ended 31 December 2020 and 2019.

# Total comprehensive profit or loss for the financial year

# 17,103,000€

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Profit for the financial year** | **18,046** | **17,602** |
| **Other comprehensive income** | **(943)** | **343** |
| **Items that will not be reclassified to profit and losses** | **(355)** | **1,317** |
| Changes in the fair value of equity instruments measured at fair value with changes in comprehensive income | (407) | 1,881 |
| Other valuation adjustments | - | - |
| Income tax relating to items that will not be reclassified | 52 | (564) |
| **Elements that can be reclassified to profit and losses** | **(588)** | **(974)** |
| Currency Conversion | (868) | (316) |
| Gains or (-) losses recognised in equity derived from currency exchange | (868) | (316) |
| Financial assets designated at fair value with changes in other comprehensive income | 400 | (940) |
| Profits or (-) losses in value recognised in equity | 483 | 7,043 |
| Transferred to profit and losses | (83) | (7,983) |
| Income tax relating to items that can be reclassified to profit or loss | (120) | 282 |
| **Total comprehensive profit or loss for the financial year** | **17,103** | **17,945** |
| Attributable to minority interests (non-controlling interests) | (216) | (235) |
| Attributable to the owners of the parent company | 17,319 | 18,180 |

# 1.4

## Consolidated statements of changes in Shareholders' equity

**Renta 4 Banco, S.A. and Subsidiaries**
Total consolidated statement of changes in equity for financial year ended on December 31, 2020.

| | Capital | Share premium | Equity instruments issued other than capital | Other equity instruments | Retained |
|---|---|---|---|---|---|
| **Opening balance at 12/31/2019** | **18,312** | **8,496** | **-** | **-** | |
| Effects of error correction | - | - | - | - | |
| Effects of changes in accounting policies | - | - | - | - | |
| **Opening balance** | **18,312** | **8,496** | **-** | **-** | |
| **Overall profit or losses for the financial year** | **-** | **-** | **-** | **-** | |
| **Other changes in equity** | **-** | **-** | **-** | **-** | |
| Dividends (or remuneration to shareholders) (Note 18.g) | - | - | - | - | |
| Purchase of treasury shares (Note 18.f) | - | - | - | - | |
| Sale or cancellation of treasury shares | - | - | - | - | |
| Transfers between equity components | - | - | - | - | |
| Other increases or (-) decreases in equity (Note 18.l) | - | - | - | - | |
| **Closing balance at 12/31/2020** | **18,312** | **8,496** | **-** | **-** | |

Thousands of Euros

| | | | | | | | Minority ownership interest | | |
|---|---|---|---|---|---|---|---|---|---|
| gains | Revaluation reserves | Other reserves | (-) Treasury shares | Profit attributable to the owners of the parent company | (-) Interim dividends | Accumulated other comprehensive income | Accumulated other comprehensive income | Other elements | Total |
| **-** | **-** | **67,074** | **(601)** | **17,830** | **(8,117)** | **337** | **(100)** | **1,020** | **104,251** |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| **-** | **-** | **67,074** | **(601)** | **17,830** | **(8,117)** | **337** | **(100)** | **1,020** | **104,251** |
| **-** | **-** | **-** | **-** | **18,137** | **-** | **(818)** | **(125)** | **(91)** | **17,103** |
| **-** | **-** | **9,869** | **115** | **(17,830)** | **8,117** | **(156)** | **-** | **202** | **317** |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | 115 | - | - | - | - | - | 115 |
| - | - | 9,869 | - | (17,830) | 8,117 | (156) | - | - | - |
| - | - | - | - | - | - | - | - | 202 | 202 |
| **-** | **-** | **76,943** | **(486)** | **18,137** | **-** | **(637)** | **(225)** | **1,131** | **121,671** |

## Renta 4 Banco, S.A. and Subsidiaries

Total consolidated statement of changes in equity for financial year ended on December 31, 2019.

| | Capital | Share premium | Equity instruments issued other than capital | Other equity instruments | Retained g |
|---|---|---|---|---|---|
| **Opening balance at 12/31/2018** | **18,312** | **8,496** | **-** | **-** | |
| Effects of error correction | - | - | - | - | |
| Effects of changes in accounting policies | - | - | - | - | |
| **Opening balance** | **18,312** | **8,496** | **-** | **-** | |
| **Overall profit or losses for the financial year** | **-** | **-** | **-** | **-** | |
| **Other changes in equity** | **-** | **-** | **-** | **-** | |
| Dividends (or remuneration to shareholders) (Note 18.g) | - | - | - | - | |
| Purchase of treasury shares (Note 18.f) | - | - | - | - | |
| Sale or cancellation of treasury shares | - | - | - | - | |
| Transfers between equity components | - | - | - | - | |
| Other increases or (-) decreases in equity (Note 18.l) | - | - | - | - | |
| **Closing balance at 12/31/2019** | **18,312** | **8,496** | **-** | **-** | |

Thousands of Euros

| gains | Revaluation reserves | Other reserves | (-) Treasury shares | Profit attributable to the owners of the parent company | (-) Interim dividends | Accumulated other comprehensive income | Minority ownership interest: Accumulated other comprehensive income | Minority ownership interest: Other elements | Total |
|---|---|---|---|---|---|---|---|---|---|
| **-** | **-** | **63,111** | **(763)** | **16,095** | **(8,922)** | **(13)** | **(93)** | **778** | **97,001** |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| **-** | **-** | **63,111** | **(763)** | **16,095** | **(8,922)** | **(13)** | **(93)** | **778** | **97,001** |
| **-** | **-** | **-** | **-** | **17,830** | **-** | **(350)** | **(7)** | **(228)** | **17,945** |
| **-** | **-** | **3,963** | **162** | **(16,095)** | **805** | **-** | **-** | **470** | **(10,695)** |
| **-** | **-** | (3,246) | - | - | (8,117) | - | - | - | (11,363) |
| **-** | **-** | - | (231) | - | - | - | - | - | (231) |
| **-** | **-** | 36 | 393 | - | - | - | - | - | 429 |
| **-** | **-** | 7,173 | - | (16,095) | 8,922 | - | - | - | - |
| **-** | **-** | - | - | - | - | - | - | 470 | 470 |
| **-** | **-** | **67,074** | **(601)** | **17,830** | **(8,117)** | **337** | **(100)** | **1,020** | **104,251** |

# 1.5

## Consolidated cash flow statement

**Renta 4 Banco, S.A. and Subsidiaries**
consolidated cash flow statement for
the years ended 31 December 2020 and 31 December 2019.

Thousands of Euros

| | Note | 2020 | 2019 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **113,164** | **244,850** |
| **Profit for the financial year** | | **18,046** | **17,602** |
| **Adjustments to obtain cash flows from operating activities** | | **20,497** | **9,002** |
| Amortisation | 13 and 14 | 8,950 | 8,594 |
| Other adjustments | | 11,547 | 408 |
| **Net increase/decrease in operating assets** | | **78,054** | **(162,776)** |
| Financial assets held for trading | | (27,884) | 1,571 |
| Financial assets at fair value with changes in other comprehensive income | | 271,515 | (120,424) |
| Financial assets at amortised cost | | (164,830) | (45,345) |
| Other operating assets | | (747) | 1,422 |
| **Net increase/decrease in operating liabilities** | | **1,281** | **387,197** |
| Financial liabilities held for trading | | 516 | 6 |
| Financial liabilities designated at fair value through profit or loss | | - | - |
| Financial liabilities at amortised cost | | 1,071 | 386,552 |
| Other operating liabilities | | (306) | 639 |
| **Collections/payments from taxes on profits** | | **(4,714)** | **(6,175)** |

Thousands of Euros

| | Note | 2020 | 2019 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES)** | | **(6,559)** | **(6,945)** |
| **Payments** | | **(6,559)** | **(6,945)** |
| Tangible assets | 13 | (3,261) | (4,787) |
| Intangible assets | 14 | (3,298) | (1,858) |
| Investments in joint ventures and associates | | - | (300) |
| **Collections** | | **-** | **-** |
| Shares | | - | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | **(13,778)** | **(13,242)** |
| **Payments** | | **(13,982)** | **(13,991)** |
| Dividends | 2.10 and 18.g | - | (11,363) |
| Acquisition of equity instruments | 18.f | - | (231) |
| Other payments related to financing activities | | (13,982) | (2,397) |
| **Collections** | | **204** | **749** |
| Disposal of equity instruments | | 115 | 429 |
| Other collections related to financing activities | | 89 | 320 |
| **EFFECT OF EXCHANGE RATE CHANGES** | | **(868)** | **(316)** |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS** | | **91,959** | **224,347** |
| **Cash or cash equivalents at beginning of year** | **8** | **652,215** | **427,868** |
| **Cash and cash equivalents at end of year** | **8** | **744,174** | **652,215** |
| **MEMORANDUM ITEM** | | | |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **8** | **744,174** | **652,215** |
| Cash | | 106 | 91 |
| Cash equivalents at central banks | | 421,247 | 294,391 |
| Other financial assets | | 322,821 | 357,733 |
| Less: Bank overdrafts repayable on demand | | - | - |

# 2

# Consolidated Management

## Financial year ended on 31 December, 2020

# 2.1

## General information

Renta 4 Banco, S.A. (hereinafter, "the Bank" or "the Parent Company") is the entity resulting from the merger by absorption, which took place on 30 March 2011, of Renta 4 Servicios de Inversión S.A., (absorbing entity) and Renta 4 Banco, S.A. (absorbed entity), the latter previously known as Banco Alicantino de Comercio, S.A., the change of name of the latter having been registered on the Mercantile Registry on 8 June 2011. In addition, during the merger process, the absorbing company's bylaws were amended, changing its trade name from Renta 4 Servicios de Inversión, S.A. to Renta 4 Banco, S.A. and extending its corporate purpose to include banking activities, as well as the investment and ancillary services of investment service companies. The Parent Company is registered on the Mercantile Registry and on the Special Registry of Credit Entities of the Bank of Spain under code 0083.

On December 19, 2011, the Directorate General of the Treasury and Financial Policy under the Ministry of Economy and Finance approved the partial splitting off of branches of activity of Renta 4, S.A., Sociedad de Valores in favour of Renta 4 Banco, S.A.

By virtue of this split, Renta 4, S.A., Sociedad de Valores transferred to Renta 4 Banco, S.A. all of its equity assigned to certain branches of activity of the company split off, which constitute "an economic unit", and which was transferred en bloc by universal succession to Renta 4 Banco, S.A., acquiring this company as the beneficiary of the split, by universal succession, all of the assets and liabilities, rights and obligations composing the split off equity and liabilities.

The balance sheet of the company Renta 4, S.A., Sociedad de Valores was considered to be the balance sheet of the division closed on December 31, 2010. All transactions carried out by the split off equity of Renta 4, S.A., Sociedad de Valores are considered to have been carried out for accounting purposes on behalf of Renta Banco, S.A., as of 1 January 2011.

As a result of the split, Renta 4, S.A., Sociedad de Valores, transferred net assets to Renta 4 Banco, S.A. amounting to 13,630 thousand euros, representing 48.418% of the total equity of Renta 4, S.A., Sociedad de Valores prior to the split. Therefore, Renta 4, S.A., Sociedad de Valores reduced its capital by the necessary amount, amounting to 2,944,826.61 euros, through the redemption of shares number 1,047,869 to 2,031,485, both inclusive.

The corporate purpose of the Parent Company consists of the activities of credit institutions in general, including the provision of investment services, as well as the acquisition, holding, enjoyment, administration and disposal of all classes of transferable securities, and in particular those determined in section 175 of the Commercial Code and other legislation in force relating to the activity of such entities. It also includes the provision of all types of services and advice, whether economic, financial, fiscal, stock market, organisational, mechanisational or otherwise, and the carrying out of company valuation studies, as well as the placement and negotiation of the values of all classes of movable and immovable goods belonging to third parties.

The activity or activities constituting the corporate purpose may be carried out by the Company totally or partially, indirectly, through the ownership of shares or ownership interest in companies with an identical or similar corporate purpose.

The Parent Company has its registered office in Madrid, Paseo de la Habana 74. By agreement of the Administrative Body, this may be moved within the same municipality where it is established. In the same way, offices, agencies or delegations that the development of the social activity makes necessary or convenient may be created, removed or moved, both in national territory and abroad. Annex IV includes the balance sheet, the income statement, the statement of total recognised gains and losses, and the statement of total changes in equity and cash flow of the Parent Company on 31 December 2020 and 2019.

The Parent Company is the head of an economic and consolidable group of credit institutions ("the Group"). The activities of subsidiaries and associates are included in Annex I.

The activities carried on by the Group's most representative companies are regulated by Royal Legislative Decree 4/2015 of 23 October, which approves the revised text of the Values Market Law, by Law 47/2007 of 19 December and by Royal Decree 217/2008 of 15 February, as well as the various Circulars from the National Values Market Commission which implement it. Likewise, the management activity of collective investment institutions is regulated by Law 35/2003, of 4 November, and its subsequent amendments, and by Royal Decree 1082/2012, of 13 July, applicable as of 21 July 2012, and its subsequent amendments, approving the General Regulation for the Implementation of Law 35/2003, of 4 November, which replaces, through its repeal, Royal Decree 1309/2005, of 4 November. In addition, pension fund management activity is regulated by Royal Decree 1/2002, of 29 November, approving the Consolidated Text of the Law regulating Pension Plans, implemented by Royal Decree 304/2004, of 20 February, approving the General Pension Plans and Funds Regulations and subsequent amendments thereto.

As a credit entity, Renta 4 Banco, S.A. is subject to certain legal regulations that regulate, among others, aspects such as:

### a) Coefficient of Minimum Reserves

Maintenance of a minimum percentage of funds deposited with a national central bank of a country participating in the single currency (euro) for the coverage of the minimum reserve ratio. As of December 31, 2020 and 2019, Renta 4 Banco, S.A. complied with the minimum requirements.

### b) Own Resources

Maintenance of a minimum level of own resources. The regulations establish, in summary, the obligation to maintain sufficient own resources to cover the requirements for the risks contracted. As of December 31 2020 and 2019, the Group and the Parent Company complied with the minimum requirements in this respect.

### c) Liquidity ratio

Section 412 of General Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit entities and investment companies (hereinafter CRR) requires compliance with the liquidity requirement, as developed in Delegated General Regulation (EU) 2015/61. This requirement is applicable to credit institutions at the individual level (Section 6.4 of the RRC) and at the consolidated level of the matrix(Section 11.3 of the RRC) from 1 October 2015.

It has been adopted according to the following timetable:

- 60% of the liquidity coverage requirement from 1 October 2015.
- 70% from 1 January 2016.
- 80% from 1 January 2017.
- The 100% as of January 1, 2018.

The liquidity ratio on 31 December 2020 and 2019 presented by the Parent Company at individual and Group level is over 100%, which has been due since 1 January 2018.

## d) Annual contribution to the Deposit Guarantee Fund (hereinafter referred to as "DGF")

Represents an additional guarantee to that provided by the Bank's own resources to its creditors, the purpose of which is to guarantee up to 100,000 euros of customer deposits in accordance with the provisions of current regulation.

On 1 June 2016, Bank of Spain Circular 5/2016 of 27 May 2016 was published on the calculation method so that the contributions of member institutions to the Deposit Guarantee Fund for Credit Institutions (FGD) are proportional to their risk profile, which will be used by the FGD Management Committee in determining the amount of each entity's annual contributions to the deposit guarantee sub-fund, taking into consideration indicators of capital, liquidity and financing, asset quality, business model, management model and potential losses for the FGD.

On December 2, 2015, the Management Committee of the FGD determined the annual contribution to be made, on the one hand, to the Deposit Guarantee Fund at 1.6 per thousand of the calculation basis and, on the other hand, 5 per cent of the 2 per thousand to the Securities Guarantee Fund.

At the date of preparation of these consolidated financial statements, the FGD Management Committee had notified the annual contribution to be made by the Bank to the Deposit Guarantee Compartment in the amount of 1,217 thousand euros. The portion relating to the Securities Guarantee Compartment amounted to 464 thousand euros and was recognised under "Other Operating Expenses" in the accompanying consolidated income statement (see Note 22-c).

## e) Annual contribution to the Single Resolution Fund

The National Resolution Fund (FRN, managed by the FROB) was set up during the financial year of 2015 and will be financed by annual contributions from credit entities and investment service companies until it reaches at least 1% of amount of the guaranteed deposits of all entities by 31 December 2024 at the latest. This fund was mutualised with the other funds of the euro zone member countries in the Single Resolution Fund (SRF) in January 2016.

On 7 November 2015 Royal Decree 1012/2015 of 6 November implementing Law 11/2015 of 18 June on the recovery and resolution of credit institutions and investment service companies and amending Royal Decree 2606/1996 of 20 December on deposit guarantee funds from credit institutions was published in the Official State Bulletin (BOE).

In relation to the first of the aspects developed, the Royal Decree establishes that the FROB will determine annually the annual contributions of the institutions to the NRF, adjusting these contributions to the risk profile of the Group.

On 1 January 2016, Regulation 806/2014 of the European Parliament and of the Council, of 15 July 2014, came into force, by virtue of which the Single Board of Resolution replaces the National Resolution Authorities, assuming the competence over the administration of the SRF as well as the calculation of the contributions to be made by the institutions, applying the calculation methodology specified in Delegated Regulation 2015/63 of the Commission of 21 October 2014, in accordance with the uniform conditions of application set forth in the Council Implementation Regulation 2015/81 of 19 December 2014.

During the year, the Group made a contribution to the URF amounting to 305 thousand euros, together with the associated fees amounting to 9 thousand euros. These amounts were recognised under "Other Operating Expenses" in the accompanying consolidated income statement. (See Note 22-c).

Since 29 September 2007, Renta 4 Banco, S.A. has held all the shares making up its capital admitted to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. They are also included in the Spanish Stock Exchange Interconnection System.

## Company transactions

On 26 September 2019, Renta 4 Banco, S.A. reached a definitive agreement for the acquisition of the brokerage, fund marketing and custody business of BNP Paribas Sucursal en España, S.A. which was operating under the commercial name "BNP Paribas Personal Investors".

The execution of the acquisition was approved by the Ministry of Economy on 10 March 2020.

# 2.2

## Basis of presentation

## 2.1 Basis of Presentation of the Consolidated Financial Statements

The Group's consolidated financial statements for 2020 (hereinafter the "financial statements") were prepared by the Parent Company's Directors at the Board of Directors meeting held on 23 February 2021. It is expected that these consolidated financial statements will be approved by the Shareholders' General Meeting without any changes. The 2019 consolidated financial statements of Renta 4, Banco S.A. and its Subsidiaries were prepared by its Directors on 17 March 2020 and approved by the shareholders at their General Meeting held on 27 April 2020.

In accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of a Member State of the European Union and whose securities are listed on a regulated market of one of the Member States of the European Union must present their consolidated financial statements for the years beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards adopted by the European Union and previously adopted by the European Union ("EU-IFRS").

In this regard, the Group's consolidated financial statements for 2020 are presented in accordance with International Financial Reporting Standards adopted by the European Union and taking into consideration the provisions of the Bank of Spain´s Circular 4/2017 and its subsequent amendments, which constitute the development and adaptation to the Spanish credit institution sector of the International Financial Reporting Standards approved by the European Union. No mandatory accounting principles or valuation criteria which have a significant effect on these consolidated financial statements have ceased to be applied when preparing them.

The Group's consolidated financial statements for 2020 were prepared taking into account all the mandatory accounting policies and standards and valuation criteria that have a material effect thereon, so that they accurately present the Group's equity and consolidated financial position at 31 December 2020, and also the consolidated results of its operations and consolidated cash flows for the year then ended.

Note 4 summarises the most significant accounting policies and principles, and valuation criteria applied in preparing the Group's consolidated financial statements for 2020. Note 2.9 below summarises the main changes in accounting policies in 2020.

The figures in these consolidated financial statements are presented in thousands of euros, unless otherwise indicated.

## 2.2 Comparison of information

In accordance with mercantile legislation, the Parent Company's Directors present, for comparison purposes, with each of the items in the consolidated balance sheet, in the consolidated income statement, in the consolidated statement of total recognised gains and losses, in the consolidated statement of total changes in equity, in the consolidated cash flow statement and in the consolidated report, in addition to the figures for 2020, those for the previous year.

The consolidated financial statements for the year ended 31 December 2020 have been prepared considering the adaptation of the content of the public financial information to the preparation criteria, terminology, definitions and formats of the statements known as FINREP, which are established on a mandatory basis for the consolidated financial information prepared applying the International Financial Reporting Standards adopted by the European Union, in Commission Implementing Regulation (EU) 680/214 of 16 April, in accordance with Regulation (EU) 575/2013 of the European Parliament and of the Council.

## 2.3 Use of judgements and estimates in the preparation of the consolidated financial statements

The information included in the consolidated financial statements is the responsibility of the Parent Company's Directors.

In preparing certain information included in these financial statements, the Directors used judgements and estimates based on assumptions that affect the application of accounting principles and criteria and the amounts of assets, liabilities, income, expenses and commitments recorded therein. The most significant estimates used in the preparation of these financial statements relate to:

- Losses due to impairment on financial assets (see note 4.h).
- Impairment losses and the useful lives of tangible assets (see note 4.j).
- The consolidation goodwill impairment tests (see note 4.i).

The valuation of goodwill requires estimates to be made in order to determine its fair value for the purpose of assessing a possible impairment. To determine this fair value, the Parent Company's Directors estimate the expected future cash flows of the cash-generating unit of which it forms part and use an appropriate discount rate to calculate the present value of these cash flows. Future cash flows depend on meeting budgets for the next five years, while discount rates depend on the interest rate and risk premium associated with each cash-generating unit. Note 4(i) and 14(a) analyse the assumptions used to calculate the value in use of cash-generating units and include an analysis of sensitivity to changes in assumptions.

- The valuation of equity instruments in share delivery plans for managers and employees (see note 4.p).
- The fair value of certain financial assets not listed on official secondary markets (see note 6).
- Measurement of the financial risks to which the Group is exposed in the course of its business (see note 5).

The estimates and assumptions used are based on historical experience and other factors that have been considered the most reasonable ones at the present time and are reviewed periodically. If, as a result of these revisions or future events, there is a change in these estimates, the effect is recognised in the consolidated income statement for that period and subsequent periods in accordance with IAS 8.

## 2.4 Ownership interest in credit institutions

At 31 December 2020 and 2019, the Group did not have an ownership interest in the capital of other domestic or foreign credit institutions.

## 2.5 Consolidation methods

The Group classifies its ownership interest in subsidiaries or associates in accordance with the following criteria:

Subsidiaries are defined as institutions over which the Group has control. An institutions controls an investee when it is exposed to, or entitled to, variable returns because of its involvement in the investee and has the ability to influence those returns through the power it exercises over the investee.

In order to be considered subsidiaries, the following must be valid:

a. **Power:** An investor has power over an investee when the former has rights in force that give it the capacity to direct the relevant activities, i.e. those that significantly affect the returns of the investee;

b. **Returns:** An investor is exposed to, or is entitled to, variable returns for his/her involvement in the investee when the returns obtained by the investor for such involvement may vary depending on the economic evolution of the investee. Investor returns can be only positive, only negative or both positive and negative at the same time.

c. **Power to return ratio:** An investor controls an investee if the investor not only has power over the investee and is exposed to, or is entitled to, variable returns for his/her involvement in the investee, but also has the capacity to use his/her power to influence on the returns he/she obtains from that involvement in the investee.

Subsidiaries have fully consolidated by means of the global integration method, consisting in the inclusion in the Group's balance sheet of all the rights and obligations composing the equity of these subsidiaries and in the income statement of all the income and expenses used to determine their profit or loss for the year.

Likewise, the Group ceases to be consolidated once it loses control. When this situation arises, the consolidated financial statements include the results from the part of the year in which the Group maintained control over the same.

Associates are companies over which the Group has the capacity to exercise significant influence,  due to the presence in their governing bodies, the effective capacity to influence in their strategic and operational policies and the existence of significant transactions. Associates have consolidated by using the equity method, whereby the carrying amount of the investment is replaced by the amount corresponding to the percentage of the associate's equity.

## 2.6 Minority ownership interest

The value of the minority shareholders' interest in the equity and in the results of the consolidated subsidiaries is presented under "Minority Interests" in the consolidated balance sheets and under "Profit for the Year - Attributable to Minority Interests" in the consolidated income statements and the consolidated statements of recognised income and expenses, respectively.

In the case of acquisitions of interest from external partners, the difference between the price paid and the amount recorded is recorded in equity attributable to the Parent Company.

## 2.7 Valuation homogenisation

The necessary valuation homogenisation adjustments have been made in order to adapt the valuation criteria of the subsidiaries to those of the Parent Company.

## 2.8 Elimination of internal transactions

The various reciprocal balances from internal transactions in loans, dividends, purchase and sale of goods and provision of services have been eliminated.

## 2.9 Regulatory changes

The accounting principles and policies and valuation methods applied in preparing the accompanying consolidated financial statements do not differ significantly from those disclosed in Note 2 to the 2019 Consolidated Financial Statements.

### a) Standards and interpretations of most recent application approved by the European Union.

In the 2020 financial year the following amendments to IFRS and their interpretations (hereinafter "IFRIC") came into force, the effects of which have been included in these consolidated financial statements of Grupo Renta 4:

**IAS 1 and IAS 8 - "Definition of Materiality"**

The amendments clarify the definition of Materiality in the preparation of financial statements by aligning the definition in the Framework, IAS 1 and IAS 8 (which before the amendment contained similar but not identical definitions). The new definition of materiality is as follows: 'information is material if its omission, misstatement or obscuring can reasonably be expected to influence decisions made by the principal users of the general-purpose financial statements of a specific entity based on those financial statements'.

The entry into force of this standard on 1 January 2020 did not have a significant impact on the Group's consolidated financial statements.

**IFRS 3 - "Definition of Business"**

The amendment clarifies the difference between the acquisition of a business and the acquisition of a group of assets for accounting purposes. To determine whether a transaction is an acquisition of a business, an entity must make an assessment and conclude that the following two conditions are met:

- The fair value of the assets acquired is not concentrated on a single asset or group of similar assets.

- the set of activities and assets acquired includes, as a minimum, an input and a substantive process that together contribute to the ability to create products.

The entry into force of this standard on 1 January 2020 did not have a significant impact on the Group's consolidated financial statements.

**IFRS 9, IAS 39 and IFRS 7 - Amendments - IBOR Reform**

The IBOR Reform (Phase 1) refers to the amendments issued by the IASB to IFRS 9, IAS 39 and IFRS 7 to prevent some accounting coverages from having to be discontinued in the period before the reference rate reform actually takes place.

In some cases and/or jurisdictions, there may be uncertainty about the future of some references or their impact on contracts held by the entity, that directly causes uncertainty about the timing or amounts of cash flows from the covered instrument or the hedging instrument. Because of such uncertainties, some entities may be forced to discontinue accounting coverages, or may not be able to designate new hedging relationships.

For this reason, the amendments include a number of transitional simplifications to the requirements for the application of accounting coverages that apply to all hedging relationships that are affected by the uncertainty arising from the reform. A hedging relationship is affected by the reform if it creates uncertainty about the term or amount of the cash flows of the covered instrument or the coverage referenced to the particular benchmark.

Given that the objective of the amendment is to provide temporary exceptions to the application of certain specific accounting coverage requirements, these exceptions should terminate once the uncertainty is resolved or the coverage ceases to exist.

The entry into force of this standard on 1 January 2020 did not have a significant impact on the Group's consolidated financial statements.

## b) Standards and interpretations not in force at 31 December 2020:

At the date of preparation of these consolidated financial statements, new International Financial Reporting Standards and interpretations thereof had been published which were not mandatory at 31 December 2020. Although, in some cases, the IASB permits the application of the amendments prior to their entry into force, the Grupo Renta 4 did not apply them early.

**Approved by the European Union**

**Amendments to IFRS 4: "Insurance Contracts"**

Extension of the temporary exemption for insurance companies in the application of IFRS 9 "Financial instruments" and certain provisions of IAS 28 "Investments in associates and joint ventures" to years beginning on or after 1 January 2023.

This standard shall be applied for annual periods beginning on or after 1 January 2021.

## Pending approval by the European Union

### IFRS 17 - Insurance contracts

IFRS 17 sets out the principles that an entity should apply in accounting for insurance contracts. This new standard replaces IFRS 4. The new standard introduces a single accounting model for all insurance contracts and requires entities to use updated assumptions in their estimates.

An entity divides contracts into groups and recognises and measures groups of insurance contracts for the total of:

- fulfilment cash flows, which comprise the estimation of future cash flows, an adjustment to reflect the time value of money and the financial risk associated with future cash flows, and a risk adjustment for non-financial risk.
- The contractual service margin, which represents unearned profit.

The amounts recognised in the income statement shall be broken down into income from insurance activity, expenses incurred in the provision of insurance services, and insurance financing income or expenses. The income from insurance activity and the expenses of the insurance service provision shall exclude any investment component. Income from insurance activity shall be recognised during the period in which the entity provides insurance coverage and shall be allocated to accounting periods in proportion to the value of the provision of insurance coverage provided by the insurer during the period.

This standard shall be applied for annual periods beginning on or after 1 January 2023.

### Amendments to IAS 1: "Presentation of Financial Statements".

It introduces clarifications on the requirements to be applied in the classification of liabilities as current or non-current.

This standard shall be applied for annual periods beginning on or after 1 January 2023, with early application permitted.

### Amendments to IFRS 3: "Business Combinations".

Modifications are made to the references to the Conceptual Framework for Financial Information contained in the standard.

This standard shall be applied for annual periods beginning on or after 1 January 2023, with early application permitted.

### Amendments to IAS 16 "Tangible fixed assets".

Elimination of an entity deducting from the cost of a tangible asset the net disposal proceeds from the sale of any items produced before the asset is available for use.

This standard shall be applied for annual periods beginning on or after 1 January 2023, with early application permitted.

**Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.**

Specifies the components that an entity should include in determining the cost of complying with the terms of the contract for the purpose of assessing whether it is onerous.

This standard shall be applied for annual periods beginning on or after 1 January 2023, with early application permitted.

**Annual “Improvements to IFRS” project (2018-2020 cycle)**

The improvements included in this cycle affect the following standards:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards”. For subsidiary companies that have adopted IFRS at a later date than their parent company, they are permitted to measure cumulative conversion differences using the amounts used by their parent company, avoiding the need to maintain two parallel accounting records.
- IFRS 9: “Financial Instruments” The amendment clarifies which costs or fees an entity must include for the purposes of performing the 10% quantitative test for derecognition of a financial liability. In this respect, only those costs or fees paid or received between borrower and lender should be included as costs or fees.
- IFRS 16 - “Leases” Amendment to Illustrative Example 13 accompanying the standard to avoid potential confusion about the accounting treatment of lease incentives.
- IAS 41 “Agriculture”. Elimination of the requirement to exclude tax cash flows when measuring fair value in accordance with IAS 41.

This standard shall be applied for annual periods beginning on or after 1 January 2023, with early application permitted.

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

Following the issuance of the Phase 1 amendments described in the previous section, Phase 2 addresses issues that could affect the presentation of financial information during the reform of a benchmark interest rate, such as changes in the basis for determining the contractual cash flows contractual or coverage relationships that arise as a result of the reform of the benchmark interest rate.

This standard shall be applied for financial years beginning on or after 1 January 2021, with early application permitted.

The Group is assessing the potential impact of these changes to the applicable accounting framework on the Group’s consolidated financial statements.

## 2.10 Distribution of profit

The application of profit for 2020 and 2019 is made in accordance with the proposals for their allotment included in the financial statements of the respective Group companies prepared in accordance with accounting principles generally accepted in the countries in which they are located.

The proposed application of profit for financial year 2020 (determined in accordance with accounting principles and criteria generally accepted in Spain) of the Parent Company, formulated by the Directors and pending of approval by the shareholders at the Annual General Meeting, is as follows, as well as the application of profit approved for financial year 2019 of the Parent Company:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Reserves | 14,080 | 9,141 |
| Interim dividend (Note 18-g) | - | 8,117 |
| Final interim dividends (Note 18-g) | 933 | - |
| Total distributed | 15,013 | 17,258 |

On 23 February 2021, the Board of Directors which prepares the financial statements of the Parent Company agreed to the distribution of a final interim dividend of 933 thousand euros (gross) out of financial year 2020 profit (see Note 18-g).

On 17 March 2020, the Board of Directors which prepared the financial statements of the Parent Company resolved to distribute an interim dividend in the gross amount of 4,060 thousand euros on account of the profit for 2019. On April 15, 2020, the Board of Directors of Renta 4 Banco S.A., in accordance with the provisions of articles 40.6.bis and 41.3 of RDL 8/2020, agreed to withdraw from the agenda of the Ordinary General Meeting of April 27, 2020, the proposal for the application of profits, in compliance with the recommendation made by the European Central Bank (ECB) and the Bank of Spain. This decision has had no adverse effect on the Bank's equity and therefore the Board of Directors has not considered it necessary to restate the financial statements (see note 18.g).

On 26 October 2020, the Parent Company's General Shareholders' Meeting resolved to approve the proposed application of profit for the year ended 31 December 2019, amounting to 17,258 thousand euros to be distributed as follows:

- 8,117 thousand euros to the payment of dividends already distributed in full on account.
- 9,141 thousand euros to the voluntary reserve, after the endowment of the mandatory legal reserve.

On 29 October 2019, the Board of Directors of the Parent Company resolved to distribute an interim dividend in the gross amount of 8,117 thousand euros against 2019 profit (see Note 18.g).

## 2.11 Effects of the COVID-19 pandemic on the activity of the Company

The appearance of the Coronavirus, COVID-19, in China and its global expansion to a large number of countries has led to the classification of the situation as a global pandemic by the World Health Organisation on 11 March 2020. The evolution of events, both at national and international level, has led to an unprecedented health crisis impacting the macroeconomic environment and businesses. In Spain, among other measures, the Government declared a state of alarm through the publication of Royal Decree 463/2020 of 14 March, which was lifted on 1 July 2020, and also passed a series of extraordinary urgent measures to address the economic and social impact of COVID-19, through Royal Decree-Law 8/2020 of 17 March, among others.

Faced with this pandemic situation, Renta 4 has focused its attention on guaranteeing the continuity of the business' operational security, closely monitoring the pandemic's impact on the Group's business and risks (such as the impact on human capital, earnings, capital and liquidity). In this regard, the Group's long-term objectives remain unchanged and have even been reinforced with a commitment to technology and digitalisation.

It should be noted that during the State of Alarm, Renta 4's activity was not affected at any time and has been able to continue providing its services without incidents, while complying at all times with the usual processes and services.

All national and international decisions aimed at making the accounting and prudential frameworks more flexible have been taken into consideration in preparing Renta 4 Group's consolidated financial statements. In this regard, in 2020, the Renta 4 Group has limited the distribution of dividends in accordance with the recommendation issued by the European Central Bank and the Bank of Spain.

Likewise, the information relating to goodwill impairment has taken into account the impact of COVID-19 in updating the macroeconomic scenario and the expected evolution of interest rates.

During the year 2020, as a consequence of the exceptional situation caused by the COVID-19 pandemic, Renta 4 has implemented various provisional and one-off measures aimed at adapting the organisation of the Entity to the situation, including the following:

- Remote work has been established in all those positions in which it has been possible, maintaining face-to-face work in those in which it has been considered convenient and necessary due to the nature of the positions.
- Progressive and rotating on-site incorporation in the central services, creating "bubble" working groups with the aim of guaranteeing continuity in the activity in the event of contagion.
- Elaboration of an Action Plan and Prevention and Protection Measures against COVID-19 with the measures adopted to protect, prevent and avoid the spread and contagion of COVID-19, following the recommendations of the Health and Labour Authorities.
- Adoption of specific Measures in the area of Health and Safety at Work, among others;
    - Thorough cleaning of offices and facilities, with special emphasis on sensitive and high contact areas
    - Provide all offices and facilities with hydroalcohols and soap dispensers.
    - Provision of approved face masks for all employees and clients.
    - Temperature taking prior to access to the facilities.
    - Installation of acrylic screens at customer service workstations.
    - All employees of the services are given preventive detection tests for possible infection with COVID-19, such as: serological tests, antigens and PCR.

As at the date of preparation of these financial statements, the state of alarm declared by the Spanish Government through Royal Decree 926/2020 of 25 October, which was initially approved on 9 November 2020, was in force and extended until 9 May 2021 by Royal Decree 956/2020 of 3 November.

As at the date of presentation of these financial statements, there have been no significant effects on the Company's activities and, based on the Administrator's current estimations, no significant effects are expected in the financial year 2021.

# 2.3

## Group and associated companies

The subsidiaries and associates of Renta 4 Banco, S.A. at 31 December 2020 and 2019 are detailed in Annex I. On the other hand, the information relating to the accounting for associates in the consolidation process is reflected in Note 12.

The individual annual financial statements of the Group companies used in the consolidation process for 2020 and 2019 were those at 31 December 2020 and 2019, respectively.

The Group classifies its ownership interest in subsidiaries or associates in accordance with the criteria set out in section 2.5.

**During 2020, the changes in "Group associated companies" were as follows.**

- On 28 February 2020 the capital increase carried out in the Colombian subsidiary Renta 4 Global Fiduciaria amounting to 2,500,000 thousand Colombian pesos, equivalent to 660 thousand euros was formalised. The subscription to Renta 4 Banco, S.A. amounted to 1,735,710 thousand Colombian pesos, corresponding to 458 thousand euros.
- On 19 June 2020, the capital increase of 3,663 thousand Peruvian soles, equivalent to 1,000 thousand euros was subscribed by Renta 4 Banco S.A. in the Peruvian subsidiary Renta 4 Agente de Bolsa S.A.

**In 2020, there were no changes in "associated companies".**

**In 2019, changes in "Group companies" were as follows:**

- On 21 August 2019, the capital increase of 1,728 thousand Peruvian soles, equivalent to 500 thousand euros, was subscribed by Renta 4 Banco S.A. in the Peruvian subsidiary Renta 4 Agente de Bolsa S.A.
- On 31 July 2019 the capital increase carried out in the Colombian subsidiary Renta 4 Global Fiduciaria amounting to 2,500,000 Colombian pesos, equivalent to 686 thousand, euros was formalised. The subscription to Renta 4 Banco, S.A. amounted to 1,735,710 thousand Colombian pesos, corresponding to 476 thousand euros.
- On 13 March 2019, the capital increase carried out in the Colombian subsidiary Renta 4 Global Fiduciaria amounting to 3,000,000 thousand Colombian pesos, equivalent to 852 thousand euros, was formalised. The subscription to Renta 4 Banco, S.A. amounted to 2,082,860 thousand Colombian pesos, corresponding to 592 thousand euros.

During 2019, the changes in "associated companies" were as follows:

- On 24 April 2019, Renta 4 SGIIC, S.A. acquired 30% of Kobus Partners Management SGEIC, S.A. through a capital increase with a share premium of 300 thousand euros.

A breakdown of the subsidiaries and associates of Renta 4 Banco, S.A. as of 31 December 2020 and 2019 is included in Annex I to these consolidated financial statements.

# 2.4 Accounting principles and valuation criteria applied

The following accounting policies and principles, and valuation criteria were applied in preparing the Group's consolidated annual financial statements for 2020:

## a) Going concern principle

The information contained in these annual financial statements has been prepared considering that the Group's management will continue in the future and, therefore, the accounting standards have not been applied for determining the value of the equity for the purposes of their total or partial transfer, nor for a hypothetical liquidation, since the directors consider that the Group's activity will continue normally.

## b) Accrual principle

These consolidated annual financial statements, except for cash flow statements, were prepared on the basis of the actual flow of goods and services, regardless of when they were paid or collected.

## c) Offsetting of balances

Only balances receivable and payable arising from transactions that, contractually or as required by law, provide for the possibility of offsetting are offset against each other and, accordingly, are presented in the consolidated balance sheet at their net amount and it is also the intention to settle them at their net amount or to realise the asset and pay off the liability simultaneously. For these purposes, the presentation in accordance with EU-IFRSs in these consolidated annual financial statements of the financial assets subject to valuation adjustments for depreciation or impairment, net of these items, is not considered as an "offsetting of balances".

## d) Transactions in foreign currency

For the purposes of these consolidated annual financial statements, the functional and presentation currency is deemed to be the euro, and foreign currency is defined as any currency other than the euro.

At initial recognition, balances receivable and payable in foreign currencies were translated to euros using the spot exchange rate. Thereafter, the following rules apply for the conversion into euros of balances denominated in foreign currencies:

- Monetary assets and liabilities have been converted into euro using the official average spot exchange rates published by the European Central Bank at the end of each financial year.
- Income and expenses have been translated at the exchange rate prevailing on the date of the transaction.

Exchange differences arising on the translation of foreign currency balances are recorded in the consolidated income statement.

At the end of 2020 the total amount of assets and liabilities denominated in foreign currency amounted to 86,808 thousand euros and 73,465 thousand euros, respectively. At 2019 year-end the total amount of assets and liabilities denominated in foreign currencies amounted to 48,092 thousand euros and 37,115 thousand euros, respectively.

## e) Revenue recognition

As a general rule, income is recognised at the fair value of the compensation received or to be received, less discounts, rebates or commercial rebates. When the cash inflow is deferred over time, fair value is determined by discounting future cash flows.

The recognition of any income in the consolidated income statement or in the consolidated equity shall be subject to compliance with the following prerequisites:

- Its amount can be estimated reliably.
- It is likely that the institution will receive the economic benefits.
- The information is verifiable.

When doubts arise about the collection of an amount previously recognised in the income, the amount whose collectability is no longer likely is recognised as an expense rather than as less income.

### Income and expenses from interest, dividends and similar items

Income and expenses from interest and similar items are generally recognised in accounting on an accrual basis using the effective interest method.

Interest shall be recognised in the income statement on the basis of the following criteria, irrespective of the portfolio in which the assets are classified:

- Interest due prior to the date of initial recognition and receivable shall be part of the carrying amount of the debt instrument.
- Interest accrued subsequent to the initial recognition of a debt instrument shall, until collected, be included in the gross carrying amount of the instrument.

Dividends received from companies other than those included in the scope of consolidation of the Group are recognised as income when the right to receive them by the consolidated institutions arises.

When a debt instrument is considered to be impaired, interest income is recognised by applying to the carrying amount of the asset the interest rate used to discount the estimated cash flows to be recovered.

### Commissions, fees and similar items

Income and expenses due to fees and commissions that should not be part of the calculation of the effective interest rate of transactions and/or are not part of the acquisition cost of financial assets or liabilities other than those classified at fair value with changes in gains and losses are recognised in the consolidated income statement using different criteria depending on their nature. The most significant are:

- Those related to the acquisition of financial assets and liabilities measured at fair value with changes in gains and losses, which are recognised in the income statement upon collection/payment.
- Those arising from transactions or services that extend over time, which are recognised in the consolidated income statement over the life of the transactions or services.
- Those that respond to a singular act, which are imputed to the income statement when the act that originates them occurs.

### Non-financial income and expenses

They are recognised for accounting purposes on an accrual basis.

### Deferred collections and payments over time

They are recognised for accounting purposes for the amount resulting from financially updating the expected cash flows to market rates..

## f) Recognition, valuation and classification of financial instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and, simultaneously, a financial liability or equity instrument in another entity.

Financial instruments are recognised in the consolidated balance sheet only when the Group becomes a party to the contract in accordance with the contract specifications. The Group recognises debt instruments, such as credits and money deposits, from the date on which the legal right to receive, or the legal obligation to pay, cash arises, and financial derivatives from the contract date. In addition, transactions carried out in the foreign currency market will be recorded on the settlement date, and financial assets traded on the Spanish secondary securities markets, if they are equity instruments, will be recognised on the contract date and, in the case of debt securities, on the settlement date.

### f.1) Financial assets

**Classification of financial assets**

FRS 9 contains three main categories of classification for financial assets: Measured at amortised cost, measured at fair value with changes in accumulated other comprehensive income, and measured at fair value with changes in profit or loss.

The classification of financial instruments into a category of amortised cost or fair value has to undergo two tests: the business model and the contractual cash flow assessment, commonly known as the "Solely Payment of Principal and Interest Criterion" (hereinafter SPPI).

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- The financial asset is held within the framework of a business model whose objective is to hold financial assets in order to obtain contractual cash flows; and

- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest, basically understood as compensation for the time value of money and the debtor's credit risk.

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

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

A debt financial instrument is classified at fair value with changes in profit or loss provided that the institution's business model for its management or the characteristics of their contractual cash flows make it inappropriate to classify it in any of the other portfolios described.

In general, equity financial instruments are measured at fair value with changes in profit or loss. However, the Group may irrevocably elect on initial recognition to present subsequent changes in fair value in other comprehensive income.

Financial assets will only be reclassified when the Group decides to change the business model. In this case, all the financial assets of that business model will be reclassified. The change in the objective of the business model must be prior to the reclassification date.

**Valuation of financial assets**

All financial assets are initially recognised at fair value plus, in the case of financial instruments that are not classified at fair value with changes in profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instruments.

Except for trading derivatives other than economic and accounting coverages, all changes in the value of financial assets due to accrued interest and similar items are recognised under "Interest Income" in the consolidated income statement for the period in which the accrual occurred (see Note 22.a). Dividends received from companies other than subsidiaries, associates or joint ventures are recognised under "Dividend Income" in the consolidated income statement for the period in which the right to receive them arises.

Changes in valuations subsequent to the initial recognition for reasons other than those mentioned in the preceding paragraph are treated as described below, depending on the categories in which the financial assets are classified.

Its financial assets are classified in the following portfolios for valuation purposes:

### "Financial Assets Held for Trading" and "Financial Assets Designated at Fair Value with Changes in Profit or Loss":

"Financial Assets held for trading" includes financial assets whose business model aims to generate profits through purchases and sales or to generate profit or loss in the short term. In "Financial Assets Designated at Fair Value with Changes in Profit or Loss" financial assets will be classified provided that the institution's business model for its management or the characteristics of its contractual cash flows do not make it appropriate to classify them in any of the other portfolios described.

Assets recognised under these headings in the consolidated balance sheets are measured after their acquisition at fair value and changes in their value (gains or losses) are recognised, at their net amount, under "Gains or Losses on Financial Assets and Liabilities Held for Trading, Net" and "Gains or Losses on Financial Assets and Liabilities Designated at Fair Measured with Changes in Profit or Loss, Net" in the consolidated income statement, except for interest on derivatives designated as economic and accounting coverages of interest rates, which are recognised under "Interest Income" or "Interest Expenses" (See Note 22.a), depending on where the profit or loss from the covered instrument is recognised. However, changes arising from exchange rate differences are recognised under "Gains or Losses on Financial Assets and Liabilities" in the consolidated income statement (See Note 22.a).

### "Financial Assets at Fair Value with Changes in other Comprehensive Income"

**Debt financial instruments:**

The assets recognised under the balance sheet heading are measured at their fair value. Subsequent changes in this valuation (capital gains or losses) are recognised temporarily at their amount (net of the related tax effect) under "Accumulated other comprehensive income - Elements that can be Reclassified to Profit or Loss - Changes in the Fair Value of Debt Instruments Measured at Fair Value with Changes in Other Comprehensive Income" in the balance sheet. Amounts recognised under "Accumulated other comprehensive income - Elements that can be Reclassified to Profit or Loss - Financial Assets at Fair Value with Changes in Other Comprehensive Income" and "Accumulated other comprehensive income - Elements that can be Reclassified to Profit or Loss - Currency Conversion" will still be part of the Bank's equity until derecognition in the balance sheet of the asset that gave rise to them or until the existence of impairment in the value of the financial instrument is determined. In case of sale of these assets, the amounts will be cancelled, as shown in "Gains or Losses due to Derecognition in Accounts of Financial Assets and Liabilities not Measured at Fair Value with Changes in Profit or Loss, Net" or "Exchange Rate Differences, Net", as applicable, in the income statement corresponding to the period when the derecognition takes place in the balance sheet. Apart from that, net losses due to impairment in financial assets at fair value with changes in other comprehensive income occurred during the financial year are recognised under "Impairment in the Value or Reversal of the Impairment in the Value of Financial Assets not Measured at Fair Value with Changes in Profit or Loss - Financial Assets at Fair Value with Changes in Other Comprehensive Income" in the income statement of said period (see Note 22.f). Exchange rate differences arising from monetary items are recognised under "Exchange Rate Differences, Net" in the income statement (see Note 22.g).

On the other hand, net losses due to impairment on financial assets at fair value with changes in other comprehensive income arising in the year are recognised under "Impairment in the Value or Reversal of the Impairment in the Value of Financial Assets not Measured at Fair Value with Changes in Profit or Loss and Net Gains or Losses on Amendment - Financial Assets at Fair Value with Changes in Other Comprehensive Income" in the consolidated income statement for that period (see Note 22.f).

Exchange rate differences arising from monetary items are recognised under "Exchange Rate Differences, Net" in the consolidated income statement (see Note 22.g).

**Equity financial instruments:**

At the time of initial recognition of specific investments in equity instruments that would otherwise be measured at fair value with changes in profit or loss, the Group may make the irrevocable decision to present subsequent changes in fair value in other comprehensive income. Subsequent changes in this valuation shall be recognised in "Accumulated other comprehensive income - Items that shall not be Reclassified to Profit or Loss - Changes in the Fair Value of Equity Instruments Measured at Fair Value with Changes in Other Comprehensive Income".

### "Financial Assets at Amortised Cost"

A financial instrument will be classified in the amortised cost portfolio when it is managed with a business model whose objective is to hold the financial assets to receive contractual cash flows, and meets the SPPI test.

The assets recognised under this heading in the consolidated balance sheets are measured after their acquisition at their "amortised cost", which is determined using the "effective interest rate" method.

The net losses due to impairment in the assets recognised in these headings in each year are recognised under "Impairment in the Value or Reversal of the Impairment in the Value of Financial Assets not Measured at Fair Value with Changes in Profit or Loss - Financial Assets at Amortised Cost" in the consolidated income statement for that period (see Note 22.f).

Losses due to impairment on financial instruments are recognised in accordance with Note 4.h).

### f.2) Financial liabilities

**Classification of financial liabilities**

Under IFRS 9, financial liabilities are classified into the following categories:

- Financial liabilities at amortised cost.
- Financial liabilities held for trading (including derivatives): these are instruments recorded in this category when the Group's objective is to generate profits through purchases and sales with these instruments;
- Financial liabilities designated at fair value with changes in profit or loss at the time of initial recognition ("Fair value option"). The Group has the option of irrevocably designating a financial liability as measured at fair value with changes in profit or loss if the application of this criterion eliminates or significantly reduces inconsistencies in valuation or recognition, or if it is a group of financial liabilities, or a group of financial assets and liabilities, that is managed, and its performance evaluated, based on fair value in line with a risk management or investment strategy.

**Valuation of financial liabilities**

All financial liabilities are initially recognised at fair value plus, in the case of financial instruments that are not classified at fair value with changes in profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instruments.

Changes in valuations subsequent to the initial recognition for reasons other than those mentioned in the preceding paragraph are treated as described below, according to the categories in which the financial liabilities are classified:

### "Financial Liabilities Held for Trading" and "Financial Liabilities Designated at Fair Value with Changes in Profit or Loss"

Liabilities recognised under these headings in the consolidated balance sheets are measured after their recognition at fair value and changes in their value (gains or losses) are recognised, at their net amount, under "Gains or Losses on Financial Assets and Liabilities Held for Trading, Net" and "Gains or Losses on Financial Assets and Liabilities Designated at Fair Value with Changes in Profit or Loss, Net" in the consolidated income statement (see Note22.f), except for interest on derivatives designated as economic and accounting coverages on interest rates, which are recorded under the "Interest Income" or "Interest Expenses" captions (see Note 22.a), depending on where the profit or loss of the covered instrument are recorded. However, changes arising from exchange rate differences are recognised under "Gains or Losses on Financial Assets and Liabilities" in the consolidated income statement (see Note 22.a).

### "Financial Liabilities at Amortised Cost"

The liabilities recognised in this caption in the consolidated balance sheets are measured after their acquisition at "amortised cost", which is determined using the "effective interest rate" method.

### f.3) Gains and losses on financial instrument

Gains and losses on financial instruments are recorded depending on the portfolio in which they are classified according to the following criteria:

- For financial instruments included in the "Held for Trading" category, changes in fair value are recorded directly in the income statement.
- For financial instruments measured at amortised cost, changes in fair value are recognised when the financial instrument is derecognised from the balance sheet and, for financial assets, when they become impaired.
- For financial instruments included in the category "Financial assets designated at fair value through other comprehensive income", changes in fair value are recognised directly in equity under "Accumulated other comprehensive income - Elements that can be reclassified to profit or loss - Changes in fair value of debt instruments measured at fair value through other comprehensive income" until they are derecognised, when the existing amount is transferred to the income statement. Impairment losses, if any, are recorded in the income statement and as "Accumulated other comprehensive income - Elements that will not be Reclassified to Profit or Loss - Changes in Fair Value of Equity Instruments Measured at Fair Value with Changes in Other Comprehensive Income".

### f.4) Fair value and amortised cost of financial instruments

The fair value of a financial instrument at a specified date is defined as the amount for which it could be bought or sold at that date between two knowledgeable parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it in an organised, transparent and deep market ("listed price" or "market price").

When a market publishes bid and offer prices for the same instrument, the market price for an asset acquired or a liability to be issued is the bid (demand) price, while the price for an asset to be acquired or a liability issued is the ask (offer) price. If there is a relevant market creation activity or it can be demonstrated that positions can be closed -liquidated or covered- at the average price, then the average price is used. When there is no market price for a given financial instrument, its fair value is estimated on the basis of that established in recent transactions involving similar instruments and, failing that, on the basis of valuation models sufficiently contrasted by the financial community, taking into account the specific characteristics of the instrument to be measured and, in particular, the different types of risks associated with the instrument.

The valuation techniques used to estimate the fair value of a financial instrument meet the following requirements:

- The most consistent and appropriate financial and economic methods are used, which have been shown to provide the most realistic estimate of the price of the financial instrument.
- These are those commonly used by market participants when valuing this type of financial instrument, such as discounted cash flows, condition-based option valuation models, non-arbitrage, etc.
- They maximise the use of available information, both with respect to observable data and recent transactions of similar characteristics, and limit as far as possible the use of unobservable data and estimates.
- They are widely and sufficiently documented, including the reasons for their choice over other possible alternatives.
- The methods of valuation chosen are respected over time, provided that there are no reasons to change the reasons for their choice.
- The validity of the valuation models is periodically evaluated using recent transactions and current market data..

They take into account the following factors: the time value of money, credit risk, exchange rate, commodity price, price of capital instruments, volatility, market liquidity, early cancellation risk and administration costs.

Specifically, the fair value of financial derivatives traded on organised, transparent and deep markets included in the trading portfolios is assimilated to their daily quotation and if, for exceptional reasons, their quotation cannot be established on a given date, they are measured using methods similar to those used to value derivatives not traded on organised markets.

The fair value of derivatives not traded in organised markets or traded in shallow or not very transparent organised markets is assimilated to the sum of the future cash flows arising from the instrument, discounted to the valuation date ("present value" or "theoretical close"), using in the valuation process methods recognised by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortised cost is defined as the acquisition cost of a financial asset or liability adjusted (plus or minus, as appropriate) by principal and interest repayments and, plus or minus, as appropriate, the portion allocated to the consolidated income statement using the effective interest rate method, of the difference between the initial amount and the repayment value of these financial instruments. In the case of financial assets, amortised cost also includes adjustments to their value due to impairment.

The effective interest rate is the updating rate that exactly matches the initial value of a financial instrument to all of its estimated cash flows of all kinds over its remaining life, without taking into account future credit risk losses. For financial instruments at fixed interest rates, the effective interest rate coincides with the contractual interest rate established at the time of acquisition, adjusted, where appropriate, by the commissions and transaction costs which, in accordance with IFRS 9, must be included in the calculation of said effective interest rate. In the case of financial instruments with variable interest rates, the effective interest rate is estimated in a similar manner to fixed interest rate transactions, and is recalculated at each review date of the transaction´s contractual interest rate, taking into account changes in the future cash flows of the transaction.

## g) Reclassifications between portfolios

In 2020 and 2019 the Group did not reclassify any portfolios.

## h) Impairment of financial assets value

A financial asset is considered impaired - and consequently its carrying amount is adjusted to reflect the effect of its impairment - when there is objective evidence that events have occurred that give rise to:

1. A negative effect on future cash flows estimated at the time the transaction, in the case of debt instruments (loans and debt securities).

2. The carrying amount cannot be recovered in full, in the case of equity instruments.

As a general rule, the carrying amount of financial instruments is adjusted due to their impairment with a charge to the income statement for the year in which the impairment becomes apparent. Reversals of previously recognised impairment losses, if any, are recognised in the income statement for the year in which the impairment is eliminated or reduced.

When the recovery of any recorded amount is considered remote, it is removed from the balance sheet, without prejudice to any actions that the Bank may take to try to collect it until its rights have been definitively extinguished, whether by statute of limitations, remission or other causes.

The criteria applied by the Group to determine the possible impairment losses for each category of financial instruments are presented below, together with the method used for coverage calculation accounted for due to said impairment.

The "expected loss" impairment model is applied to financial assets measured at amortised cost and to financial assets valued at fair value with changes in accumulated other comprehensive income, except for investments in equity instruments; and to loan obligations and financial guarantee contracts unilaterally revocable by the Group.

Likewise, all financial securities valued at fair value with changes in profit or loss are excluded from the impairment model.

The standard classifies financial instruments into three categories, which depend on the evolution of their credit risk from the time of initial recognition. The first category includes transactions when they are initially recognised (Stage 1), the second comprises transactions for which a significant increase in credit risk has been identified since initial recognition (Stage 2) and the third category includes impaired transactions (Stage 3).

**Definition of impaired financial assets**

The "expected loss" impairment model is applied to financial assets measured at amortised cost; to financial assets valued at fair value with changes in Accumulated other comprehensive income, except for investments in equity instruments; and to loan commitment and financial guarantee contracts.

IFRS 9 differentiates between the following expected loss concepts:

- 12-month expected loss: expected credit losses resulting from possible events of default within 12 months after the filing date; and
- Expected loss over the life of the entire transaction: expected credit losses resulting from all possible events of default during the expected life of the financial instrument.

The estimate of expected loss over the life of the entire transaction is applied if the credit risk of a financial asset at the filing date has increased significantly since initial recognition and the 12-month measurement of expected loss is applied if it has not.

The Group uses the following definitions

### Default:

The Group applies a definition of default for financial instruments that is consistent with that used in internal credit risk management, as well as with the indicators provided for in the banking regulations applicable. Both qualitative and quantitative indicators are considered.

The Group considers default to have occurred when one of the following situations takes place:

- a default of more than 90 days; or
- there are reasonable doubts about the full repayment of the instrument.

A default of 90 days is a rebuttable presumption in cases where the institution considers, on the basis of reasonable and documented information, that it is appropriate to use a longer period. As of December 31, 2020, the Group had not used terms longer than 90 days for any of the significant portfolios.

This definition is applied consistently throughout the Group.

### Impaired financial asset:

A financial asset has a credit impairment when one or more events have occurred that have a negative impact on the estimated future cash flows of that financial asset. Evidence that a financial asset has a credit impairment is provided by observable data on the following events:

- significant financial difficulties of the issuer or borrower.
- breach of contractual clauses, such as a non-payment or a default event.
- concessions or advantages that the lender, for economic or contractual reasons related to the borrower's financial difficulties, has granted to the borrower, which he/she would not otherwise have provided.
- an increasing likelihood that the borrower will go into bankruptcy or other financial restructuring.
- the disappearance of an active market for the financial asset in question due to financial difficulties, or
- the purchase or creation of a financial asset at a significant discount that reflects the credit loss suffered.

It may not be possible to identify a single specific event but, on the contrary, the combined effect of several events may have caused the financial asset to have a credit impairment.

The Group's definition of impaired financial asset is aligned with the definition of default described in the preceding paragraphs.

### Significant increase in credit risk:

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

The model developed by the Group, which consists of evaluating qualitative factors (triggers, refinancing, macroeconomic information, among others) and, in some cases, quantitative factors for assessing the significant increase in credit risk, has a dual approach that is applied globally.

In any case, the instruments that meet any of the following circumstances are considered to be Stage-2 (see below):

- Default of more than 30 days that are subject to special vigilance by the Risk units due to negative signals in their credit quality although there is no objective evidence of impairment.
- Refinancing or restructuring that does not show evidence of impairment.

The standard introduces a series of operational simplifications/practical solutions for the analysis of the significant increase in risk for certain assets of high credit quality. The Group uses this possibility provided for by the standard to directly consider that its credit risk has not increased significantly because it has a low credit risk at the filing date.

Therefore, the classification of impaired financial instruments under new IFRS 9 is as follows:

- **Stage-1:** No significant increase in impairment: The value adjustment for losses on these financial instruments is calculated as the expected credit losses in the next twelve months.
- **Stage-2:** Significant increase in impairment: When the credit risk of a financial asset has increased significantly since initial recognition, the value adjustment for losses on that financial instrument is calculated as the expected credit loss over the whole life of the asset.
- **Stage-3:** Impaired: When there is objective evidence that the financial asset is impaired, it is transferred to this category in which the write-down of that financial instrument is calculated as the expected credit loss over the whole life of the asset..

### Methodology for the calculation of expected losses

In accordance with IFRS 9, the estimation of expected losses should reflect:

- a weighted and unbiased amount, determined by assessing a range of possible outcomes.
- the value of money in time.
- reasonable and supportive information that is available without undue effort or cost and that reflects both current conditions and predictions of future conditions.

The Group estimates expected losses both individually and collectively.

The objective of the Group's individual estimation is to estimate the expected losses for significant impaired risks or risks that are in Stage 2. In these cases, the amount of credit losses is calculated as the difference between the expected cash flows discounted at the effective interest rate of the transaction and the carrying amount of the instrument.

For the collective estimation of expected losses, instruments are grouped into groups of assets based on their risk characteristics. The exposures within each group are segmented according to the common characteristics of the credit risk, such as the degree of credit risk; the geographic region; the sector for companies; the default state; and the type of product for individuals. In the case of collective measurement, the Group estimates the cash flows it expects to receive as the sum of the marginal losses that occur in each period and over the remaining life of the instrument.

If the risk has increased significantly since the origin, the expected losses are measured over the remaining life of the instrument and otherwise the expected losses are measured over the next 12 months.

Marginal losses are derived from the following parameters:

- **PD:** estimation of the probability of default in each period
- **EAD:** estimation of exposure in the event of default in each future period, taking into account changes in exposure after the filing date, including prepayments.
- **LGD:** an estimation of the loss in the event of default, as the difference between contractual cash flows and the cash flows expected to be received, including guarantees.

In the case of debt securities, the Group monitors changes in credit risk by monitoring published external credit ratings.

### Use of present, past and future information

IFRS 9 requires the incorporation of present, past and future information both for the detection of significant increases in risk and for the measurement of expected losses.

When estimating expected losses, the standard does not require the identification of all possible scenarios. However, the probability of a loss event occurring and the probability that it will not occur should be considered, even if the possibility of a loss occurring is very small. Also, when there is no linear relationship between the different future economic scenarios and their associated expected losses, more than one future economic scenario should be used for the estimation.

### Accounting coverages

The Group does not currently have accounting coverages.

## i) Goodwill and other intangible assets

### Goodwill

their net assets acquired at the acquisition date.

When the acquisition is made with deferred payment, the acquisition price corresponds to the updated value of said deferred payment.

Goodwill is not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment that arises is immediately recognised in the consolidated income statement and may not be reversed in the future.

For the purpose of calculating impairment, goodwill is allocated to cash-generating units and its recoverable amount is estimated, understanding the latter one as being the highest amount between the fair value less sales costs and the value in use. If the recoverable amount is less than the carrying amount, it is considered to be impaired and the carrying amount is reduced to its recoverable amount. The impairment losses recognised for goodwill are not reversed in subsequent years.

To estimate value in use, estimated cash flows are discounted to their present value using a discount rate that reflects current market estimates of the time value of money and the specific risks of the investment.

In the event of the disposal or sale of a subsidiary or associate, the goodwill attributed to that company, if any, is included in the determination of the profit or loss of the disposal or sale.

### Other intangible assets

The Group recognised its software applications and the "Client Relationships" from the acquisition in December 2006 of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A. under "Other Intangible Assets". Additionally, the Group recognised the "Client Relationships" arising from the acquisition of Renta 4 Chile Corredores de Bolsa and from the acquisition of the intermediation, fund commercialisation and custody businesses of BNP Paribas Sucursal en España, S.A. in 2020 (see note 14).

Computer applications include the amounts paid for access to property or for the right to use computer software. The maintenance costs of these computer applications are directly allocated as expenses in the year in which they are incurred.

It is amortised on a straight-line basis over a period of three years from the date on which the corresponding computer application begins to be used.

The "Client Relationships" acquired from the acquisition in December 2006 of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A. were amortised on a straight-line basis over a period of eight years (useful life), which is the time that management estimated that these relationships would be maintained based on the information available. At 31 December 2014, such "Client Relationships" had been fully amortised. The "Client Relationships" arising from the acquisition in 2012 of Renta 4 Chile Corredores de Bolsa, S.A. were amortised on a straight-line basis over a period of seven years (useful life), which is the time estimated by management to be the period over which these relationships would be maintained based on the information available. At 31 December 2019, such client relationships were fully amortised. Likewise, the "Client relationships" arising from the acquisition in 2020 of the intermediation, fund commercialisation and custody businesses of BNP Paribas Sucursal en España, S.A. (see note 1) are amortised on a straight-line basis over a period of 14 years (useful life), which is the period of time that management has calculated that these relationships will be maintained based on available information.

## j) Tangible assets

Tangible assets are classified according to their use: tangible assets for own use, real estate investments and other assets transferred under operating leases.

Tangible assets for own use are valued at cost minus accumulated amortisation and any impairment losses. This heading includes assets, both owned and leased (right to use), that the Bank holds for current or future use and expects to use for more than one year. It also includes tangible assets received by the Bank for the total or partial liquidation of financial assets representing receivables from third parties and which are intended for continual use.

For further information on the accounting treatment of rights to use under a lease, see Note 4-v.

The cost of tangible assets includes disbursements made initially in their acquisition and production and, subsequently, in the event of expansion, replacement or improvement, when it is considered probable that future economic benefits will be obtained from their use.

Upkeep and maintenance expenses, which do not increase the useful life of the asset, are charged to the income statement of the year in which they are incurred.

The Group considered that the acquisition cost at the date of transition to IFRS (1 January 2005) was the carrying amount recognised under generally accepted accounting principles in Spain at 1 January 2005.

Real estate investments reflect the net book value of a building (including land) held for rental purposes.

The acquisition or production cost of tangible assets, net of their residual value, is amortised on a straight-line basis over the years of estimated useful life of the various items, as detailed below:

| | Years of useful life | Amortisation percentages used |
|---|---|---|
| Buildings and other constructions | 50 | 2% |
| Real estate investment | | |
| Building | 50 | 2% |
| Facilities | 10 | 10% |
| Machinery, installations and tools | 10 | 10% |
| Furniture and fixtures | 10 | 10% |
| Transport elements | 6,25 | 16% |
| Equipment for information processes | 4 | 25% |
| Other fixed assets | 5 | 20% |

Tangible assets are derecognised from the consolidated balance sheet when not available or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal, assignment or abandonment. The difference between the amount of the sale and its carrying amount is recognised in the consolidated income statement for the period in which the asset is derecognised.

The Group regularly assesses whether there are indications, both internal and external, that a tangible asset may be impaired at year-end. For those identified assets, it estimates the recoverable amount of the tangible asset, understanding the latter one as the highest value between its fair value less necessary sales costs and its value of use. If the recoverable amount so determined is less than the carrying amount, the difference between the carrying amount and the recoverable amount is recognised in the income statement, reducing the carrying amount of the asset to its recoverable amount.

### k) Cash, cash balances with central banks and other demand deposits

Cash and cash equivalents comprise cash in hand and demand balances with financial intermediaries.

### l) Treasury stock and convertible shares

The Parent Company shares held by the Group are recorded as a reduction in consolidated equity.

No gain or loss is recognised in the consolidated profit or loss for the year arising from transactions with treasury shares, which is recognised directly in consolidated equity. Any difference between the carrying amount and the compensation, if reissued, is recognised under "Share Premium".

Convertible shares are separated between the liability and the equity components based on the terms of the contract. In the issuance of convertible shares, the fair value of the liability component is determined using the market rate of a non-convertible equivalent instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until extinguished by its conversion or settlement. The remainder of the amount obtained is allocated to the conversion option which is recognised in equity. Transaction costs are deducted from equity, net of the associated income tax. The carrying amount of the conversion option is not reassessed in subsequent years. The transaction costs of convertible preference shares are distributed between the liability and equity components on the basis of the allocation of the amount obtained between those components on initial recognition of the instrument.

### m) Provisions

The obligations existing at the consolidated balance sheet date, arising from past events that could give rise to loss of property for the Group, the amount and settlement time of which are indeterminate, are recognised in the consolidated balance sheet as provisions at the present value of the most probable amount that the Group will have to pay to settle the obligation. Provisions are quantified on the basis of the best information available at the date of preparation of the consolidated annual financial statements on the consequences of the event giving rise to them and are re-estimated at each accounting close.

At 31 December 2020 and 2019, the provisions reflected in the consolidated balance sheet basically cover certain risks arising from the development of its business activity and risks arising from claims by third parties against the Parent Company and other subsidiaries.

### Contingent liabilities recorded in a business combination

Contingent liabilities recognised in a business combination are initially measured at fair value. They are subsequently measured at the highest of the amount that would be recognised in accordance with the recognition criteria for provisions set out above or the amount initially recognised less, where appropriate, the cumulative amortisation recognised in accordance with the requirements for recognition of ordinary income.

The allocation and release of the provisions considered necessary in accordance with the foregoing criteria are recognised with a charge or credit, respectively, to "Allocations to Provisions (Net)" in the consolidated income statement.

## n) Tax on profits

The profit tax expense is determined by the tax payable in respect of the taxable profit for a year, after taking into account the changes during that year arising from temporary differences, tax credits and rebates and tax loss carryforwards.

The profit tax expense is recognised in the consolidated income statement except when the transaction is recognised directly in equity and in business combinations in which the deferred tax is recognised as another equity item.

In order for tax credits, rebates and tax loss carryforwards to be effective, the requirements established in current legislation must be met, provided that it is probable that they will be recovered, either because there are sufficient deferred tax liabilities or because they arose from specific situations that it is considered unlikely that they will arise in the future.

The tax effect of temporary differences is included, where applicable, in the corresponding deferred tax assets and liability items recorded under the headings, "Tax Assets" and "Tax Liabilities" in the accompanying consolidated balance sheet.

At least at each balance sheet date, the Group reviews the deferred tax assets recorded and makes the appropriate valuation adjustments in the event that the deferred tax assets are not current or turn out to be recoverable. Deferred tax assets and liabilities are valued at the effective tax rates that are expected to be applicable to the financial year in which the assets are realised or the liabilities are settled, based on the tax rates (and tax legislation) approved or almost approved at the balance sheet date.

## o) Fees

This heading includes fees for intermediation, asset management, custodianship, and other income related to the Group's activities (underwriting, placement, etc.). These revenues are recognised in the consolidated income statement as the service is provided, or, in the case of a service carried out in a single act, when the act in question is performed.

## p) Personnel Expenses

### Short-term Compensations

This type of compensation is valued, without discounting, at the amount payable for the services received, and is generally recorded as personnel expenses for the financial year and as a liability accrual account for the difference between the total expense and the amount already paid.

### Other Staff Compensations

At 31 December 2020, the Group had granted loans to several of its employees for the acquisition of shares of Renta 4 Banco, S.A. amounting to 6 thousand euros (32 thousand euros in 2019) with guarantees amounting to 57 thousand euros (131 thousand euros in 2019). This acquisition was financed through zero interest loans maturing in 15 years from the date of the transaction, in accordance with the repayment schedule agreed upon in the contracts. The difference between the present value of the payments to be made by the employee and the fair value is recorded in the consolidated income statement as a personnel expense.

At 31 December 2020, the Group had granted personal loans to several of its employees to meet the personal and/or family needs of the employees covered by the applicable collective labour agreements amounting to 469 thousand euros (520 thousand euros in 2019) without guarantees, in compliance with the conditions established therein, and the Group had granted this financing at a zero percent interest rate.

The difference between the present value of the payments to be made by the employee and the fair value is recorded in the consolidated income statement as a personnel expense.

The amount recognised in the consolidated income statement for zero percent loans amounted to 3 and 2 thousand euros of revenue for 2020 and 2019, respectively. (see note 22.d).

### Pension commitments

The Group classifies its commitments according to their nature as either defined contribution, for which the Group is only obliged to make fixed contributions to a third party, or defined benefit, for which the Group undertakes to pay an amount when the contingency occurs based on variables such as age, years of service and salary.

The Group's commitments are as follows:

### Renta 4 Sociedad de Valores, S.A.

In accordance with the collective bargaining agreement in force at Renta 4, S.A., Sociedad de Valores, in the case of employees coming from the former stock brokerage firms, it is obliged to pay a permanency premium when they reach 25, 35 or 45 years of service. The Group has not recognised any provision in this regard, since it considers that the amount accrued at 31 December 2020 and 2019 is not significant.

Additionally, Renta 4, S.A., Sociedad de Valores, in accordance with the collective bargaining agreement in force, must cover the contingencies of early retirement, death, and disability of employees included in the Collective Bargaining Agreement for Securities Companies and Agencies of the Autonomous Community of Madrid. The Company is covering these commitments by establishing a defined benefit pension plan.

Furthermore, for the other employees of this company who are not parties to this Agreement, the Group has covered the contingencies of retirement, incapacity for work, death, severe dependence, or heavy dependence, through a defined contribution plan by means of an annual contribution of 600 euros per employee since the 2006 financial year.

### Renta 4 Banco, S.A., Renta 4 Corporate, S.A., Renta 4 Gestora, S.G.I.I.C., S.A. and Renta 4 Pensiones, S.G.F.P., S.A.

Since the 2007 financial year, the Group has covered the contingencies of retirement, incapacity for work, death, severe dependency, or heavy dependency for the employees of these companies through the establishment of two defined contribution plans to which it contributes 600 euros per employee per year.

### Defined contribution plans

These plans are valued at the present value of the contributions to be made, unless they are to be paid within twelve months of the date of the consolidated financial statements in which the corresponding services were received from the employees, in which case the amount is not adjusted. The contribution accrued for this item during the financial year is recognised under "Staff Costs" in the consolidated income statement. The contributions recognised as an expense in the consolidated income statement amounted to 293 thousand euros and 297 thousand euros for financial years 2020 and 2019, respectively (see Note 22-d).

### Defined Benefit Plan

The Group calculates the present value of its defined benefit plan obligations at the date of the consolidated financial statements, after deducting the unrecognised past service cost and the fair value of the plan assets, as required by current regulations. The amount thus obtained is recorded as a provision for defined benefit pension funds.

The Group considers plan assets to be those that meet the following criteria:

- Are owned by a legally separate third party that is not a related party.
- They are available exclusively to pay for or finance commitments to employees.
- They may not be returned to the Group except when the commitments to employees have been settled, or in order to pay the Group for benefits paid.
- These are not non-transferable instruments issued by the Group.

The net amount of current service cost, interest cost, expected return on any plan assets, past service cost, and the effect of any type of reduction or liquidation of the plan are recognised in the consolidated income statement for the financial year.

The cost of past services is recognised immediately as an expense in the consolidated income statement, unless the changes to the plan are conditional on the employee remaining in the Group for a specified period of time, in which case the expense is allocated on a straight-line basis over that period.

They are considered as "Actuarial gains and losses" those gains and losses which arise from the differences between prior actuarial assumptions and reality, and from changes in the actuarial assumptions used. They are recognised in full in the consolidated income statement for the financial year in which they arise.

The costs incurred by the Group in the financial years 2020 and 2019 in relation to its defined obligations amounted to 0 and 1 thousand euros, respectively (see Note 22-d).

The Renta 4 Group contracted out all of its pension commitments to employees in accordance with Royal Decree 1,588/1999 of 15 October, by setting up pension plans and, through these, arranging insurance contracts with a company external to the Renta 4 Group.

Specifically, the defined benefit pension obligations relating to Renta 4, S.A. Sociedad de Valores are covered by assets realized in the corresponding insurance policy and are presented in the consolidated balance sheets at the net amount of the commitments assumed, minus the assets assigned to these. At 31 December 2020, the amount of the assets assigned to the aforementioned insurance contracts (mathematical provision) was 0 euros (84 euros more than the commitments to be met at 31 December 2019).

In 2020 and 2019, there was a correspondence between these commitments to be met and the mathematical provision of the affected insurance policy, and the risks inherent to these commitments have been transferred to the insurance company.

The results of the actuarial valuation performed are described below, including a breakdown of the value of the pension obligations, the fair value of the assets related to the hedging of said commitments, as well as the amounts recognised in the assets, liabilities, and consolidated income statement.

The valuation of the foregoing commitments in accordance with the aforementioned assumptions is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Risks due to Non-incurred Pensions | 20 | 20 |
| Incurred | 20 | 20 |
| Unaccrued | - | - |
| Commitments to be met | 20 | 20 |
| Fair value of plan assets (Plan position account) | 20 | 20 |
| Assets (Liabilities) to be recognised in the balance sheet | - | - |

The change in the present value of the defined obligation accrued due to benefit commitments was as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Value of unincurred pension risks accrued at beginning of financial year | 20 | 28 |
| Cost of services for the current period | - | 1 |
| Effect of personnel reduction | - | (9) |
| Attributable income | - | - |
| Value of risks for non-incurred accrued pensions at financial year-end | 20 | 20 |

The change in the fair value of the Plan's assets, instrumented through the corresponding insurance policy, was as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Fair value of plan assets at beginning of financial year (P.M. insurance) | 20 | 28 |
| Rescue Value of the insurance policy | - | - |
| Financial year insurance premiums | - | 1 |
| Performance of the insurance policy | - | - |
| Other increases or (-) decreases | - | (9) |
| Fair value of plan assets at year-end | 20 | 20 |

## Severance

Severance indemnities are recognised as a provision and as a personnel expense only when the Group is demonstrably committed to terminate its relationship with an employee or group of employees before the normal retirement date, or to pay severance benefits as a result of an offer made to encourage voluntary termination by employees.

## q) Off-balance sheet customer funds

The Group includes in memorandum accounts (auxiliary non-accounting registry) at fair value the resources entrusted by third parties for their investment in companies and investment funds, pension funds, insurance-savings contracts and discretionary portfolio management contracts (see Note 23).

Additionally, in memorandum accounts (see Note 19), assets acquired on behalf of third parties, equity instruments, debt instruments, derivatives and other financial instruments held on deposit for which the Group has a responsibility to its customers are recognised at fair value or, in the absence of a reliable estimate of the fair value, at their cost. On occasions, and in accordance with the contracts signed with customers and only when market operations so require (international markets), the Group uses global custody accounts (omnibus), in which the Group appears as the holder of the positions, maintaining the internal records necessary to know the breakdown by customer.

To determine the fair value of these positions, the Group uses the stock market values obtained from the various markets or those supplied by global custodians in the case of ownership interest in investment funds (net asset value).

## r) Cash flow statement

In the consolidated cash flow statement, the following expressions are used in the following senses:

- Cash flows: Inflows and outflows of cash and cash equivalents, i.e. short-term investments with high liquidity and low risk of changes in value.
- Operating activities: Typical activities of credit institutions, as well as other activities that cannot be classified as investment or financing.
- Investment activities: The acquisition, dispossession or disposal by other means 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, which are not part of operating activities.

The indirect method was used to prepare the Consolidated Statement of Cash Flows. To this end, the Group begins with the profit or loss for the year, correcting the amount for the effects of non-monetary transactions and all types of deferred payment items and accruals that give rise to past or future operating collections and payments, as well as income and expenses associated with cash flows from activities classified as investing or financing activities.

## s) Transactions with related parties

Transactions with related parties are accounted for in accordance with the valuation rules detailed above.

The prices of transactions with related parties are adequately supported and, therefore, the Parent Company's Directors consider that there are no risks that could give rise to significant tax liabilities.

## t) Statement of changes in equity

The consolidated statement of changes in equity presented in these annual financial statements shows the total changes in equity during the year. This information is further broken down into two statements: The statement of total recognised gains and losses and the statement of total changes in equity. The main characteristics of the information contained in both parts of the statement are explained below:

### Consolidated Statements of Recognised Income and Expenses

This part of the consolidated statement of changes in equity presents the income and expenses generated by the Group as a result of its activities during the year, distinguishing those recognised as income in the income statement for the year and the other income and expenses recognised, in accordance with current legislation, directly in equity.

Therefore, in this statement is presented::

- The profit for the financial year.
- The net amount of income and expenses temporarily recognised as "Accumulated other comprehensive income" by valuation in equity.
- The net amount of income and expenses definitively recognised in equity.
- Accrued income tax on the items indicated in the two preceding paragraphs.
- The total recognised income and expense, calculated as the sum of the foregoing letters.

The changes in income and expenses recognised in equity as "Other Comprehensive Income" are broken down into:

- Valuation gains (losses): Includes the amount of income, net of expenses incurred in the year, recognised directly in equity. The amounts recognised in the year under this heading are held under this heading, although in the same year they are transferred to the income statement at the initial value of other assets or liabilities or reclassified to another heading.
- Amounts transferred to the income statement: includes the amount of valuation gains or losses previously recognised in equity, albeit in the same year, which are recognised in the income statement.
- Amount transferred at the initial value of the covered items: includes the amount of the valuation gains or losses previously recognised in equity, albeit in the same year, that are recognised in the initial value of the assets or liabilities as a result of cash flow coverages.
- Other reclassifications: Includes the amount of the transfers made in the year between valuation adjustment items in accordance with the criteria established in current legislation.

All items in the statement of total recognised gains and losses are eligible for recognition in the income statement, except the item "Actuarial Gains (Losses) on Pension Plans". The amounts of these items are presented at their gross amount and their corresponding tax effect is shown under the "Income Tax" caption in the statement.

### Consolidated Statements of Changes in Equity

This part of the statement of changes in equity presents all statements in equity, including those arising from changes in accounting criteria and corrections of errors. This statement therefore shows a reconciliation of the carrying amount at the beginning and end of the year of all the items that make up equity, grouping the changes according to their nature into the following items:

- Effects of changes in accounting policies and correction of errors: Which includes changes in equity arising as a result of the retrospective restatement of financial statement balances arising from changes in accounting criteria or correction of errors.
- Total overall result for the year: includes, in an aggregate manner, the total of the items recorded in the statement of total recognised gains and losses indicated above.
- Other changes in equity: includes other items recognised in equity, such as increases or decreases in the endowment fund, distribution of income, transactions with own equity instruments, payments with equity instruments, transfers between equity items and any other increase or decrease in equity.

## u) Financial guarantees

Financial guarantees are defined as contracts whereby the Group undertakes to pay specific amounts on behalf of a third party if the latter fails to do so. The main contracts included under this heading, which are included in the "Memorandum Item" at the end of the consolidated balance sheet, are financial guarantees.

When the Group issues these types of contracts, they are recognised under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" on the liability side of the consolidated balance sheet at fair value and simultaneously under "Other Financial Assets" under "Credit Investments" at the present value of the future cash flows receivable, using, for both items, a discount rate similar to the discount rate for financial assets granted by the Institution to the counterparty with a similar term and risk. Subsequent to the issue, these types of contracts are valued by recording the differences against the income statement as financial income or as commission received, depending on whether the account is "Other Financial Assets" or "Other Financial Liabilities", respectively. In addition to what is mentioned in the previous paragraph, the financial guarantees will be covered as established in Note 5.a.2 in relation to credit risk coverage.

## v) Leases

On 1 January 2019, IFRS 16 came into force replacing IAS 17 "Leases". The new standard introduces a single accounting model for the lessee and requires the lessee to recognise the assets and liabilities of all lease contracts. The standard provides two exceptions to the recognition of lease assets and liabilities, which may be applied in the case of short-term contracts and those whose underlying asset is of low value.

The Bank has decided to apply both exceptions. The leasee must recognise a right-of-use asset representing their right to use the leased asset which is recorded under the headings ''Tangible assets - Tangible fixed assets'' in the balance sheet (see Note 13), and a lease liability representing their obligation to make the lease payments which is recorded under the heading ''Financial liabilities at amortised cost - Other financial liabilities'' in the balance sheet (see Note 16).

At the commencement date of the lease, the lease liability represents the present value of all outstanding lease payments. The liabilities recorded in this chapter of the balance sheets are valued after their initial recognition at amortised cost, this being determined according to the "effective interest rate" method.

Rights to use are initially recorded at cost. This cost includes the initial valuation of the lease liability, any payments made before the initial date minus lease incentives received, all initial direct costs incurred, and an estimate of costs to be incurred by the leasee such as costs associated with the removal and dismantling of the underlying asset. The assets recorded under this heading in the balance sheets are valued after their initial recognition at cost less:

- Accumulated amortisation and accumulated impairment; and
- Any revaluation of the corresponding lease liability.

The interest expense on lease liabilities is recognised in the income statement under the heading "Interest expense" (see Note 22.a). Variable payments not included in the initial valuation of the lease liability are recognised under the heading "Administrative expenses - Other administrative expenses" (see Note 22.d).

Amortisation is calculated, using the straight-line method on the acquisition cost of the assets, over the validity term of the lease agreement. The provisions for the amortisation of tangible assets item are recognised under the "Amortisation" heading in the income statement (see Note 13).

If one of the two exceptions is chosen in order not to recognise the right-of-use asset and the related liability in the balance sheet, the payments relating to the related leases are recognised in the income statement over the term of the contract or on a straight-line method basis or in another manner that best represents the structure of the lease transaction, under heading "Administrative Expenses - Other Administrative Expenses" (see Note 22-e).

As of 1 January 2019, the Group recognised assets for rights to use and lease liabilities amounting to 21,065 thousand euros in both cases. The Group's impact in terms of capital (CET1) was 0.935%.

# 2.5

# Risk management of financial instruments

The activity with financial instruments may involve the assumption or transfer of one or more types of risk by the Group. The risks related to financial instruments are as follows:

- Credit risk: It is the risk that one of the parties to the contract of the financial instrument ceases to fulfil its contractual obligations due to the insolvency or inability of natural or legal persons and results in a financial loss for the other party.
- Liquidity risk: Sometimes referred to as financing risk, it is the risk that arises either from an institution's inability to sell a financial asset quickly for an amount close to its fair value or from the institution's difficulty in finding funds to meet its commitments relating to financial instruments.
- Market risk: The risk arising from holding financial instruments whose value may be affected by changes in market conditions; it includes three types of risk:

  i) Exchange rate risk: This risk arises as a result of changes in the exchange rate between currencies.

  ii) Interest rate risk: This risk arises as a result of changes in market interest rates.

  iii) Price risk: This risk arises as a result of changes in market prices, either due to factors specific to the instrument itself, or due to factors affecting all instruments traded in the market. The Group holds positions in equity instruments which, although they expose it to this type of risk, do not do so significantly.

The Group has implemented a risk management model based on the following basic pillars:

## a) Credit risk

### a.1) Credit risk management and measurement

The credit risk arises from the possible loss caused by non-compliance with the contractual obligations of the Group's counterparties. In the case of reimbursable financing granted to third parties, it arises as a result of the non-recovery of principal, interest and other items in the terms of the amount, duration and other conditions established in the contracts. In the case of off-balance-sheet risks, this arises from the counterparty's failure to meet its obligations to third parties, which requires the Group to assume them as its own by virtue of the commitment undertaken.

The Group takes an exposure to credit risk when counterparties fail to comply with their commitments. In this sense, it distinguishes two types of counterparty: Customers in general and financial institutions and public administrations.

The current customer credit risk control system is based on the development of new systems for evaluating and classifying both individual and group debtors, from which it is possible to determine the provisions made to cover possible losses.

With regard to the granting, monitoring and control of risk with customers in general, the Group's Risk Control Department supervises the correct operation of the current system of discretionary management of operating limits, which are always granted on the basis of the collateral (securities) deposited with the Group. In accordance with the terms of the contracts signed with customers, the Group may dispose of the securities and ownership interests in customer investment funds to offset the debit balances that the customer presents in the event of non-payment (non-replacement of funds) by the customer.

### a.2) Total exposure to credit risk

The following table shows the total exposure to credit risk at the end of 2020 and 2019 using the criteria established for calculating the basis for the impairment provision:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Cash balances at central banks and other demand deposits | 744,254 | 652,215 |
| Financial assets designated at fair value with changes in other comprehensive income (Debt instruments) | 579,991 | 843,253 |
| Central banks | - | - |
| Loans and advances - Credit institutions | 42,516 | 34,374 |
| Loans and advances - Clientele | 168,973 | 120,408 |
| Contingent liabilities | 707 | 672 |
| Guarantees granted: Contingent commitments granted | 28,588 | 30,114 |
| Loans and receivables - Debt securities | 107,577 | - |
| **Total Risk and maximum exposure** | **1,672,606** | **1,681,036** |
| Normal risk | 1,662,580 | 1,675,810 |
| Doubtful risk | 10,026 | 5,226 |
| **Total Risk and maximum exposure** | **1,672,606** | **1,681,036** |

The total risk exposure includes the items on the consolidated balance sheet detailed in the table above excluding valuation adjustments.

As of December 31, 2020 and 2019, the maximum level of exposure to credit risk, without taking into account guarantees or other credit enhancements, does not differ from the carrying amount shown in these annual financial statements.

Loans and advances - Credit institutions: the main item in this portfolio is financial guarantees with foreign credit institutions.

Loans and advances - Clientele: they are essentially debit balances with individuals related to securities operations, for which there is a collateral of the positions these customers hold deposited in the Group. When the Group classifies these balances as impaired, the impairment losses are determined by taking into account the value of these positions used as collateral.

As of December 31, 2020 and 2019 there was no individual exposure that did not comply with the limits established by the Bank of Spain.

The distribution of total country credit risk exposure, country by country, as of December 31, 2020 and 2019, is as follows

**Financial year: 2020**

Thousands of Euros

| Country | Cash balances at central banks and other demand deposits | Deposits in credit institutions | Credits for customers | Debt securities | Risks and obligations contingent | Loans and receivables Debt securities | Total |
|---|---|---|---|---|---|---|---|
| Spain | 574,212 | 3,293 | 133,224 | 197,120 | 29,283 | - | 937,132 |
| Italy | - | - | 30 | 156,683 | - | 107,577 | 264,290 |
| France | 1,314 | 182 | 929 | - | - | - | 2,425 |
| Germany | 122,752 | 38,310 | 13,648 | - | - | - | 174,710 |
| United Kingdom | 11,809 | 1 | 461 | 10,016 | - | - | 22,287 |
| Poland | 1,287 | - | - | - | - | - | 1,287 |
| Greece | - | - | - | 150,405 | - | - | 150,405 |
| Belgium | - | - | - | - | - | - | - |
| USA | 1 | 203 | - | - | - | - | 204 |
| Colombia | 2,145 | 4 | 151 | - | - | - | 2,300 |
| Peru | 2,995 | - | 264 | - | - | - | 3,259 |
| Chile | 26,798 | 523 | 7,881 | - | - | - | 35,202 |
| Luxembourg | 941 | - | 204 | - | - | - | 1,145 |
| Ireland | - | - | 1 | - | - | - | 1 |
| Portugal | - | - | 4 | 65,767 | - | - | 65,771 |
| Netherlands | - | - | 3 | - | - | - | 3 |
| Mexico | - | - | - | - | - | - | - |
| Saudi Arabia | - | - | 59 | - | 12 | - | 71 |
| Australia | - | - | 3 | - | - | - | 3 |
| Qatar | - | - | - | - | - | - | - |
| Namibia | - | - | - | - | - | - | - |
| Andorra | - | - | 2 | - | - | - | 2 |
| Singapore | - | - | 12,109 | - | - | - | 12,109 |
| | **744,254** | **42,516** | **168,973** | **579,991** | **29,295** | **107,577** | **1,672,606** |

**Financial year 2019**

Thousands of Euros

| Country | Cash balances at central banks and other demand deposits | Deposits in credit institutions | Credits for customers | Debt securities | Risks and obligations contingent | Loans and receivables Debt securities | Total |
|---|---|---|---|---|---|---|---|
| Spain | 538,792 | 2,781 | 101,964 | 487,921 | 30,776 | - | 1,162,234 |
| Italy | - | - | 1 | 56,226 | - | - | 56,227 |
| France | 87,884 | 30,853 | 549 | - | - | - | 119,286 |
| Germany | 11,095 | 102 | 9,624 | - | - | - | 20,821 |
| United Kingdom | 3,445 | 1 | 462 | 10,010 | - | - | 13,918 |
| Poland | 1,372 | - | - | - | - | - | 1,372 |
| Greece | - | - | - | 236,980 | - | - | 236,980 |
| Belgium | - | - | 1 | - | - | - | 1 |
| USA | 1 | 100 | 18 | - | - | - | 119 |
| Colombia | 2,392 | 4 | 87 | - | - | - | 2,483 |
| Peru | 662 | - | 305 | - | - | - | 967 |
| Chile | 5,556 | 532 | 6,242 | - | - | - | 12,330 |
| Luxembourg | 1,016 | 1 | 1,070 | - | - | - | 2,087 |
| Ireland | - | - | 3 | - | - | - | 3 |
| Portugal | - | - | 11 | 52,116 | - | - | 52,127 |
| Netherlands | - | - | 7 | - | - | - | 7 |
| Mexico | - | - | - | - | - | - | - |
| Saudi Arabia | - | - | 60 | - | 10 | - | 70 |
| Australia | - | - | 2 | - | - | - | 2 |
| Qatar | - | - | 1 | - | - | - | 1 |
| Namibia | - | - | 1 | - | - | - | 1 |
| | **652,215** | **34,374** | **120,408** | **843,253** | **30,786** | **-** | **1,681,036** |

### a.3) Credit quality.

The Group has a credit risk measurement system based on external ratings granted by external rating agencies (S&P's, Moody's and Fitch).

Of the total instruments subject to credit risk, the credit quality of the portfolios of financial assets designated at fair value with changes in other comprehensive income (debt securities) and financial assets at amortised cost (deposits with credit institutions) in accordance with ratings granted with external rating agencies is detailed below. The credit quality of the portfolios of customer loans and other capital instruments is not detailed, since most of the Group's exposure does not have an external credit rating.

Thousands of Euros

**2020**

| | Balances in Central Banks | Balances at sight at credit institutions | Deposits in credit institutions | Debt securities |
|---|---|---|---|---|
| From AAA to A- | 421,247 | 191,069 | 38,781 | 31,510 |
| From BBB+ to B- | - | 61,065 | 3,721 | 598,766 |
| From CCC+ to C | - | - | - | - |
| Not rated | - | 70,687 | 14 | 57,292 |
| **Totals** | **421,247** | **322,821** | **42,516** | **687,568** |

Thousands of Euros

**2019**

| | Balances in Central Banks | Balances at sight at credit institutions | Deposits in credit institutions | Debt securities |
|---|---|---|---|---|
| From AAA to A- | 294,391 | 162,626 | 31,579 | 58,558 |
| From BBB+ to B- | - | 132,073 | 2,681 | 691,536 |
| From CCC+ to C | - | - | - | - |
| Not rated | - | 63,034 | 114 | 93,159 |
| **Totals** | **294,391** | **357,733** | **34,374** | **843,253** |

### a.4) Credit risk for financing construction and real estate development.

At 31 December 2020 and 2019, the Group had no credit investment transactions to finance construction and real estate development activities. At 31 December 2020 and 2019, the Group did not have credit granted for the acquisition of housing. At 31 December 2020 and 2019, the Group did not have any foreclosed assets arising from financing for construction and real estate development companies.

### a.5) Refinancing and restructuring policy for loans and credits.

The Group uses the following definitions:

- Refinancing operation: operation which, whatever its holder or guarantees, is granted or used for economic or legal reasons related to financial difficulties of the holder to cancel one or more transactions granted, by the institution itself or by other institutions of its group, to the holder or to one or more other companies of its economic group, or by which said transactions are brought fully or partially up to date with payments, in order to make it easier for the holders of the cancelled or refinanced transactions to pay their debt (principal and interest) because they cannot, or it is foreseen that they will not be able to, comply in due time and form with said conditions.
- Refinanced operation: an operation that brings all or part of the payments up to date as a result of a refinancing operation carried out by the institution itself or another institution of its economic group.
- Restructured operation: operation in which, for economic or legal reasons related to the financial difficulties of the holder, its financial conditions are modified in order to facilitate the payment of the debt (principal and interest) because the holder cannot, or it is foreseen that he/she will not be able to, comply in due time and form with said conditions, even when said modification is foreseen in the contract. In any case, operations in which assets are removed or received to reduce debt, or in which conditions are modified to extend their maturity, vary the amortisation table to reduce the amount of quotas in the short term or reduce their frequency, or establish or extend the grace period for principal, interest or both, are considered restructured, except when it can be proven that the conditions are modified for reasons other than the holders' financial difficulties and are analogous to those applied in the market on the date of their modification to those operations granted to customers with a similar risk profile.
- Renewal transaction: Transaction formalised to replace another previously granted by the entity itself, without the borrower having, or is expected to have in the future, financial difficulties; that is, the operation is formalised for reasons other than refinancing.
- Renegotiated operation: an operation in which the financial conditions are modified without the borrower having, or being expected to have in the future, financial difficulties, i.e., when the conditions are modified for reasons other than restructuring.

In any case, in order to qualify an operation as a renewal or renegotiated operation, the holders must have the capacity to obtain in the market, on the date of the renewal or renegotiation, operations for an amount and with financial conditions similar to those applied by the institution, and these must be adjusted to those granted on that date to customers with a similar risk profile.

As at 31 December 2020 the Group has three refinancing operations, refinanced or restructured for an amount of 8,360 thousand euros, covered by securities collateral in the amount of 6,052 thousand euros. These operations will mature in 2023. At 31 December 2019, the Group had a single ongoing operation for refinancing, refinanced or restructured operations, amounting to 2,390 thousand euros, covered by securities collateral in the amount of 2,240 thousand euros.

## b) Liquidity risk

This risk reflects the potential difficulty for a credit institution to have liquid funds available in time, or to be able to access them, in sufficient amounts and at an appropriate cost, to meet its payment obligations without impacting the market price or the cost of the transaction.

The Group maintains a prudent policy of protection against liquidity risk. To this end, it maintains sufficient cash and other liquid financial instruments to cover computable liabilities with a residual maturity of less than one year.

The objective of Renta 4 Banco S.A. (Parent Company) is to maintain a long-term financing structure that is in line with the liquidity of its assets and whose maturity profiles are compatible with the generation of stable and recurrent cash flow that allows it to manage the balance sheet without liquidity tensions in the short term.

In addition, Renta 4, Sociedad de Valores, S.A. (subsidiary) must comply with a liquidity ratio whereby it must maintain a volume of investments in highly liquid, low-risk assets for an amount equivalent to 10% of the liabilities payable with a residual maturity of less than one year, disregarding instrumental and transitory credit accounts (intermediation customers).

At 31 December 2020 and 2019, the group had complied with this liquidity ratio. Article 412 of Regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter CRR) requires compliance with the liquidity requirement, as developed in Delegated Regulation (EU) 2015/61. This requirement is applicable to credit institutions at the individual level (Section 6.4 of the RRC) and at the consolidated level of the matrix(Section 11.3 of the RRC) from 1 October 2015.

It has been adopted according to the following timetable:

- 60% of the liquidity coverage requirement from 1 October 2015.
- 70% from 1 January 2016.
- 80% from 1 January 2017.
- The 100% as of January 1, 2018.

The liquidity ratio as of December 31 of 2020 and 2019 presented by both the Parent Company and the Group is over 100%, which was required since January 1, 2018.

The breakdown of financial instruments by residual maturity, in accordance with the criteria used in the preparation of the liquidity statements, as of December 31, 2020 and 2019, is as follows. The maturity dates considered to draw up this table are in accordance with the contractual conditions of the instruments:

**2020**

Thousands of Euros

| ASSET | 3 months or less | 3 to 6 months | 6 to 9 months | 9 to 12 months | Over 12 months |
|---|---|---|---|---|---|
| Cash | 106 | - | - | - | - |
| Exposures with central banks | 421,247 | - | - | - | - |
| Transferable assets constituting credits with or backed by the central government of a Member State | 45,157 | 10,732 | 30,755 | - | 65,390 |
| Transferable assets constituting credits with or backed by central banks and public-sector bodies | | 45,749 | - | 11,478 | 60,139 |
| Total shares or ownership interests in UCI | 51,911 | - | - | - | - |
| Other transferable shares not specified elsewhere | 315,521 | - | - | - | 10,000 |
| Bonds of non-financial companies | 85,310 | 14,174 | 6,200 | 39,907 | 234,711 |
| Money market securities and instruments | 20 | 30,874 | - | 10,017 | - |
| Non-renewable amounts receivable and loans | 5,496 | 8,661 | 1,078 | 1,037 | 66,387 |
| Amounts receivable from derivatives | 467 | - | - | - | - |
| Other assets | 117,435 | 9 | 9 | 1,003 | 793 |
| **Totals** | **1,042,670** | **110,199** | **38,042** | **63,442** | **437,420** |

**2020**

Thousands of Euros

| LIABILITIES | 3 months or less | 3 to 6 months | 6 to 9 months | 9 to 12 months | Over 12 months |
|---|---|---|---|---|---|
| Retailer deposits | 1,181,018 | - | - | - | - |
| Liabilities with non-financial customers | 74,451 | - | - | - | - |
| Liabilities with financial customers | 348,244 | - | - | - | - |
| Other liabilities | 16,816 | 113 | 4,253 | 4,750 | 27,506 |
| **Totals** | **1,620,529** | **113** | **4,253** | **4,750** | **27,506** |

**2020**

Thousands of Euros

| | |
|---|---|
| Liquidity buffer | 676,414 |
| Net liquidity outflow | 108,173 |
| Liquidity coverage ratio (%) | 625.31% |

Liquidity coverage ratio:

625.31%

**2019** Thousands of Euros

| ASSET | 3 months or less | 3 to 6 months | 6 to 9 months | 9 to 12 months | Over 12 months |
|---|---|---|---|---|---|
| Cash | 91 | - | - | - | - |
| Exposures with central banks | 294,391 | - | - | - | - |
| Transferable assets constituting credits with or backed by the central government of a Member State | 88,044 | 107,400 | 26,954 | 58,094 | 172,964 |
| Transferable assets constituting credits with or backed by central banks and public-sector bodies | 184,033 | - | - | 3,066 | 106,952 |
| Total shares or ownership interests in UCI | 27,169 | - | - | - | - |
| Other transferable shares not specified elsewhere | 351,491 | - | - | - | 10,000 |
| Bonds of non-financial companies | 471 | 20,829 | - | 15,791 | 48,935 |
| Money market securities and instruments | 6,895 | - | - | - | 10,010 |
| Non-renewable amounts receivable and loans | 5,424 | 2,759 | 1,083 | 3,262 | 30,363 |
| Amounts receivable from derivatives | 7 | - | - | - | - |
| Other assets | 103,561 | 9 | 9 | 949 | 716 |
| **Totals** | **1,061,577** | **130,997** | **28,046** | **81,162** | **379,940** |

**2019** Thousands of Euros

| LIABILITIES | 3 months or less | 3 to 6 months | 6 to 9 months | 9 to 12 months | Over 12 months |
|---|---|---|---|---|---|
| Retailer deposits | 1,018,274 | - | - | - | - |
| Liabilities with non-financial customers | 114,691 | - | - | - | - |
| Liabilities with financial customers | 462,201 | 9,808 | - | - | - |
| Other liabilities | 19,956 | 3,161 | 1,410 | 4,987 | 27,707 |
| **Totals** | **1,615,122** | **12,969** | **1,410** | **4,987** | **27,707** |

**2019** Thousands of Euros

| | |
|---|---|
| Liquidity buffer | 908,031 |
| Net liquidity outflow | 137,457 |
| Liquidity coverage ratio (%) | 660.59% |

As it may be observed in the tables above, there are no significant items under the break-down of maturities on the asset side of the balance sheet which would reduce the above mentioned gap. The most significant figures are the equity instruments, property, plant and equipment and intangible assets, and ownership interest.

## c) Market risk

The Renta 4 Group's trading portfolio focuses on investments through shares listed on the domestic market and residually listed on international markets, and positions on futures and/or options on the main stock market indexes, traded on regulated and diversified markets, with a sufficient guarantee of liquidity to enable positions to be closed. Nevertheless, the Group measures the risk associated with these positions periodically using value-at-risk methodology (VaR) which expresses the maximum expected loss for a specific time interval on the basis of the historic performance of a security or portfolio. The VaR of these portfolios (at 1 day and with a confidence level of 98.75%) at December 31, 2020 and 2019 was as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Trading portfolio (maximum loss) | 240 | 40 |
| Portfolio of financial assets designated at fair value with changes in other comprehensive income (maximum loss) | 1,451 | 1,267 |
| VaR (in % of portfolio) | 0.23% | 0.15% |

### c.1) Exchange rate risk

The Group's exposure to this risk factor is mostly due to its investment in Latin America, which is insignificant.

### c.2) Interest rate risk

It is defined as the possibility that changes in interest rates could have an adverse impact on the value of a financial instrument or a portfolio of financial instruments or the value of the Group as a whole. These changes may arise from movements in the interest rate curves or in the credit spreads applied to balancing entries.

The Directors consider that exposure to this risk is insignificant. In accordance with current legislation, the Renta 4 Group analyses the adverse impact on its economic value and net interest income in the event of a change in interest rates, without in any case exceeding the limits established for aggregation of own funds for hedging interest rate risk.

## d) Other risks

As a result of the investments held by the Group in foreign countries, at 31 December 2020 and 2019 there were no restrictions on its ability to access or use the assets, or to settle liabilities.

# 2.6

## Fair value of financial instruments

As described in Note 4-f), with the exception of financial instruments classified as "Financial Assets at Amortised Cost" and equity instruments whose fair value cannot be reliably determined, the Group's financial assets are booked at their fair value on the consolidated balance sheet.

Similarly, with the exception of financial liabilities classified as "Financial liabilities at amortised cost", the other financial liabilities are also booked at their fair value on the consolidated balance sheet.

Following is a detail of the financial assets and liabilities recognised at fair value at 31 December 2020 and 2019, broken down by class of financial assets and liabilities and at the following levels:

- **LEVEL 1**: Financial instruments whose fair value has been calculated on the basis of their listed price on active markets, without making any changes to said assets.
- **LEVEL 2:** Financial instruments whose fair value has been estimated on the basis of listed prices on organised markets for similar instruments, or by employing other valuation methods in which all material inputs are based on directly or indirectly observable market data.
- **LEVEL 3:** Instruments whose fair value has been estimated through the use of valuation methods in which some significant input is not based on observable market data.

## Financial assets

| | | | Fair value hierarchy | | |
|---|---|---|---|---|---|
| **12/31/2020** | **Balance sheet total** | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets held for trading** | **55,079** | **55,079** | **52,264** | **2,815** | **-** |
| Debt securities | 2,815 | 2,815 | - | 2,815 | - |
| Other equity instruments | 51,797 | 51,797 | 51,797 | - | - |
| Trading derivatives | 467 | 467 | 467 | - | - |
| **Financial assets at fair value with changes in other comprehensive income** | **580,321** | **580,321** | **521,127** | **59,194** | **-** |
| Debt securities | 579,892 | 579,892 | 520,976 | 58,916 | - |
| Capital instruments | 429 | 429 | 151 | 278 | - |
| Equity instruments | - | - | - | - | - |
| **12/31/2019** | | | | | |
| **Financial assets held for trading** | **27,195** | **27,195** | **27,195** | **-** | **-** |
| Debt securities | - | - | - | - | - |
| Other equity instruments | 27,188 | 27,188 | 27,188 | - | - |
| Trading derivatives | 7 | 7 | 7 | - | - |
| **Financial assets at fair value with changes in other comprehensive income** | **850,419** | **850,419** | **779,788** | **70,631** | **-** |
| Debt securities | 843,072 | 843,072 | 772,750 | 70,322 | - |
| Capital instruments | 7,347 | 7,347 | 7,038 | 309 | - |
| Equity instruments | - | - | - | - | - |

## Financial liabilities

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

| | | | Fair value hierarchy | | |
|---|---|---|---|---|---|
| **12/31/2020** | **Carrying amount** | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| **Financial liabilities held for trading** | **522** | **522** | **457** | **65** | **-** |
| Trading derivatives | 522 | 522 | 457 | 65 | - |

| 12/31/2019 | Carrying amount | Fair Value | Fair value hierarchy | | |
|---|---|---|---|---|---|
| | | | Level 1 | Level 2 | Level 3 |
| **Financial liabilities held for trading** | **6** | **6** | **6** | **-** | **-** |
| Trading derivatives | 6 | 6 | 6 | - | - |

The main valuation methods, assumptions and inputs used to estimate the fair value of financial instruments classified in Levels 1, 2 and 3 (there are no financial instruments classified) according to the type of financial instrument at 31 December 2020 and 2019 are as follows:

- Trading derivatives: The fair value of most of the proprietary portfolio of trading derivatives was determined on the basis of the instruments' listed prices on active markets (Level 1).
- Debt securities: The fair value of the debt instruments was determined on the basis of their listed prices on formal exchanges (the Bank of Spain book entry clearing system), the BME Clearing screens (for credit institutions), or using prices obtained from information services providers that build prices based on pricing data reported by contributors. Investments in Spanish government debt listed on active markets are deemed Level 1 valuations for fair value hierarchy purposes, while private fixed-income security valuations are deemed Level 2.
- Equity instruments: The fair values of all the Group's listed equity instruments were determined on the basis of the securities' prices listed on official markets, which is why these investments are classified as Level 1 in the tables above..

There were no transfers among the various levels during financial years 2020 and 2019, nor were there any relevant changes in the measurement of unlisted equity instruments included in the portfolio of financial assets at fair value through other comprehensive income.

The amounts recognised in the consolidated income statements at 31 December 2020 and 31 December 2019 for changes in the fair value of the Group's financial instruments, which correspond to unrealised gains and losses, distinguishing between financial instruments whose fair value is determined on the basis of the prices published in active markets (Level 1), are estimated using a valuation technique whose variables are obtained from observable market data (Level 2) and the rest (Level 3), together with the cumulative changes in value at 31 December 2020 and 31 December 2019.

# 2.7

## Information by segment

Business segment information is generated for the purposes of facilitating the internal control, monitoring and management of the Renta 4 Group's business and earnings. The Board of Directors is the most senior decision-making body for operations in each business segment. In defining its business segments, management considers each unit's intrinsic risks and management specifics. Likewise, in order to split and allocate the Group's business and earnings, management bases its analysis on the basic business units, for which accounting and management information is readily available. The same general principles are applied as those used in the Group's management information, and the measurement and recognition criteria and accounting principles are essentially the same as those used to draw up the financial statements.

The business lines described below were established on the basis of the Group's organisational structure in force at 2020 and 2019; taking into account, on the one hand, the nature of the services offered and, on the other, the customer segments to which they are addressed.

The Group has the following main business lines, which form the basis on which the Group presents information related to its segments:

- Intermediation (national and international capital markets and marketing of managed and third party investment funds).
- Portfolio and asset management and counsel (Collective Investment Institutions and Pension Funds).
- Corporate services: mainly incorporates support activities for the rest of the segments, as well as depositary services and values custody.

The Group operates mainly in the national territory, although since the financial year of 2011 a non-significant part of its activity has been carried out in Chile, Colombia, Peru, and Luxembourg, with similar customers and products in all territories.

The Group's business focuses on intermediation, asset management, and corporate services developed through its network of offices, agents, subsidiaries and website, which are offered to private customers and financial intermediaries, small and medium-sized enterprises. Corporate services, including the provision of services developed through various subsidiaries of the Group.

The turnover between the most relevant segments corresponds to the UCIT marketing commissions managed, which are transferred from the Asset Management Segment to the Intermediation Segment, which acts as a marketer through the network. These fees are assigned in accordance with the agreed conditions that the directors consider to be in line with market practices.

Segment information as of December 31, 2020 and 2019 is presented as follows:

| CONSOLIDATED INCOME STATEMENT | Intermediation | Asset Management |
|---|---|---|
| Interest income | | |
| Internal | - | - |
| External | 4,430 | - |
| Interest expense | | |
| Internal | - | - |
| External | (4,032) | - |
| Return on capital instruments (dividends) | - | - |
| Results of entities accounted for using the equity method | - | 101 |
| Commission income | | |
| Internal | 7,968 | - |
| External | 76,587 | 71,123 |
| Commission expenses | | |
| Internal | - | (7,968) |
| External | (39,967) | (46,477) |
| Results of financial transactions - Net | 8,456 | - |
| Exchange differences (profit or (-) loss, net) | 11,116 | - |
| Other operating income | 138 | - |
| Other operating expenses | (3,483) | - |
| **GROSS MARGIN** | **61,213** | **16,779** |
| Personnel Expenses | (21,811) | (6,794) |
| Other administrative expenses | (12,367) | (3,852) |
| Amortisation | (8,533) | (359) |
| Allocation to provisions | (225) | - |
| Impairment losses on financial assets | (2,900) | - |
| (+/-) Profit/(Loss) on the decrease of non-financial assets and ownership interest | - | - |
| Impairment losses on other assets | - | - |
| **CONSOLIDATED PROFIT BEFORE TAX** | **15,377** | **5,774** |
| **BALANCE SHEET** | | |
| Total assets | 1,779,154 | 36,526 |
| Total liabilities | 1,660,623 | 13,278 |
| Other information | - | - |
| Acquisitions of tangible assets | 3,261 | - |

The 'adjustments' column in the table above shows the elimination of the marketing transactions carried out between the intermediation and management segments. These transactions, which are eliminated in the cons
The adjustments to the total assets and liabilities presented by segment correspond to the eliminations of the reciprocal and shareholders' equity items between the different Group companies generated in the consolida

Thousands of Euros

| | 12.31.2020 | | | | | | 12.31.2019 |
|---|---|---|---|---|---|---|---|
| Corporate Services | Adjustments | Total | Intermediation | Asset Management | Corporate Services | Adjustments | Total |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | 4,430 | 6,232 | - | - | - | 6,232 |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | (4,032) | (2,397) | - | - | - | (2,397) |
| 89 | - | 89 | - | - | 320 | - | 320 |
| - | - | 101 | - | 120 | - | - | 120 |
| | | | | | | | |
| - | (7,968) | - | 9,328 | - | - | (9,328) | - |
| 14,022 | - | 161,732 | 46,240 | 73,000 | 13,107 | - | 132,347 |
| | | | | | | | |
| - | 7,968 | - | - | (9,328) | - | 9,328 | - |
| (1,124) | - | (87,568) | (19,664) | (43,615) | (1,158) | - | (64,437) |
| 1,029 | - | 9,485 | 13,479 | - | 1,016 | - | 14,495 |
| - | - | 11,116 | 4,059 | - | - | - | 4,059 |
| 133 | - | 271 | 52 | - | 175 | - | 227 |
| (17) | - | (3,500) | (2,440) | - | (20) | - | (2,460) |
| **14,132** | **-** | **92,124** | **54,889** | **20,177** | **13,440** | **-** | **88,506** |
| (7,151) | - | (35,756) | (21,501) | (7,883) | (6,450) | - | (35,834) |
| (4,055) | - | (20,274) | (11,258) | (4,127) | (3,377) | - | (18,762) |
| (58) | - | (8,950) | (7,691) | (356) | (547) | - | (8,594) |
| - | - | (225) | (220) | - | - | - | (220) |
| - | - | (2,900) | (316) | - | - | - | (316) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| **2,868** | **-** | **24,019** | **13,903** | **7,811** | **3,066** | **-** | **24,780** |
| | | | | | | | |
| 24,537 | (61,082) | 1,779,135 | 1,759,120 | 38,911 | 40,961 | (72,054) | 1,766,938 |
| 3,104 | (19,541) | 1,657,464 | 1,663,133 | 14,272 | 12,780 | (27,498) | 1,662,687 |
| - | - | - | - | - | - | - | - |
| - | - | 3,261 | 4,760 | 27 | - | - | 4,787 |

olidation process, are shown in the table above to correctly reflect the activity of each segment.
tion process.

# 2.8

## Cash, cash balances with central banks and other demand deposits

The composition of the chapter 'Cash, Cash balances at Central Banks and Other Demand Deposits' of the consolidated balance sheets to December 31, 2020 and 2019, is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Cash | 106 | 91 |
| Banco de España | 421,247 | 294,391 |
| Other demand deposits | 322,821 | 357,733 |
| **Total** | **744,174** | **652,215** |

The breakdown by remaining maturity of this chapter is detailed in note 5.b).

At 31 December 2020 and 2019, 'Other Demand Deposits' includes mainly the balances in demand current accounts, which earn the market interest rate for this type of accounts for an amount, excluding 'valuation adjustments', of 322,821 thousand euros (357,733 thousand euros in 2019).

The balances held at the Bank of Spain include the amounts subject to compliance with the minimum reserves ratio stipulated in current regulation applicable to the Group's Parent Company.

# 2.9

## Financial assets and liabilities held for trading

The breakdown of these asset and liability captions in the consolidated balance sheets is as follows:

Thousands of Euros

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Derivatives | 467 | 7 | 522 | 6 |
| Equity instruments | 51,797 | 27,188 | - | - |
| Debt securities | 2,815 | - | - | - |
| **Total** | **55,079** | **27,195** | **522** | **6** |

At 31 December 2020 and 2019 there were no assets in this portfolio assigned to any type of commitment or guarantee.

There were no transfers or reclassifications of financial instruments included in this portfolio during the financial years 2020 and 2019.

### a) Derivatives

Negotiation derivatives, in accordance with Note 4-f), are classified in the negotiation portfolio and, as such, are measured at fair value and any changes in fair value are recognised directly in the consolidated income statement.

Following is a breakdown, for the financial years ended December 31, 2020 and 2019, of the notional values and fair values of the financial derivatives recorded as 'Trading Derivatives' classified by type of market, type of products, counterparty, remaining term and type of risk:

Thousands of Euros

| | Domestic | | Fair value | | | |
|---|---|---|---|---|---|---|
| | Memorandum accounts | | Assets | | Liabilities | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **By market type** | | | | | | |
| Organised markets | 42,876 | 1,712 | 467 | 7 | 457 | 6 |
| Non-organised markets | 1,500 | - | - | - | 65 | - |
| | **44,376** | **1,712** | **467** | **7** | **522** | **6** |
| **By product type** | | | | | | |
| Options | | | | | | |
| *Purchased* | 15,076 | - | 467 | - | | |
| *Sold* | 27,300 | - | - | | 457 | |
| Futures | 500 | 913 | - | - | - | - |
| Others | | | | | | |
| *Purchased* | 1,500 | 606 | - | 7 | 65 | - |
| *Sold* | - | 193 | - | - | - | 6 |
| | **44,376** | **1,712** | **467** | **7** | **522** | **6** |
| **By counterpart** | | | | | | |
| Other financial institutions | - | 1,712 | - | 7 | - | 6 |
| Non-resident credit institutions | 42,876 | - | 467 | - | 457 | - |
| Other sectors | 1,500 | - | - | - | 65 | - |
| | **44,376** | **1,712** | **467** | **7** | **522** | **6** |
| **By remaining term** | | | | | | |
| Up to 1 year | 44,376 | 1,712 | 467 | 7 | 522 | 6 |
| From 1 to 5 years | - | - | - | - | - | - |
| | **44,376** | **1,712** | **467** | **7** | **522** | **6** |
| **By type of risks covered** | | | | | | |
| Exchange rate risk | 1500 | - | - | - | 65 | - |
| Interest rate risk | 500 | 500 | - | - | - | - |
| Share price risk | 42,376 | - | 467 | - | 457 | - |
| Other risks (1) | - | 1,212 | - | 7 | - | 6 |
| | **44,376** | **1,712** | **467** | **7** | **522** | **6** |

(1) At December 31 2019, Renta 4 Banco has long positions in electricity derivatives that are fully offset by reverse positions. This operation derives mainly from positions in electricity futures to give counterparty to an institutional one, which are covered by the opposite position through electricity swaps, a product on which most of the market participants operate. Consequently, the economic result of these positions is zero as they are fully compensated.

### b) Equity instruments

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 |
| Credit institutions | - | - |
| Financial companies | 51,797 | 27,188 |
| Other Sectors | - | - |
| **Total** | **51,797** | **27,188** |

The heading of the 'Other Capital Instruments is as follows, based on whether or not the securities composing it are listed, and the percentage they represent of the total:

| | Thousands of Euros | | % of total | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Listed | 51,797 | 27,188 | 100 | 100 |
| Unlisted | - | - | - | - |
| | **51,797** | **27,188** | **100** | **100** |

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

| | Thousands of Euros | |
|---|---|---|
| | 2020 | 2019 |
| Ownership interest in UCITs, VC and SCR | 51,797 | 27,052 |
| Shares and other ownership interest | - | 136 |
| | **51,797** | **27,188** |

The breakdown of 'Ownership Interest in UCITs' at 31 December 2020 and 2019 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 12.31.2020 | 12.31.2019 |
| Renta 4 SICAV Valor Relativo I EUR A | 15,440 | - |
| Renta 4 Renta Fija, FI Clase R | 10,182 | - |
| Renta 4 Renta Fija 6 Meses, FI | 9,918 | 14,979 |
| Kobus Renewable Energy II FCR | 5,503 | 5,094 |
| Pictet Total Return Agora I (Eur) | - | 1,257 |
| Ged VI España FCR | 2,714 | 1,183 |
| Bmo Real Estate Equit. B(Eur) | - | 1,038 |

Thousands of Euros

| | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Renta 4 Megatendencias Tecnología | 3,155 | - |
| Ged V España Fcr | 1,072 | 828 |
| Renta 4 Bewater I FCR | 875 | 325 |
| Renta 4 Activos Alternativos 1 Scr,SA | 171 | 600 |
| Other (*) | 2,767 | 1,748 |
| **Total** | **51,797** | **27,052** |

(*) Ownership interest in UCITs which individually are less than 600 thousand euros.

At 31 December 31 2020, the Group has no balance in "Shares and other ownership interest".

The breakdown of "Shares and other ownership interest" at 31 December 2019 is as follows:

Thousands of Euros

| | 12.31.2019 |
|---|---|
| Listed | |
| ETFS Physical Gold | - |
| Others | 136 |
| | **136** |

## c) Debt securities

At 31 December 2020, the Group has debt securities classified as financial assets held for trading according to the following detail:

Thousands of Euros

| | 2020 |
|---|---|
| Spanish public administrations | - |
| Other resident sectors | 1,574 |
| Other non-resident sectors | 1,001 |
| Non-resident credit institutions | 240 |
| | **2,815** |

At 31 December 2019, the Group had no debt securities classified as financial assets held for trading.

## d) Other information

The breakdown by remaining maturity of this caption is detailed in note 5.b) on Liquidity risk.

Note 6 provides detailed information on the fair value of the financial assets included in this category and on the methods used to obtain the fair value.

# 2.10 Financial assets at fair value through other comprehensive income

The breakdown of this caption on the asset side of the consolidated balance sheet is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Equity instruments | 429 | 7,347 |
| Debt securities | 579,892 | 843,072 |
| **Total** | **580,321** | **850,419** |

There were no transfers or reclassifications of financial instruments included in this portfolio during the financial years 2020 and 2019.

The changes in this item in the consolidated balance sheet in 2020 and 2019 were as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Opening balance** | **850,419** | **718,020** |
| Registrations | 359,028 | 1,336,183 |
| Cancellations | (613,233) | (1,189,107) |
| Deferrals of accrued interest | 1,543 | 3,051 |
| Coupon bond collection | (17,309) | (18,553) |
| Valuation adjustments | (209) | 941 |
| Impairment of assets | - | - |
| Generic endowment/recovery | 82 | (116) |
| **Closing balance** | **580,321** | **850,419** |

## a) Equity instruments

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

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Shares and other ownership interest | **429** | **7,347** |

The breakdown of 'Shares and other ownership interests' at 31 December 2020 and 2019 is as follows:

Thousands of Euros

| | 12.31.2020 | 12.31.2019 |
|---|---|---|
| **Listed** | | |
| Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. | - | 6,876 |
| Valore metals Corp (Formerly: Kivallic Energy) | 140 | 162 |
| Other | 11 | - |
| **Unlisted** | | |
| Other ownership interests | 278 | 309 |
| | **429** | **7,347** |

The breakdown of the heading "Accumulated other comprehensive income - Items that will not be reclassified to profit or loss- Changes to the fair value of equity instruments valued at fair value with changes in other comprehensive income" of the equity (Note 18.j) at 31 December 2020 and 2019, as a result of changes to the fair value of the assets in this portfolio, is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Capital instruments** | | |
| Other resident sectors | (78) | 203 |
| Other non-resident sectors | (305) | (75) |
| | **(383)** | **128** |

## b) Debt securities

The breakdown of debt securities classified by counterparty is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Spanish public administrations | 148,121 | 427,428 |
| Resident credit institutions | 30,635 | 27,306 |
| Non-resident credit institutions | 10,016 | 10,010 |
| Non-resident public administrations | 372,855 | 345,322 |
| Other resident sectors | 18,364 | 33,187 |
| Valuation adjustments | (99) | (181) |
| **Total** | **579,892** | **843,072** |

The breakdown of these headings, by term remaining until maturity, is provided in Note 5.b).

The fair value of debt instruments as of December 31, 2020 and 2019 has been determined based mainly on listed prices in official markets (Central de Anotaciones de Banco de España), and based on prices provided by different information service providers which construct their prices based on prices communicated by contributors (Bloomberg).

The breakdown of "Accumulated other comprehensive income - Items that can be reclassified to profit or loss - Financial assets at fair value through profit or loss" in equity (Note 18.j) at 31 December 2020 and 2019, as a result of changes in the fair value of the assets in this portfolio, is as follows:

Thousands of Euros

| Debt securities | 2020 | 2019 |
|---|---|---|
| Spanish Public Administrations | 511 | 869 |
| Non-resident public administrations | 1,211 | 493 |
| Credit institutions | 55 | 154 |
| Non-resident credit institutions | 10 | 6 |
| Other resident sectors | 32 | 17 |
| Other non-resident sectors | - | - |
| **Total** | **1,819** | **1,539** |

At 31 December 2020 and 2019, the Group had pledged debt securities listed in favour of BME Clearing to guarantee daily operations with national derivatives and national variable income. The nominal value of these assets at 31 December 2020 amounts to 113,530 thousand euros (31 December 2019: 80,136 thousand euros) with a market value of 116,091 thousand euros (31 December 2019: 83,565 thousand euros).

At 31 December 2020, the Group has pledged listed debt securities to JP Morgan as collateral for its daily transactions with international derivatives.

The nominal value of these assets at 31 December 2020 amounts to 50,000 thousand euros with a market value of 50,470 thousand euros. As at 31 December 2019 the nominal value and market value of the pledged securities was nil.

Also, at 31 December 2020, the Group had entered into a credit agreement with a pledge of securities with the Bank of Spain. The nominal value of the pledged securities amounted to 115,225 thousand euros (31 December 2019: 283,756 thousand euros). The fair value amounted to 117,367 and 294,051 thousand euros, at 31 December of the years 2020 and 2019, respectively. The amount of this guarantee available at 31 December 2020 and 2019 with the European Central Bank was EUR 112,123 thousand euros and 268,554 thousand euros, respectively.

# 2.11

## Financial assets at amortised cost

The breakdown of this section on the assets in the consolidated balance sheets is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Debt securities** | **107,591** | - |
| **Loans and advances:** | | |
| Central banks | - | - |
| Credit institutions | 42,518 | 34,274 |
| Clientele | 165,737 | 119,724 |
| **Total** | **315,846** | **153,998** |

Details of debt securities at 31 December 2020 are as follows:

| Securities | Maturity | Thousands of Euros |
|---|---|---|
| **Italian Government Bond IT0005419848 (*)** | **1 February 2026** | 51,308 |
| **Italian Government Bond IT0005370306** | **15 July 2026** | 56,283 |

(*) Includes accrued interest of 14 thousand euros.

These securities were acquired in 2020.

At 31 December 2020, the Bank held debt securities lent under securities lending agreements to other financial institutions amounting to 51,294 thousand euros.

The breakdown by remaining maturity of this chapter is detailed in note 5.b).

## a) Central banks

At 31 December 2020 and 2019, there was no balance under this heading.

## b) Credit institutions

The breakdown of this heading is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Time deposits or accounts | 726 | 532 |
| Other accounts (*) | 41,792 | 33,742 |
| Doubtful assets | - | 100 |
| Valuation adjustments | | |
| Impairment losses on assets | - | (100) |
| Accrued interest | - | - |
| **Total** | **42,518** | **34,274** |

(*) At 31 December 2020, "Other Accounts" includes 38,228 thousand euros relating to financial guarantees provided to financial intermediaries in connection with international derivatives transactions (30,740 thousand euros at 31 December 2019).

The breakdown of the remaining term to maturity of these assets is provided in Note 5.b).

The breakdown of time deposits or accounts at 31 December 2020 and 2019 is as follows:

**31 December, 2020**

| Entity | Type | Date of Maturity | Thousands of Euros |
|---|---|---|---|
| Banco Bice (*) | 2.40% | 01/06/2021 | 131 |
| Banco Security (*) | 2.40% | 01/04/2021 | 256 |
| Banco Security (*) | 2.40% | 01/20/2021 | 135 |
| Bogota Bank | 1.30% | 05/14/2021 | 204 |
| **Total** | | | **726** |

**31 December, 2019**

| Entity | Type | Date of Maturity | Thousands of Euros |
|---|---|---|---|
| Banco Bice (*) | 2.52% | 01/08/2020 | 133 |
| Banco Security (*) | 1.92% | 01/03/2020 | 261 |
| Banco Bice (*) | 2.52% | 01/22/2020 | 138 |
| **Total** | | | **532** |

(*) These time deposits or accounts correspond to one of the LATAM companies

## c) Clientele

The breakdown of this heading in the consolidated balance sheets, by type and situation of credit, counterparty sector and interest rate modality, is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **By modality and credit situation:** | | |
| Secured receivables | 63,959 | 35,080 |
| Other secured receivables | 3,644 | 3,895 |
| Other term receivables | 14,328 | 3,384 |
| Accounts receivable on demand and miscellaneous | 2,222 | 3,271 |
| Doubtful assets | 10,026 | 5,126 |
| Other financial assets | 74,794 | 69,652 |
| Valuation adjustments | (3,236) | (684) |
| | **165,737** | **119,724** |
| **By sector:** | | |
| Public Administrations | 31 | 1 |
| Other financial corporations | 65,046 | 66,272 |
| Other non-financial corporations and sole proprietors | 73,407 | 36,819 |
| Rest of Households | 27,253 | 16,632 |
| | **165,737** | **119,724** |
| **By interest rate modality:** | | |
| Variable | 165,737 | 119,724 |
| Fixed | - | - |
| | **165,737** | **119,724** |

The breakdown of these headings, by term remaining until maturity, is provided in Note 5.b).

In the 2020 and 2019 financial years the Group signed security pledge contracts on securities deposited by clients which serve as collateral for accounts receivable.

The balance corresponding to "Other term receivables" is made up of debtors with a personal guarantee, debtors with personal loans and unsecured debtors. With respect to the balance corresponding to "Other term receivables", it contains both the fixed-term deposits of Chile and Peru, as well as the simultaneous deposits that the Chilean subsidiary has with its customers.

The Group maintains in the "Other Financial Assets" account the amount required for guarantees from each of the brokers in the derivative markets in which it operates on behalf of customers and which the Parent Company in turn requires from its customers (see Note 16.d). Said guarantees cover both national organised markets (MEFF, Eurostoxx) and international derivatives and CFD markets.

At the same time, the breakdown of receivables according to their modality and credit situation is as follows:

Thousands of Euros

| | Debt | | Value Guarantees | | Limit | | Available | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Secured receivables | 63,959 | 35,080 | 147,829 | 95,831 | 81,660 | 55,970 | 17,701 | 20,890 |
| Other secured receivables | 3,644 | 3,895 | 4,057 | 4,777 | 3,644 | 3,895 | - | - |
| Secured doubtful receivables | 8,235 | 4,149 | 6,166 | 5,343 | 8,235 | 4,149 | - | - |
| Unsecured doubtful receivables | 1,791 | 977 | - | - | 1,791 | - | - | - |
| Other term receivables | 14,328 | 3,384 | - | - | 16,558 | 2,618 | 2,230 | 109 |
| | **91,957** | **47,485** | **158,052** | **105,951** | **111,888** | **66,632** | **19,931** | **20,999** |

The breakdown of valuation adjustments made on transactions classified as "Loans and advances - Customers" is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Valuation adjustments: | | |
| Impairment losses on assets | (3,535) | (924) |
| Accrued interest | 299 | 240 |
| | **(3,236)** | **(684)** |

## d) Impairment losses

The breakdown and movement of the impairment losses recognised at the closing of financial years 2020 and 2019 for the assets in the Loans and advances portfolio (Credit Entities and Clientele) is as follows:

Thousands of Euros

| | Doubtful (Stage - 3) | Special surveillance (Stage - 2) | Normal (Stage - 1) | Total |
|---|---|---|---|---|
| **Balance as of 1 January 2018 (*)** | **850** | **-** | **67** | **917** |
| **Additions** | | | | |
| Provisions charged to loss and profit statement | 622 | 28 | 5 | 655 |
| **Recoveries** | | | | |
| Recoveries with credit to loss and profit statement | (446) | - | (9) | (455) |
| **Uses** | | | | |
| Transfer to Failures | (93) | - | - | (93) |
| Other | - | - | - | - |
| **Balance as of 31 December 2019** | **933** | **28** | **63** | **1,024** |
| *Of which: Credit institutions* | *100* | - | - | *100* |
| *Of which: Clients* | *833* | *28* | *63* | *924* |

Thousands of Euros

| | Doubtful (Stage - 3) | Special surveillance (Stage - 2) | Normal (Stage - 1) | Total |
|---|---|---|---|---|
| **Balance as of 1 January 2020 (*)** | **933** | **28** | **63** | **1.024** |
| **Additions** | | | | |
| Provisions charged to loss and profit statement | 3,191 | - | 119 | 3,310 |
| **Recoveries** | | | | |
| Recoveries with credit to loss and profit statement | (256) | (28) | - | (284) |
| Recoveries of bad assets | (44) | - | - | (44) |
| **Uses** | | | | |
| Transfer to Failures | (471) | - | - | (471) |
| Other | - | - | - | - |
| **Balance as of December 31, 2020** | **3,353** | **.** | **182** | **3,535** |
| *Of which: Credit institutions* | . | - | - | . |
| *Of which: Clients* | *3,353* | . | *182* | *3,535* |

In most of the transactions, credit risk coverage was determined by collective estimation, except for one transaction classified as doubtful for reasons other than default due to a factor other than the automatic factors defined in IFRS 9; and two transactions classified as doubtful for reasons of default considered to be significant because they exceeded 5% of eligible capital in accordance with Renta 4's Client Credit Risk Management Policy. In these cases, credit risk coverage was determined by individual estimation using techni-ques that reliably measure the recoverable amount.

# 2.12

## Investments in joint ventures and associates

During financial year 2020 and 2019, this section of the accompanying balance sheet experienced the following movements:

| | Thousands of Euros 2020 | Thousands of Euros 2019 |
|---|---|---|
| **Opening balance** | **348** | **-** |
| Registrations | - | 300 |
| Cancellations | - | - |
| Individual results for the financial year | 14 | 48 |
| Impairment | - | - |
| **Closing balance** | **362** | **348** |

In 2019 the Group acquired a 30% share in Kobus Partners Management SGEIC, S.A. for 300 thousand euros..

# 2.13

## Tangible assets

The detail of the tangible assets for own use and the movements during financial years 2020 and 2019, in this heading, are as follows:

Thousands of Euros

| | Computer equipment | Furniture, Facilities and Others | Buildings | Real estate investment | Right of use | Total |
|---|---|---|---|---|---|---|
| **Cost value** | | | | | | |
| Balance as of 31 December 2019 | 3,311 | 39,369 | 24,012 | 5,837 | 23,326 | 95,855 |
| Registrations | 369 | 2,892 | - | - | 3,037 | 6,298 |
| Cancellations | - | - | - | - | (1,306) | (1,306) |
| Transfers | - | - | - | - | - | - |
| Balance as of December 31, 2020 | 3,680 | 42,261 | 24,012 | 5,837 | 25,057 | 100,847 |
| **Accumulated amortisation** | | | | | | |
| Balance as of 31 December 2019 | (2,185) | (19,928) | (6,723) | (2,263) | (2,603) | (33,702) |
| Registrations | (462) | (3,538) | (424) | (119) | (2,706) | (7,249) |
| Cancellations | - | - | - | - | 461 | 461 |
| Transfers | 11 | 19 | 1 | - | 11 | 42 |
| Balance as of December 31, 2020 | (2,636) | (23,447) | (7,146) | (2,382) | (4,837) | (40,448) |
| Net value at 31 December 2020 | 1,044 | 18,814 | 16,866 | 3,455 | 20,220 | 60,399 |

Thousands of Euros

| | Computer equipment | Furniture, Facilities and Others | Buildings | Real estate investment | Right of use | Total |
|---|---|---|---|---|---|---|
| **Cost value** | | | | | | |
| Balance as of 31 December 2018 | 6,690 | 36,495 | 24,012 | 5,837 | - | 73,034 |
| Registrations | 589 | 4,198 | - | - | 23,372 | 28,159 |
| Cancellations | (3,968) | (1,324) | - | - | (46) | (5,338) |
| Transfers | - | - | - | - | - | - |
| Balance as of 31 December 2019 | 3,311 | 39,369 | 24,012 | 5,837 | 23,326 | 95,855 |
| **Accumulated amortisation** | | | | | | |
| Balance as of 31 December 2018 | (5,717) | (17,927) | (6,296) | (2,143) | - | (32,083) |
| Registrations | (436) | (3,325) | (427) | (120) | (2,649) | (6,957) |
| Cancellations | 3,968 | 1,324 | - | - | 46 | 5,338 |
| Transfers | - | - | - | - | - | - |
| Balance as of 31 December 2019 | (2,185) | (19,928) | (6,723) | (2,263) | (2,603) | (33,702) |
| Net value at 31 December 2019 | 1,126 | 19,441 | 17,289 | 3,574 | 20,723 | 62,153 |

The additions recognised in 2020 and 2019 financial years under "Furniture, Facilities and Others" relate to improvements made by the Group at various offices.

As of December 31 of 2020 and 2019, the Group had no firm commitment to purchase or sell fixed assets for a significant amount, nor are its assets subject to significant charges or encumbrances.

As of December 31 of 2020 and 2019, it is estimated that the fair value of the tangible assets owned by the Group does not differ significantly from that recognised in the accompanying consolidated balance sheet.

Also, there are no tangible assets of significant amount for which there are restrictions on use or ownership, which are out of service or which the Group has pledged to guarantee the default of debts.

As of December 31 of 2020 and 2019, 20,220 thousand euros and 20,723 thousand euros, respectively, had been recorded as operating leases under "of Use" as a result of the entry into force of IFRS 16 (see Notes 2.9.a and 4.v.).

## Real estate investment

As of December 31 of 2020 and 2019, the building located in Madrid at Paseo de la Habana 63 and the building located in Mallorca at Paseo de Mallorca 32, with the total net carrying amount of 3,455 thousand euros and 3,574 thousand euros, respectively, were recorded as real estate investments.

The breakdown of the minimum future collections on non-cancellable operating lease contracts as of December 31 of 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Up to one year | 132 | 175 |
| Between one and five years | 700 | 700 |
| | **832** | **875** |

On 15 March 2016, the Group carried out an independent appraisal of the most significant real estate investment, the building located at Paseo de la Habana nº 63, in order to determine its fair value. Based on the results of this appraisal, which was performed using the income restatement method and the market comparison method, its fair value does not differ from its net book value as of December 31 of 2020 and 2019.

# 2.14

## Intangible assets

### a) Goodwill

The breakdown of, and movement in, this heading in the accompanying consolidated balance sheets in 2020 and 2019 financial years are as follows:

Thousands of Euros

| | Cost | Value adjustment due to impairment | Total |
|---|---|---|---|
| **Balances at 12/31/18** | **17,772** | **(2,481)** | **15,291** |
| Transactions | - | - | - |
| **Balances at 12/31/19** | **17,772** | **(2,481)** | **15,291** |
| Transactions | - | - | - |
| **Balances at 12/31/20** | **17,772** | **(2,481)** | **15,291** |

As of December 31 of 2020 and 2019, the goodwill amounts to a total of 15,291 thousand euros, relating to the companies included in the UGE Management (in the amount of 5,476 thousand euros) and the intermediary UGE (in the amount of 9,815 thousand euros). The intermediary CGU comprises the companies Renta 4 Banco, S.A. (arising from the acquisition of Banco Alicantino de Comercio S.A.), Renta 4, S.A., Sociedad de Valores, Renta 4 Burgos S.A., Renta 4 Aragón S.A., Renta 4 Huesca S.A. and Padinco Patrimonios S.G.C., S.A.; likewise, the CGU called “Management” comprises Renta 4 Gestora S.G.I.I.C., S.A. (arising from the acquisition of Gesdinco Gestión, S.G.I.I.C.), Renta 4 Pensiones, E.G.F.P., S.A. and Renta 4 Luxembourt, S.A.

Until 2015, the Group had recorded other goodwill associated with the "Chile" CGU; this goodwill was identified with the expected business to be generated by the sale of other services offered by the Renta 4 Group to Chilean clients (intermediation, asset-investment fund management, pension funds and portfolio management), and by the possible expansion of the client portfolio in Chile due to the possibility of operating in the Spanish market. However, during 2015, and based on the results obtained by this CGU, the Directors considered it necessary to record impairment losses in this CGU amounting to 129 thousand euros, recorded under the heading "Impairment or reversal of impairment of non-financial assets - Intangible assets" in the consolidated income statement for that year (note 22.g). As a result of this impairment, as of December 31, 2015, the goodwill of the Chile CGU was fully impaired.

At 31 December 2020 and 2019, the Group carried out an impairment test on goodwill for the "Intermediary" CGU and the "Management" CGU, based on the assumptions set out below.

The impairment test performed by the Parent Company was verified by an independent expert who, on 16 February 2021, issued a report on the impairment test and the correct valuation of goodwill at 31 December 2020.

Accordingly, and in accordance with the estimates and projections available to the Bank's Directors, in 2020 there were no losses of value that would have required the recording of additional impairments.

Under the regulations, impairment in value occurs when the net carrying amount exceeds the recoverable amount, which is the highest value between the value in use and the fair value less the costs to sell. In this case, the recoverable amount of the previous CGUs has been determined following a revenue approach; specifically, the dividend discount methodology has been used based on cash flow projections based on budgets approved by Group Management, as detailed below:

## Intermediary CGU

| | 2020 | 2019 |
|---|---|---|
| Projected period | 5 years | 5 years |
| Discount rate (projected period) | 10.3% | 10.5% |
| Perpetual growth rate | 2.5% | 2.5% |

## Management CGU

| | 2020 | 2019 |
|---|---|---|
| Projected period | 5 years | 5 years |
| Discount rate (projected period) | 10.3% | 10.5% |
| Perpetual growth rate | 2.5% | 2.5% |

The main assumptions used in accordance with the aforementioned methodology are described below:

## Projected period

Discount rates reflect the Management's estimate of the specific risk of each unit. This is the benchmark used by Management to assess operational development and future investment proposals. The discount rate applied to calculate the value in use of each of the CGUs at the valuation date was the cost of own resources and was determined in accordance with the "Capital Asset Pricing Model (CAPM)".

This model is based on the risk-free rate (Rf), which has been calculated based on the average yield in the last three months of 2020 of the 10-year Spanish public debt (bond) for the Intermediary and management CGUs, incorporating in its calculation the effect on the profitability of Spanish public debt of the European Central Bank's Balance Sheet expansion measures, and on the other hand the historical average of the 10-year bond since 2012, to which is added the market risk premium (Rm) multiplied by the beta coefficient considered appropriate for the risk and growth profile of each CGU. The result obtained, as shown in the table above is 10.3% (2019: 10.5%).

## Perpetual growth rate

For the calculation of the growth rate in perpetuity, the estimation of long-term inflation by public sources has been used, as well as the potential growth of the asset intermediation industry on said inflation. The growth rate used was 2.5% in the Cash-generating Unit.

The Management of these CGUs considers that this growth rate is justified.

## Sensitivity to changes in assumptions

In order to ensure the soundness of its calculation, Management has carried out a sensitivity analysis of the value in use of the different CGUs analysed with respect to variations in the main assumptions affecting said calculation. To this end, sensitivity analyses have been carried out on the discount rate, the perpetual growth rate and the required capital requirements. The main results are shown below:

Intermediary and Management CGUs.

Reasonable variations of +/-100 basis points in the discount rate used combined with reasonable variations of +/-100 basis points in the perpetual growth rate with respect to the base scenario would not cause impairment in either of the two CGUs.

Similarly, reasonable variations of +/-100 basis points in the discount rate used combined with reasonable variations of +/-0.25 times in the minimum capital requirements required of the CGU with respect to the base scenario would not cause impairment in either of the two CGUs.

Likewise, reasonable variations of +/-100 basis points in the perpetual growth rate used combined with reasonable variations of +/-0.25 times in the minimum capital requirements required of the CGU with respect to the base scenario would not cause impairment in either of the two CGUs.

## b) Other intangible assets

This section in the consolidated balance sheets includes the software applications acquired from third parties, the client portfolio generated with the acquisition of Gesdinco S.A., S.G.I.I.C. and Padinco Patrimonios, S.G.C., S.A., the client portfolio generated with the acquisition of Renta 4 Chile Corredores de Bolsa, S.A., and the client portfolio generated in the acquisition of BNP Paribas, Sucursal en España, S.A. which have had the following movements in 2020 and 2019:

Thousands of Euros

| | Cost | Accumulated amortisation | Net value |
|---|---|---|---|
| **Balance as of 31 December 2018** | **11,076** | **(8,075)** | **3,001** |
| Registrations and endowments | 1,858 | (1,637) | 221 |
| Cancellations | (5,714) | 5,714 | - |
| **Balance as of 31 December 2019** | **7,220** | **(3,998)** | **3,222** |
| Registrations and endowments | 3,298 | (1,701) | 1,597 |
| Cancellations | (1,000) | 1,000 | - |
| **Balance as of December 31, 2020** | **9,518** | **(4,699)** | **4,819** |

At 31 December 2020 and 2019 "Other Intangible Assets" includes the fully amortised customer portfolio of Gesdinco and Padinco (815 thousand euros of cost and 815 thousand euros of accumulated amortisation). Also, at 31 December 2020 and 2019 it includes the fully amortised client portfolio in Chile (646 thousand euros of cost and 646 thousand euros of accumulated amortisation). In addition, at 31 December 2020, the heading includes a value of 2,007 thousand euros of the client and software portfolio from the acquisition of the BNP Paribas Sucursal en España, S.A. branch of activity (see Note 4.j)).

Finally, this heading includes software applications with a net value of 2,812 thousand and 3,222 thousand euros at December 31, 2020 and 2019, respectively.

Balance at 31 December 2019:

4,819,000€

# 2.15

## Other assets and other liabilities

The breakdown of the balance of these asset and liability sections in the consolidated balance sheet at 31 December 2020 and 2019 is as follows:

Thousands of Euros

| Assets: | 2020 | 2019 |
|---|---|---|
| Unaccrued expenses paid | 1,719 | 1,069 |
| Other | 131 | 88 |
| | **1,850** | **1,157** |

Thousands of Euros

| Liabilities: | 2020 | 2019 |
|---|---|---|
| Accruals/deferrals | 2,128 | 1,562 |
| Other | 3,030 | 4,041 |
| | **5,158** | **5,603** |

At 31 December 2020 and 2019, the balance of other unpaid accrued expenses relates mainly to unpaid variable employee remuneration.

# 2.16

## Financial liabilities at amortised cost

The breakdown of this section on the liability side of the consolidated balance sheets as of 31 December 2020 and 2019, is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Deposits from central banks | - | 9,808 |
| Deposits from credit institutions | 14,046 | 19,540 |
| Customer deposits | 1,495,822 | 1,447,067 |
| Other financial liabilities | 133,583 | 173,681 |
| | **1,643,451** | **1,650,096** |

The breakdown of these headings, by term remaining until maturity, is provided in Note 5.b).

## a) Deposits from central banks

At 31 December 2020 the Group has no balance in "Deposits from central banks".

The detail of this heading on the liability side of the consolidated balance sheet consolidated as of 31 December, 2019, depending on the nature of the instrument, is as follows:

Thousands of Euros

| | 2019 |
|---|---|
| Term accounts | 9,950 |
| Valuation adjustments - Accrued interest of institutions | (142) |
| **Total** | **9,808** |

The breakdown of central bank deposits as at 31 December 2019 is as follows:

**12.31.2019**

| | | | Thousands of Euros | |
|---|---|---|---|---|
| **Entity** | **Type** | **Expiry date** | **Limit** | **Drawn down** |
| European Central Bank (1) | 0.00% | 06/29/2020 | 9,950 | 9,950 |

(1) Loans secured by debt security pledges (Note 10).

These deposits from the European Central Bank are taken using the credit policy with pledge of securities that the Parent Entity has in the central bank and which allows obtaining liquidity immediately. These deposits are part of programmes designed by the European Central Bank (T-LTRO II) to improve long-term financing. The Group also has an undrawn liquidity with the European Central Bank amounting to 112,123 thousand euros at 31 December 2020 (31 December 2019: 268,544 thousand euros).

### b) Deposits from credit institutions

The detail of this heading on the liability side of the consolidated balance sheets as of 31 December, 2020 and 2019, depending on the nature of the instrument, is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **2020** | **2019** |
| Other accounts | 14,046 | 19,540 |

### c) Customer deposits

The breakdown, by balancing entry and type of financial instrument at 31 December 2020 and 2019, of this heading in the consolidated balance sheet is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **2020** | **2019** |
| Term deposits | - | - |
| Demand deposits | 1,495,822 | 1,447,067 |
| Assets sold under repurchase agreements | - | - |
| Valuation adjustments | - | - |
| | **1,495,822** | **1,447,067** |

## d) Other financial liabilities

All the financial liabilities included under this consolidated balance sheet heading are classified in the “Financial liabilities at amortised cost” portfolio and are accordingly measured at amortised cost. This heading includes payment obligations qualifying as financial liabilities that are not included in other headings.

The breakdown of other financial liabilities by type of financial instrument, at 31 December 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Payment obligations | 1,725 | 1,298 |
| Deposits received | 58 | 58 |
| Clearing houses | 3,161 | 2,748 |
| Tax collection accounts | | |
| Social Security Administration | 631 | 556 |
| Financial guarantees | 90,126 | 130,285 |
| Other | 17,243 | 17,808 |
| Leases | 20,639 | 20,928 |
| **Total** | **133,583** | **173,681** |

As financial guarantees, the Group includes the financial guarantees required of its customers for trading in the MEFF, international derivatives and CFD (contracts that are settled for differences).

“Other Items” above includes balances outstanding in respect of transactions of Allfunds customers, which are settled in the first days of the following month, amounting to 10,101 thousand euros at 31 December 2020 (31 December 2019: 13,270 thousand euros).

# 2.17

## Provisions

The breakdown of this consolidated balance sheet heading at December 31, 2020 and 2019, is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Outstanding tax litigation and procedural issues | 301 | 490 |
| Commitments and guarantees granted | 12 | 2 |
| | **313** | **492** |

The changes in these headings in 2020 and 2019 were as follows:

| | Other provisions |
|---|---|
| **Balance as of 31 December 2018** | **463** |
| Additions with a charge to profit or loss | 223 |
| Provision recoveries with a credit to profit or loss | (3) |
| Provisions utilised | (191) |
| **Balance as of 31 December 2019** | **492** |
| Additions with a charge to profit or loss | 225 |
| Provision recoveries with a credit to profit or loss | - |
| Provisions utilised | (404) |
| **Balance as of December 31, 2020** | **313** |

At 31 December 2020 and 2019, the provisions recognised on the consolidated balance sheet amounting to 313 and 492 thousand euros, respectively, correspond to the Parent Company and other subsidiaries and mainly cover certain risks arising from the performance of their business activities and risks arising from third party claimss.

# 2.18

## Equity

The detail of the Group's equity at 31 December 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Equity** | | |
| Registered capital | 18,312 | 18,312 |
| Share premium | 8,496 | 8,496 |
| Other reserves | 76,943 | 67,074 |
| Less: Treasury shares | (486) | (601) |
| Profit for the financial year | 18,137 | 17,830 |
| Less: Interim dividends | - | (8,117) |
| | **121,402** | **102,994** |
| **Accumulated other comprehensive income** | | |
| Currency Conversion | (2,073) | (1,330) |
| Financial assets designated at fair value with changes in other comprehensive income | | |
| Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income | (383) | 128 |
| Changes in fair value of debt instruments measured at fair value with changes in other comprehensive income | 1,819 | 1,539 |
| | **(637)** | **337** |
| **Minority interests (non-controlling interests)** | | |
| Accumulated other comprehensive income | (225) | (100) |
| Other elements | 1,131 | 1,020 |
| | **906** | **920** |
| **Total Equity** | **121,671** | **104,251** |

## a) Registered capital

Share capital of the Parent, 31 December 2020 and 2019, amounts to 18,311,941.35 euros and is divided into 40,693,203 registered shares number 1 to 40,693,203, with a nominal value of 0.45 euros each, of the same class and series. All the shares are fully subscribed and paid.

The Parent's shares have been listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges since November 14, 2007 under ISIN code ES0173358039 given by the Spanish National Codification Agency. The listed price of the shares at 31 December 2020 was 7.08 euros (31 December 2019: 7.00 euros).

The composition of the Bank's shareholding at 31 December 2020 and 2019 is as follows:

| | 31 December, 2020 | | 31 December, 2019 | |
|---|---|---|---|---|
| | Number of shares | Percentage of ownership | Number of shares | Percentage of ownership |
| Mr. Juan Carlos Ureta Domingo (*) | 12,136,969 | 29.83% | 12,701,375 | 31.21% |
| Mrs. Matilde Estades Seco | 987,791 | 2.43% | 987,791 | 2.43% |
| Surikomi, S.A. | 1,266,827 | 3.11% | 2,113,366 | 5.19% |
| Sociedad Vasco Madrileña de Inversiones S.L. (former AR Santamaría) | 1,694,041 | 4.16% | 2,386,731 | 5.87% |
| Cartera de Directivos 2020 | 346,000 | 0.85% | - | 0.00% |
| Mr. Juan Carlos Ureta Estades | 33,163 | 0.08% | 8,163 | 0.02% |
| Mrs. Matilde Ureta Estades | 30,457 | 0.07% | 5,457 | 0.01% |
| Mrs. Inés Asunción Ureta Estades | 27,941 | 0.07% | 2,941 | 0.01% |
| Mutualidad General de la Abogacía | 2,800,650 | 6.88% | 2,800,650 | 6.88% |
| Mr. Oscar Balcells Curt (**) | 2,275,360 | 5.59% | 940,962 | 2.31% |
| Bofa Securities Europe S.A. (The Bank of New York Mellon S.A. N.V.) | 88,321 | 0.22% | 826,246 | 2.03% |
| Mr. Santiago González Enciso (***) | 1,641,827 | 4.03% | 1,793,570 | 4.41% |
| Mrs. Pilar Muro Navarro | 422,405 | 1.04% | 422,405 | 1.04% |
| Global Portfolio Investments SL | 2,276,232 | 5.59% | 2,276,232 | 5.59% |
| Arbarin, Sicav | 363,686 | 0.89% | 363,686 | 0.89% |
| Contratas y Servicios Extremeños S.A. | 2,051,100 | 5.04% | 2,046,890 | 5.03% |
| Other (including treasury shares) | 12,250,433 | 30.12% | 11,016,738 | 27.08% |
| | **40,693,203** | **100%** | **40,693,203** | **100%** |

(*) In the indirect shares of Mr. Juan Carlos Ureta Domingo in 2020, his descendants have not been taken into account.
(**) In the shares of Mr. Oscar Balcells Curt registered for 2019 and 2020, the shares held through the companies in which he is the main shareholder have been taken into account.
(***) In the shares of Mr. Santiago González Enciso in 2020, his descendants have not been taken into account.

At 31 December 2020, the Group's main shareholder, in addition to the percentage of direct ownership reflected in the foregoing table, held 10.78% indirectly (13.53% at 31 December 2019), representing 40.38% of the Parent Company's share capital (44.74% at 31 December 2019).

## b) Share premium

The share premium account has the same restrictions and may be used for the same purposes as the voluntary reserves of the parent company.

## c) Other reserves

The breakdown of this heading at 31 December, 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Legal reserve of the Parent Company | 3,662 | 3,662 |
| Reserves in entities accounted for using the equity method | 48 | - |
| Reserves at Group Companies | 73,233 | 63,412 |
| | **76,943** | **67,074** |

Thousands of Euros

| Company | 2020 | 2019 |
|---|---|---|
| Renta 4 Banco, S.A. | 67,060 | 57,184 |
| Renta 4, Sociedad de Valores, S.A. | 2,335 | 5,350 |
| Renta 4 Burgos, S.A. | (2,475) | (2,475) |
| Renta 4 Aragón, S.A. | (1,049) | (1,049) |
| Renta 4 Vizcaya, S.A. | (367) | (365) |
| Renta 4 Gestora, S.G.I.I.C., S.A. | 8,416 | 6,182 |
| Renta 4 Huesca, S.A. | (373) | (373) |
| Carterix, S.A. | (138) | (119) |
| Renta 4 Pensiones, S.G.F.P., S.A. | 6,211 | 5,157 |
| Renta 4 Equities | 53 | 53 |
| Other | (6,440) | (6,133) |
| | **73,233** | **63,412** |

The breakdown of “Reserves at Group companies” is as follows:

## d) Legal reserve

Companies are obliged to transfer 10% of the profit for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. The portion of this reserve that does not exceed 20% of share capital is not distributable to shareholders and may only be used to offset a debit balance in the income statement provided no other reserves are available. In addition, under certain conditions, this reserve may be used to increase share capital. At 31 December 2020 and 2019, the parent’s legal reserve amounted to 20%.

## e) Voluntary reserves

The Parent’s voluntary reserves at 31 December 2020 and 2019 are freely distributable, as there were no unused tax losses pending offset and subject to equity requirements (Note 18.i).

This heading includes a restricted reserve related to goodwill under assets in the parent company’s balance sheet.

## f) Treasury shares

The breakdown of the movement in this heading in 2020 and 2019 were as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Opening balance | (601) | (763) |
| Procurement | - | (231) |
| Sales | 115 | 393 |
| **Closing balance** | **(486)** | **(601)** |

During financial year 2020, own equity instruments have not been acquired and capital instruments have been sold for 115 thousand euros, recording no capital gains directly in its equity. During 2019 financial year, own equity instruments have been acquired for a total of 231 thousand euros, and equity instruments have been sold for a total of 393 thousand euros, recording capital gains directly in its equity for a total of 36 thousand euros.

At 31 December 2020 and 2019, this heading includes the following shares:

Number of shares

| | 2020 | 2019 |
|---|---|---|
| Other | 72,590 | 89,780 |

## g) Interim dividend

On 23 February 2021, the Board of Directors which prepares the financial statements of the Parent Company resolved to distribute an interim dividend in the gross amount of 933 thousand euros on account of the profit for 2020.

Set out below is the accounting statement prepared by the Parent's directors on the basis of its individual results, which showed the existence of sufficient liquidity for the distribution of a final interim dividend out of 2020 profit for a gross amount of 933 thousand euros:

Thousands of Euros

| | Projected distributable parent company profits for the year |
|---|---|
| Profit net of taxes as of 31 December, 2020 | 15,013 |
| Interim dividend paid in 2020 | - |
| Maximum amount to be distributed (*) | 15,013 |
| Projected cash for one year from the date of the agreement | |
| Cash at the date of the agreement | 743,000 |
| Projected cash balances one year from the date of the agreement | 817,000 |

(*) The amount to be distributed complies with the requirements established in article 277 of the Company Law..

At that date, the Parent Company had sufficient liquidity to pay the dividend.

On 17 March 2020, the Board of Directors which prepared the financial statements of the Parent Company resolved to distribute an interim dividend in the gross amount of 4,060 thousand euros on account of the profit for 2019. On 15 April 2020, the Board of Directors of Renta 4 Banco S.A., in accordance with the provisions of articles 40.6.bis and 41.3 of RDL 8/2020, agreed to withdraw from the Agenda of the Ordinary General Meeting of 27 April 2020, the proposal for the application of profits, in compliance with the recommendation made by the European Central Bank (ECB) and the Bank of Spain. This decision has had no adverse effect on the Bank's equity and therefore the Board of Directors has not considered it necessary to restate the annual financial statements.

On 26 October 2020, the General Shareholders' Meeting resolved to approve the proposed appropriation of profit for the year ended 31 December 2019, amounting to 17,258 thousand euros to be distributed as follows:

- 8,117 thousand euros to the payment of dividends already distributed in full on account.
- 9,141 thousand euros to the voluntary reserve, after the endowment of the mandatory legal reserve.

Set out below is the accounting statement prepared by the Parent's directors on the basis of their individual results, which showed the existence of sufficient liquidity for the distribution of a final interim dividend out of 2019 profit for a gross amount of 4,060 thousand euros:

Thousands of Euros

| | Projected distributable parent company profits for the year |
|---|---|
| Results net of taxes as of 31 December, 2019 | 17,258 |
| Interim dividend paid in 2019 | 8,117 |
| Maximum amount to be distributed (*) | 9,141 |
| Projected cash for one year from the date of the agreement | |
| Cash at the date of the agreement | 548,000 |
| Projected cash balances one year from the date of the agreement | 603,000 |

(*) The amount to be distributed complies with the requirements established in article 277 of the Company Law

At that date, the Parent Company had sufficient liquidity to pay the dividend.

On 29 October 2019, the Board of Directors resolved to distribute a final dividend out of the profit for 2019 amounting to a gross total of 8,117 thousand euros.

The following is a breakdown of the financial statement prepared by the Bank's Directors on the basis of their individual results, which shows that there is sufficient liquidity for distribution:

Thousands of Euros

| | Projected distributable parent company profits for the year |
|---|---|
| Profit after taxes at 30 December, 2019 | 12,221 |
| Interim dividend paid in 2019 | - |
| Maximum amount to be distributed (*) | 12,221 |
| Projected cash for one year from the date of the agreement | |
| Cash at the date of the agreement | 332,595 |
| Projected cash balances one year from the date of the agreement | 399,114 |

(*) The amount to be distributed complies with the requirements established in article 277 of the Company Law

To that date, the Bank had sufficient liquidity to pay the dividend.

## h) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the parent by the average number of outstanding ordinary shares during the year. Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the Parent Company by the average number of outstanding ordinary shares plus the average number of ordinary shares that would be issued if all dilutive potential ordinary shares were converted into ordinary shares.

Basic and diluted earnings per share are presented in the table below:

| | 2020 | 2019 |
|---|---|---|
| Net profit attributable to owners of the Parent Company (in thousands of euros) | 18,137 | 17,830 |
| Financial costs associated with the issuance of convertible bonds (in thousands of euros) | - | - |
| Net profit attributable to owners of the parent, net of the finance costs associated with issuance of convertible bonds (in thousands of euros) | 18,137 | 17,830 |
| Weighted average number of ordinary shares, excluding treasury shares, for calculating basic earnings per share | 40,604,856 | 40,590,420 |
| Weighted average number of ordinary shares, excluding treasury shares, for calculating diluted earnings per share | 40,604,856 | 40,590,420 |
| **Basic earnings per share (euros)** | **0,45** | **0,44** |
| **Diluted earnings per share (euros)** | **0,45** | **0,44** |

## i) Minimum capital requirements

On 26 June 2013, the European Parliament and the Council of the European Union approved Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (hereinafter, "CRR"), and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (hereinafter, "CRD"), which entered into force on 1 January 2014, with progressive implementation until 1 January 2019. They have the effect of repealing all formerly prevailing solvency regulations.

The CRR and the CRD have been developed in the delegated aspects indicated in said regulations mainly through Commission delegated regulations and EBA Guidelines, with particular relevance to Regulation (EU) 2019/876 which amends EU Regulation 575/2013 incorporating amendments to the leverage ratio, net stable funding ratio, equity and eligible liabilities requirements, counterparty risk, market risk, exposure to central counterparties, exposure to collective investment undertakings, and reporting and disclosure requirements.

The CRR and the CRD regulate the own resources requirements in the European Union and reflect the recommendations established in the Basel III Capital Accord, specifically:

- The CRR, directly applicable by Member States, contains prudential requirements to be implemented by credit institutions and among other matters, covers:

  i) Definition of the items that computable as equity, stipulating the requirements for hybrid instruments to be legible and limiting the eligibility of non-controlling interests recognised for accounting purposes.

  ii) Definition of prudential filters and deductions from capital for each defined capital tiers. Note that the Regulation introduces new deductions with respect to Basel II (deferred tax assets that are dependent on future profitability, pension funds, etc.) and modifies existing deductions. However, it introduces transitional provisions that allow for staggered application.

  iii) Establishment of minimum capital requirements, included in Article 92 of the CRR, articulated around three types of capital: Common Equity Tier 1 (CET 1) capital, of at least 4.5% of RWA; Tier 1 capital, of at least 6% of RWA; and Total Capital, of at least

8%. However, the competent authority has the power to require additional equity.

iv) Imposition of a leverage calculation requirement on financial institutions, which is defined as the entity's Tier I capital divided by its total exposure unadjusted by risk.

- The CRD, which has to be transposed by Member States into their national legislation at their discretion, has as its main objective the coordination of national provisions relating to access to the business of credit institutions and investment firms, their governance mechanisms and their supervisory framework. The CRD, among other aspects, includes additional capital requirements over and above those established in the CRR, failure to comply with which entails limitations on discretionary distributions of earnings, specifically:

  v) A capital conservation buffer and countercyclical capital buffer, further implementing the Basel III regulatory framework with the aim mitigating the procyclical effects of financial regulation, includes an obligation to maintain a Capital Conservation Buffer of 2.5% of CET 1 capital, common to all financial institutions and an institution-specific Countercyclical Capital Buffer on CET 1 capital.

  vi) A buffer against systemic risks, aimed at mitigating systemic risks, i.e. to cover risks of disruptions in the financial system that could have serious negative consequences for the financial system and the real economy of a Member State.

  vii) A buffer for global systemically important institutions and other systemically important institutions to reduce the potential impact of financial distress of institutions that, given their size, complexity, interconnections, cross-border activities and/or difficulty of replacement services provided, may have on the financial system and the real economy.

In this respect, in application of Article 68.2.a) of Law 10/2014, the Bank of Spain demanded a total capital ratio of at least 12.13% at consolidated and individual level in 2020. In addition, a Bank of Spain requirement was received establishing a minimum total capital ratio at consolidated and individual level of 12.13% in 2021.

At December 31, 2020, the Group was in compliance with the aforementioned provisions, maintaining the CET 1 capital ratio at 14.71% (16.68% in 2019).

In terms of legislative developments in Spain, the newest legislation mainly focuses on the transposition of the European regulations at the local level:

- Royal Decree-Law 14/2013, of November 29, on urgent measures regarding the adaptation of Spanish law to European regulations on the supervision and solvency of financial institutions: it partially transposes the Spanish law of the CRD and enables the Bank of Spain to make use of the options afforded to the competent authorities in the CRR.
- Bank of Spain Circular 2/2014 of January 31 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 conferred, which options of the CRR it assigns to the competent national authorities, consolidate groups of credit institutions and credit institutions, whether integrated into a consolidate group, will have to comply with as from 1 January 2014, and with what scope. To this end, in this Circular, the Bank of Spain makes use of some of the temporary or permanent regulatory options provided for in

the CRR, in general in order to allow continuity in the treatment that Spanish legislation had been giving to certain issues prior to the entry into force of said Community legislation, justified in some instances by the business model traditionally pursued by Spanish banks. This does not preclude the future exercise of other options attributed to the competent authorities in the CRR, in many cases, mainly in the case of non-general options, by direct application of the CRR, without the need for a Bank of Spain circular.

- Law 10/2014 of 26 June on the organisation, supervision and solvency of credit entities, the main purpose of which is to continue with the process of transposition of CRD IV initiated by the Royal Decree Law 14/2013 of 29 November and to consolidate certain national provisions in force to date concerning the organisation and discipline of credit institutions. Among the main novelties, for the first time, the express obligation of the Bank of Spain to present, at least once a year, a Supervisory Programme specifying the content and form that the supervisory activity will take, and the actions to be undertaken as a consequence of the results obtained. This program will include the development of a stress test at least once a year.
- Bank of Spain Circular 3/2014 of July 30 on credit institutions and certified appraisal companies and services. Among other measures, this Circular amends Circular 2/2014 of January 31 on the exercise of several of the regulatory options contained in Regulation (EU) No. 575/2013 with respect to the prudential requirements for credit institutions and investment services, in order to unify the treatment of the deduction of intangible assets during the transitional period established by Regulation (EU) No. 575/2013, bringing the treatment of goodwill into line with that of other intangible assets.
- Royal Decree 84/2015 of 13 February implementing Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions, which develops aspects of the regulations it develops, with special emphasis on the activity requirements applicable to credit institutions, the elements of the supervisory function and the regulatory development of capital buffers.
- Bank of Spain Circular 2/2016, of February 2 , for credit institutions, on the regulation supervision and solvency of credit institutions, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No. 575/2013.
- Bank of Spain Circular 4/2017, of November 27, for credit institutions, on public and reserved financial information standards and model financial statements, which completes the adaptation to Regulation (EU) No. 575/2013.
- Bank of Spain Circular 2/2018 of 21 December amending Circular 4/2017 of 27 November to credit institutions on public and confidential financial reporting standards and financial statement formats, and Circular 1/2013 of 24 May on the Central Risk Information Office and financial statement formats, which completes the adaptation to Regulation (EU) no. 575/2013.

In relation to the Group's eligible own funds, the prudential filter applies concerning additional valuation adjustments on assets valued at fair value in accordance with Articles 34 and 105 of Regulation (EU) No 575/2013 and its implementing legislation Implementing Regulation (EU) 101/2016 using the simplified approach.

In relation to its minimum capital requirements, the Group applies:

- The standardised approach to calculate its capital requirements in respect of credit, balancing entries, and dilution risk.
- The standardised approach to calculate its capital requirements in respect of market risk.
- The basic indicator approach to calculate its capital requirements in respect of operational risk.

The table below presents the Group's eligible equity at 31 December 2020 and 2019, indicating each of its components and deductions, and broken down, as required under the new regulations, into Level 1 and Level 2 capital:

Thousands of Euros

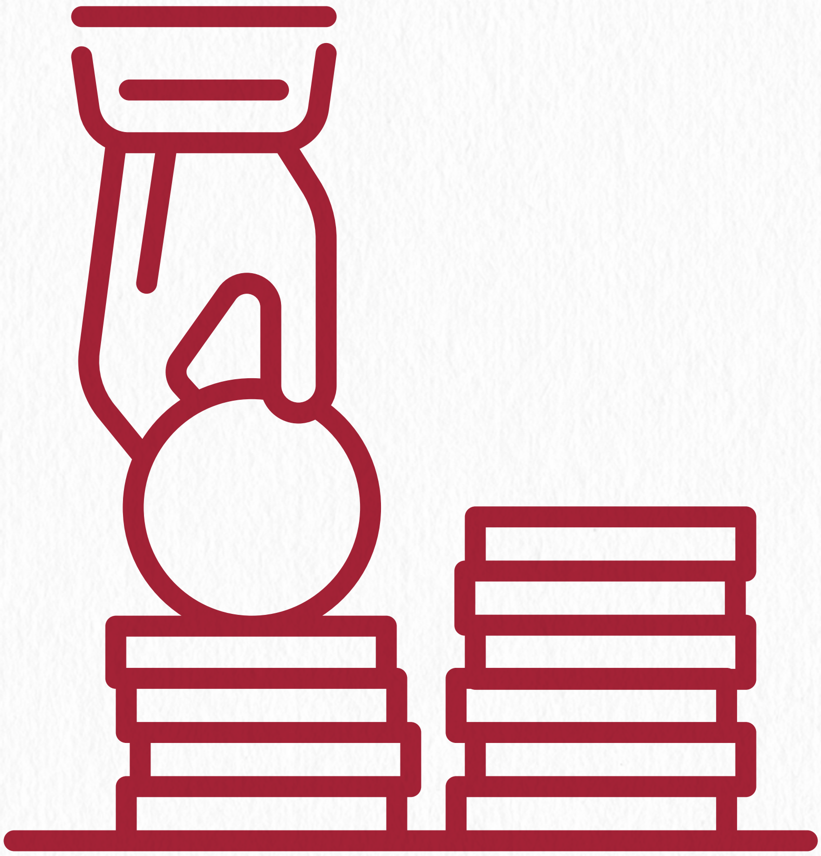
| | 2020 | 2019 |
|---|---|---|
| Total eligible equity | 73,549 | 72,423 |
| **Level 1 Capital** | **73,549** | **72,423** |
| Paid-in equity instruments | 18,312 | 18,312 |
| Share premium | 8,496 | 8,496 |
| Additional valuation adjustments (-) | (636) | (878) |
| CET 1 equity instruments (-) | | |
| Held directly | (486) | (601) |
| Held indirectly | | |
| Retained earnings from previous years | 76,943 | 67,074 |
| Other reserves | (637) | 337 |
| Non-controlling interests recognised within CET 1 capital | - | - |
| Transitional adjustments due to additional minority interests | - | - |
| Goodwill (-) | (15,423) | (15,423) |
| Other intangible assets (-) | (4,819) | (3,222) |
| Additional deductions from Tier 1 capital - Art 3 CRR | (8,201) | (1,672) |
| **Tier 2 capital** | **-** | **-** |
| Adjustments for general credit risk using the standard method | - | - |
| Additional Deductions from Tier 2 capital | - | - |
| Ordinary Tier 1 capital ratio | 14.71% | 16.68% |
| **Ordinary Tier 1 capital surplus (+) / deficit (-)** | **51,053** | **52,879** |
| **Total capital ratio** | **14.71%** | **16.68%** |
| **Surplus (+) / deficit (-) of total capital** | **33,556** | **37,678** |

## j) Accumulated other comprehensive income - Elements that can be reclassified to income - Changes in the fair value of debt instruments measured at fair value with changes in other comprehensive income.

This consolidated balance sheet heading includes the net amount of changes in the fair value of debt instruments classified at fair value with changes in other comprehensive income that must be classified as part of the Group's equity. These changes are recognised in the income statement when the assets from which they arose are sold (see note 10).

## k) Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income

This consolidated balance sheet section includes the net amount of changes in the fair value of equity instruments classified at fair value through other comprehensive income that should be classified as part of the Group's equity (see note 10).



Total eligible equity:

# 73,549,000 €

### l) Minority interests (non-controlling interests)

The detail of this caption in the accompanying consolidated balance sheets and of the changes therein in 2020 and 2019, as well as of the results for the year attributed to external partners, are shown in the accompanying table:

**Financial year: 2020**

Thousands of Euros

| | % of participation at 12/31/20 | Balance at 12/31/19 | Attributable profit or loss for the year | Other (Note 3) | Balance at 12/31/20 |
|---|---|---|---|---|---|
| Carterix, S.A. (antes Renta 4 Marruecos, S.A.) | 0.08% | 1 | - | - | 1 |
| Renta 4 Inversiones de Valladolid, S.A. | 1.00% | 3 | - | - | 3 |
| Renta 4 Lérida, S.A. | 18.34% | 17 | - | - | 17 |
| Renta 4 Inversiones Inmobiliarias (antes Renta 4 On Line, S.A.) | 1.00% | 1 | - | - | 1 |
| Rentsegur Correduría de Seguros, S.A. | 27.51% | 23 | - | - | 23 |
| Renta 4 Equities, S.A. | 0.11% | 1 | - | - | 1 |
| Renta 4 Global Fiduciaria, S.A. | 30.57% | 874 | (91) | 77 | 860 |
| | | **920** | **(91)** | **77** | **906** |

**Financial year 2019**

Thousands of Euros

| | % of participation at 12/31/19 | Balance at 12/31/18 | Attributable profit or loss for the year | Other (Note 3) | Balance at 12/31/19 |
|---|---|---|---|---|---|
| Carterix, S.A. (antes Renta 4 Marruecos, S.A.) | 0.08% | 1 | - | - | 1 |
| Renta 4 Inversiones de Valladolid, S.A. | 1.00% | 3 | - | - | 3 |
| Renta 4 Lérida, S.A. | 18.34% | 17 | - | - | 17 |
| Renta 4 Inversiones Inmobiliarias (antes Renta 4 On Line, S.A.) | 1.00% | 1 | - | - | 1 |
| Rentsegur Correduría de Seguros, S.A. | 27.51% | 23 | - | - | 23 |
| Renta 4 Equities, S.A. | 0.11% | 1 | - | - | 1 |
| Renta 4 Global Fiduciaria, S.A. | 30.57% | 639 | (228) | 463 | 874 |
| | | **685** | **(228)** | **463** | **920** |

# 2.19

# Contingent Liabilities And Commitments

## a) Contingent liabilities

The detail of contingent liabilities, understood as transactions in which the Companies guarantee third party obligations arising as a result of financial guarantees granted or other types of contracts at 2020 and 2019 year-end, is as can be seen in the following table:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Financial guarantees and others | 707 | 672 |
| | **707** | **672** |

A significant portion of these amounts will mature without any payment obligation materialising for the consolidated companies and, therefore, the combined balance of these commitments cannot be considered a real future financing or liquidity need to be granted to third parties by the Group.

## b) Contingent commitments

The detail of the contingent commitments, understood as irrevocable commitments that may give rise to the recognition of financial assets, at 31 December 2020 and 2019, is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Credit commitments | 19,931 | 20,999 |
| Other obligations issued | 8,657 | 9,115 |
| | **28,588** | **30,114** |

This item includes credit commitments for credit accounts signed with third parties to finance their operations on the Stock Exchange, in accordance with certain conditions and terms previously stipulated in the contract.

Details of credit commitments, grouped by counterparty and indicating the limit and the amount pending drawdown, are provided in Note 11.

The average interest rate offered for these commitments is 12-month Euribor plus 1,14% as of 31 December 2020 (Euribor 12 months plus 1,59% as of 31 December 2019).

## c) Judicial proceedings and/or ongoing claims

At 31 December 2020 and 2019, various legal proceedings and claims were in progress against the Group arising from the ordinary course of its business. Both the Group's legal advisers and its Directors consider that the outcome of these proceedings and claims will not have a material effect on the consolidated financial statements for the current year.

# 2.20 Tax Position

On 1 January 2017, the tax group was broken up and the companies that formed part of it are individually taxed for corporate income tax at the tax rate applicable to each of them, depending on the applicable legislation.

The detail of the income tax expense and the reconciliation between the tax expense and the accounting profit before tax multiplied by the tax rate applicable to each company for 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Consolidated profit before taxes | 24,019 | 24,780 |
| Quota | 6,791 | 7,355 |
| Adjustments to prior years' expense | 8 | 101 |
| Deductions | (495) | (283) |
| Offsetting of tax loss carryforwards | (444) | - |
| Effect of non-deductible/taxable items | 113 | 5 |
| Income tax expense | 5,973 | 7,178 |
| Adjustments to prior years' expense | 8 | (101) |
| Deferred tax effect | 79 | 40 |
| Other adjustments | 73 | 256 |
| Current tax rate | 6,133 | 7,373 |
| Withholdings and advance payments | (4,714) | (6,175) |
| **Tax payable/(refund)** | **1,419** | **1,198** |

Under current legislation, taxes cannot be deemed to be definitively settled until the returns filed have been inspected by the tax authorities or the four-year statute-of-limitations period has elapsed. At 31 December 2020, the companies composing the Group had open for inspection the last four financial years for all taxes applicable to it. The Parent Company's Directors do not expect significant additional liabilities to arise in the event of an inspection.

In addition, taxes were recognised with a (charge)/ credit to equity relating to the valuation of the portfolio of financial assets designated at fair value with changes in other comprehensive income amounting to 22 and 282 thousand euros in 2020 and 2019, respectively.

In accordance with the corporate tax returns filed and the estimates made for 2019, the Group has the following tax loss carryforwards to offset against any future tax benefits for which the related deferred tax assets have not been recognised:

Thousands of Euros

| Year of origin | 2020 (*) | 2019 (*) |
|---|---|---|
| 1999 | 5 | 5 |
| 2000 | 34 | 34 |
| 2001 | 18 | 22 |
| 2002 | 1 | 1 |
| 2004 | 371 | 371 |
| 2005 | 27 | 28 |
| 2011 | 1 | 1 |
| 2012 | 131 | 154 |
| 2013 | 112 | 316 |
| 2014 | 336 | 882 |
| 2015 | 518 | 871 |
| 2016 | 550 | 889 |
| 2017 | 992 | 1,335 |
| 2018 | 2,013 | 2,547 |
| 2019 | 1,101 | - |
| | **6,210** | **7,456** |

(*) These are global balances of tax loss carryforwards on both domestic balances and balances corresponding to international subsidiaries

These tax loss carryforwards include individual tax bases generated by the tax group companies prior to their integration into the Group and tax bases generated by other individual companies not belonging to the Group.

Taxable bases are adjusted to the year-end exchange rate due to the volatility of the exchange rates of foreign companies.

The detail of current tax liabilities is as follows:

Thousands of Euros

| Current tax liabilities | 2020 | 2019 |
|---|---|---|
| Current tax liabilities relating to corporate tax | | |
| Taxes payable relating to corporate tax | 1,419 | 1,198 |
| Current tax liabilities (other balances with public authorities) | - | - |
| Other | | |
| Withholdings from participants in redemption of UCIT shares. | 1,984 | 1,488 |
| Personal income tax (I.R.P.F.) | 917 | 817 |
| Other | 218 | 362 |
| Taxes payable relating to VAT | 465 | 190 |
| Withholdings IRPF rents | 21 | 18 |
| Personal income tax withholdings relating to capital yields | 1,437 | 773 |
| | **6,461** | **4,846** |

The breakdown of deferred tax assets and deferred tax liabilities recognised for temporary differences arising from differences between the carrying amount of certain assets and liabilities and their tax value is as follows:

Thousands of Euros

| Deferred tax assets | Time differences | Tax effect |
|---|---|---|
| **2020** | | |
| Total impairment of financial assets | 637 | 191 |
| Amortisation expense | 856 | 255 |
| Other | 2,036 | 548 |
| | **3,529** | **994** |
| **2019** | | |
| Total impairment of financial assets | 637 | 191 |
| Amortisation expense | 1,069 | 319 |
| Other | 1,570 | 430 |
| | **3,276** | **940** |

The temporary difference generated by the "amortisation expenses" is reversing.

Thousands of Euros

| Deferred tax liabilities | Time differences | Tax effect |
|---|---|---|
| **2020** | | |
| Tax valuation of financially leased assets | 2,850 | 821 |
| Financial assets designated at fair value with changes in other comprehensive income | 2,460 | 738 |
| | **5,310** | **1,559** |
| **2019** | | |
| Tax valuation of financially leased assets | 3,093 | 928 |
| Financial assets designated at fair value with changes in other comprehensive income | 2,387 | 716 |
| | **5,480** | **1,644** |

The movement in deferred tax assets and liabilities is as follows:

Thousands of Euros

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Deferred Tax Assets | Deferred Tax Liabilities | Deferred Tax Assets | Deferred Tax Liabilities |
| Opening balance | 940 | 1,644 | 1,020 | 1,471 |
| Registrations | 118 | 22 | - | 282 |
| Cancellations | (64) | (107) | (80) | (109) |
| Other | - | - | - | - |
| **Closing balance** | **994** | **1,559** | **940** | **1,644** |

Regarding deferred tax assets, the provisions of Royal Decree-Law 3/2016 of 2 December, which adopts measures in the tax area aimed at consolidating public finances and other urgent social measures, stipulate that losses due to impairment of the value of investments that were tax deductible in tax periods prior to 2014 and which are not tax deductible from that date must be reversed for a minimum annual amount, on a straight-line basis over five years. The effect of this Royal Decree on the 2020 consolidated financial statements was an increase in the tax expense of 32 thousand euros.

# 2.21

## Related parties

In 2020 and 2019 the Group considers related parties to the Group and Associated companies, key management personnel consisting of the members of the Board of Directors of the Parent Company and the members of Senior Management, consisting of a General Manager, and the significant Shareholders of the Parent Company.

## Balances and transactions with related companies

The balances at 31 December 2020 and 2019 and the transactions performed by the Group in 2020 and 2019 are as follows:

**Financial year: 2020**

Thousands of Euros

| Expenses and Income | Significant Shareholders (*) | Directors and Managers | Related Persons, Institutions or Group Companies | Other Related Parties (**) | Total |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Financial expenses | - | - | - | 8 | 8 |
| Leases | - | - | - | 24 | 24 |
| Services received | 3 | - | - | - | 3 |
| General data | - | 10 | - | - | 10 |
| **Totals** | **3** | **10** | - | **32** | **45** |
| **Income** | | | | | |
| Financial income | 32 | 11 | - | 6 | 49 |
| Provision of Services | 1,317 | 276 | - | 95 | 1,688 |
| **Totals** | **1,349** | **287** | - | **101** | **1,737** |
| **Assets** | | | | | |
| Secured/Unsecured receivables | 10,025 | 707 | - | - | 10,732 |
| Secured receivables | - | 24 | - | 31 | 55 |
| Credits for customers | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| **Totals** | **10,025** | **731** | - | **31** | **10,787** |
| **Liabilities** | | | | | |
| Financial liabilities at amortised cost | 5,520 | 497 | - | 979 | 6,996 |
| **Totals** | **5,520** | **497** | **-** | **979** | **6,996** |

(*) Significant shareholders who are Directors or Managers are included in the "Directors and Managers" column.
(**) Correspond to balances and transactions with companies related to significant shareholders and Directors and Managers..

**Financial year: 2020**

Thousands of Euros

| Other transactions | Significant Shareholders (*) | Directors and Managers | Related Persons, Institutions or Group Companies | Other Related Parties (***) | Total |
|---|---|---|---|---|---|
| Financing agreements: loans and capital contributions (lender) (**) | 10,025 | 707 | - | - | 10,732 |
| Financing, Loan and Capital Contribution Agreements (borrower) | - | - | - | - | - |
| Other asset transactions | - | 24 | - | 31 | 55 |
| Other liability transactions | 5,520 | 497 | - | 979 | 6,996 |
| Dividends distributed | - | - | - | - | - |
| Guarantees received | 5,610 | 1,941 | - | - | 7,551 |
| Obligations undertaken | 11,598 | 1,263 | - | - | 12,861 |

(*) Significant shareholders who are Directors or Managers are included in the "Directors and Managers" column.
(**) Including balance drawn down.
(***) Correspond to balances and transactions with companies related to significant shareholders and Directors and Managers.

All transactions with related parties have been carried out under market conditions.

The detail of the outstanding balances with Significant Shareholders, Directors and Managers for the transactions carried out in 2020 is as follows:

| Position | Transaction type | Limit | Balances | Collateral | Maturity |
|---|---|---|---|---|---|
| Significant shareholders | Securities loan | 800 | 800 | 1,462 | 01/12/2021 |
| Significant shareholders | Securities loan | 170 | 169 | 320 | 12/23/2023 |
| Significant shareholders | Securities loan | 170 | 167 | 331 | 12/24/2023 |
| Significant shareholders | Securities loan | 170 | 169 | 297 | 12/25/2023 |
| Significant shareholders | Securities loan | 175 | - | - | 04/22/2021 |
| Significant shareholders | Securities loan | 320 | 316 | 640 | 09/23/2023 |
| Significant shareholders | Securities loan | 320 | 316 | 640 | 09/24/2023 |
| Significant shareholders | Securities loan | 320 | 316 | 640 | 09/25/2023 |
| Significant shareholders | Securities loan | 320 | 316 | 640 | 09/26/2023 |
| Significant shareholders | Securities loan | 320 | 316 | 640 | 09/27/2023 |
| Significant shareholders | Securities loan | 8,500 | 7,127 | - | 09/30/2022 |
| Administrators and directors | Securities loan | 271 | 271 | 410 | 05/24/2021 |
| Administrators and directors | Securities loan | 775 | 419 | 1,151 | 06/27/2021 |
| Administrators and directors | Securities loan | 200 | - | 380 | 11/29/2023 |
| Administrators and directors | Other | 17 | 17 | - | 06/01/2024 |
| Significant shareholders | Other | 13 | 13 | - | 01/01/2028 |
| | | **12,861** | **10,732** | **7,551** | |

**Financial year 2019**

Thousands of Euros

| Expenses and Income | Significant Shareholders (*) | Directors and Managers | Related Persons, Institutions or Group Companies | Other Related Parties (**) | Total |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Financial expenses | - | - | - | 8 | 8 |
| Leases | - | - | - | 13 | 13 |
| Services received | - | - | - | 30 | 30 |
| **Totals** | - | - | - | **51** | **51** |
| **Income** | | | | | |
| Financial income | 20 | 26 | - | 26 | 72 |
| Provision of Services | 191 | 54 | - | 306 | 551 |
| **Totals** | **211** | **80** | - | **332** | **623** |
| **Assets** | | | | | |
| Secured receivables | 51 | 910 | - | 1,272 | 2,233 |
| Secured receivables | - | 22 | - | - | 22 |
| Credits for customers | - | - | 18 | 50 | 68 |
| Other financial assets | - | - | - | - | - |
| **Totals** | **51** | **932** | **18** | **1,322** | **2,323** |
| **Liabilities** | | | | | |
| Financial liabilities at amortised cost | 4,149 | 1,943 | - | 3,186 | 9,278 |
| **Totals** | **4,149** | **1,943** | - | **3,186** | **9,278** |

(*) Significant shareholders who are Directors or Managers are included in the "Directors and Managers" column.
(**) Correspond to balances and transactions with companies related to significant shareholders and Directors and Managers.

**Financial year 2019**

Thousands of Euros

| Other transactions | Significant Shareholders (*) | Directors and Managers | Related Persons, Institutions or Group Companies | Other Related Parties (***) | Total |
|---|---|---|---|---|---|
| Financing agreements: loans and capital contributions (lender) (**) | 51 | 932 | - | 1,272 | 2,255 |
| Financing, Loan and Capital Contribution Agreements (borrower) | - | - | - | - | - |
| Other asset transactions | - | - | 18 | 50 | 68 |
| Other liability transactions | 4,149 | 1,943 | - | 3,186 | 9,278 |
| Dividends distributed | 3,875 | 4,001 | - | 11 | 7,887 |
| Guarantees received | 388 | 1,972 | - | 2,499 | 4,859 |
| Obligations undertaken | 175 | 1,068 | - | 1,500 | 2,743 |

(*) Significant shareholders who are Directors or Managers are included in the "Directors and Managers" column.
(**) Including balance drawn down.
(***) Correspond to balances and transactions with companies related to significant shareholders and Directors and Managers.

All transactions with related parties have been carried out under market conditions.

The detail of the outstanding balances with Significant Shareholders, Directors and Managers for the transactions carried out in 2019 is as follows:

| Position | Transaction type | Principal Amount | Amount available | Amount drawn | Collateral | Maturity |
|---|---|---|---|---|---|---|
| Other related parties | Securities loan | 175 | 51 | 124 | 388 | 04/22/2021 |
| Directors and Managers | Securities loan | 271 | 271 | - | 405 | 05/24/2021 |
| Directors and Managers | Securities loan | 775 | 639 | 136 | 1,567 | 06/27/2021 |
| Directors and Managers | Securities loan | 1,500 | 1,272 | 228 | 2,499 | 06/27/2022 |
| Directors and Managers | Loans | 22 | 22 | - | - | 06/01/2024 |

In addition, at 31 December 2020 related party securities had been deposited with the Group amounting to 156,782 thousand euros (31 December 2018: 153,190 thousand euros).

## Information on Directors

The composition of the Board of Directors and the compensation received by the Parent's Directors based in their capacity as Executives is as follows:

Thousands of Euros

| Financial year: 2020 | Board of Directors | Board Committees | Other compensations | Total |
|---|---|---|---|---|
| **Board of Directors** | | | | |
| Navarro Martínez Pedro Ángel | 60 | - | - | 60 |
| Ferreras Díez Pedro | 60 | - | - | 60 |
| Rubio Laporta Jose Ramón | 60 | - | - | 60 |
| Harmon Sarah Marie | 60 | - | - | 60 |
| Chacón López Eduardo | 60 | - | - | 60 |
| Juste Bellosillo Inés | 60 | - | - | 60 |
| Fundación Obra Social Abogacía Española | 71 | - | - | 71 |
| Aznar Cornejo Gema | 60 | - | - | 60 |
| **Total** | **491** | **-** | **-** | **491** |

Thousands of Euros

| Financial year 2019 | Board of Directors | Board Committees | Other compensations | Total |
|---|---|---|---|---|
| **Board of Directors** | | | | |
| Navarro Martínez Pedro Ángel | 60 | - | - | 60 |
| Ferreras Díez Pedro | 60 | - | - | 60 |
| Trueba Cortes Eduardo (*) | 60 | - | - | 60 |
| García Molina Francisco de Asís (*) | 60 | - | - | 60 |
| Rubio Laporta Jose Ramón | 60 | - | - | 60 |
| Harmon Sarah Marie | 60 | - | - | 60 |
| Chacón López Eduardo | 60 | - | - | 60 |
| Juste Bellosillo Inés | 60 | - | - | 60 |
| Fundación Obra Social Abogacía Española | 71 | - | - | 71 |
| Mutualidad de la Abogacía (*) | 71 | - | - | 71 |
| Aznar Cornejo Gema (**) | 15 | - | - | 15 |
| **Total** | **637** | **-** | **-** | **637** |

(*) On 20 December 2019, the members of the board were removed. (**) On 20 December 2019, she joined the Board.

## Remuneration of key management personnel

The Group considers key management personnel to be the members of the parent's company's Board of Directors, which includes four executive directors, and the members of the Senior Management, consisting of a general manager.

The compensation accrued by key management personnel is as follows:

Thousands of Euros

| Item | Managers | Senior Management |
|---|---|---|
| **Financial year: 2020** | | |
| Wages and salaries and monetary compensation | 1,706 | 186 |
| **Total** | **1,706** | **186** |
| **Financial year 2019** | | |
| Wages and salaries and monetary compensation | 1,722 | 183 |
| **Total** | **1,722** | **183** |

In addition, the Group has an insurance policy to cover its liability with members of the Board of Directors and Senior Management for possible claims in the performance of their duties. The premium paid by the Group in 2020 amounted to 178 thousand euros (81 thousand euros in 2019).

The Group also had an insurance policy in 2020 to cover its obligations in the event of death, permanent and total disability of its senior executives. The premium paid by the Group in 2020 amounted to 1 thousand euros (1 thousand euros in 2019).

## Other information on Directors

At the end of 2020 and 2019, the directors of the parent company, in accordance with the following resolutions with the information required by article 229 of Royal Decree 1/2010, of July 2, approving the revised text of the Corporate Act. The Board of Directors of the Parent Company has not informed to the other members of the parent's Board of Directors of any situation of conflict, direct or indirect, that they (or their related parties) may have with the interest of the Parent Company.

# 2.22

## Income and expenses

## a) Interest income, interest expense and profit or (losses) on financial assets and liabilities.

The breakdown of these consolidated income statement headings is provided below:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Interest income** | | |
| Deposits with central banks | 19 | 40 |
| Deposits in credit institutions | 197 | 757 |
| Credits for customers | 2,654 | 2,384 |
| Debt securities | 1,560 | 3,051 |
| | **4,430** | **6,232** |
| **Interest expense** | | |
| Deposits from central banks | (1,804) | (628) |
| Deposits in credit institutions | (793) | (1,010) |
| Customer deposits | (860) | (208) |
| Other | (575) | (551) |
| | **(4,032)** | **(2,397)** |
| **Gains / (Losses) on financial assets and liabilities** | | |
| Gains or (-) losses on derecognition in accounts of financial assets and liabilities not measured at fair value with changes in profit or loss, net | 1 | 8,099 |
| Gains or (-) losses on financial assets and liabilities held for trading, net | 9,484 | 6,396 |
| | **9,485** | **14,495** |

## b) Fees

"Fee and commission income" and "Fee and commission expense" headings in the consolidated income statements include the amount of all fees and commissions payable to, or paid to, the Group accrued during the financial year. The criteria used to recognise fees and commissions in results are detailed in Note 4.o).

The breakdown of income and expenses due to fees and commissions in 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Commission income** | | |
| Contingent liabilities | 44 | 44 |
| Services related to securities | 76,833 | 45,610 |
| Sale of non-banking financial products (Note 23.a) | 11,008 | 8,805 |
| Management of UCITS and pension funds (Note 23.a) | 69,110 | 69,825 |
| Other fees and commissions | 2,724 | 4,888 |
| Asset management fees and equity management advice (Note 23.a) | 2,013 | 3,175 |
| | **161,732** | **132,347** |
| **Commission expenses** | | |
| Paid to other entities and correspondent banks | (23,812) | (12,702) |
| Fees paid on trading securities | (63,756) | (51,735) |
| | **(87,568)** | **(64,437)** |

## c) Other operating income and expenses

The breakdown of "Other operating income" in the consolidated income statements for 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Other products | 271 | 227 |

This heading includes mainly rental income arising from the real estate investment held by the Group (see Note 13).

The breakdown of “Other Operating Expenses” in the consolidated income statements for 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Contribution to the Investment Guarantee Fund | 40 | 40 |
| Contribution to the Deposit Guarantee Fund | 1,681 | 1,363 |
| Contribution to the NRF | 314 | 233 |
| Other charges | 1,465 | 824 |
| | **3,500** | **2,460** |

“Other charges” includes mainly fees paid to the Spanish National Securities Commission (CNMV).

The subsidiary companies Renta 4 Gestora, S.G.I.I.C. and Renta 4 S.A., Sociedad de Valores, must make an annual contribution to the Investment Guarantee Fund in accordance with the provisions of Royal Decree 948/2001, of 3 August, on investor compensation systems, as amended by Law 53/2002, of 30 December, on tax, administrative and social measures and by Royal Decree 1642/2008, of 10 October, amending the amounts guaranteed. The amount contributed by the companies to the aforementioned fund in 2020 amounted to 20 thousand euros and 20 thousand euros, respectively (20 thousand euros and 20 thousand euros in 2019).

## d) Personnel Expenses

The breakdown of the balance of this heading in the consolidated statements of income is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Salaries and bonuses, active personnel | 28,706 | 27,964 |
| Social security payments | 6,024 | 5,607 |
| Provisions for defined benefit plans | - | 1 |
| Provisions for defined contribution plans | 293 | 297 |
| Termination benefits | 121 | 1,371 |
| Other staff expenses | 81 | 143 |
| Training expenses | 67 | 86 |
| Parent company share-based remuneration | 464 | 365 |
| | **35,756** | **35,834** |

As of December 31 of 2020 y 2019, "Wages and Salaries" includes, among other items, the income corresponding to the financial effect of the loans granted to staff (see note 4).

The number of Group employees as of December 31, 2020 and 2019, by gender and professional category, is as follows:

Number of employees

| Financial year: 2020 | Average | | | Year-end | |
|---|---|---|---|---|---|
| | Men | Women | With losses equal to or greater than 33% | Men | Women |
| Department | 11 | 2 | - | 11 | 2 |
| Technicians | 313 | 130 | 1 | 325 | 135 |
| Administrative staff | 29 | 56 | 2 | 30 | 57 |
| | **353** | **188** | **3** | **366** | **194** |

Number of employees

| Financial year 2019 | Average | | | Year-end | |
|---|---|---|---|---|---|
| | Men | Women | With losses equal to or greater than 33% | Men | Women |
| Department | 11 | 2 | - | 11 | 2 |
| Technicians | 289 | 128 | 2 | 299 | 125 |
| Administrative staff | 28 | 57 | 2 | 28 | 57 |
| | **328** | **187** | **4** | **338** | **184** |

As of December 31, 2020, the Board of Directors of Renta 4 Banco, S.A., responsible for the approval of these consolidated financial statements for issue, for financial year 2020, is made up of 8 men, 3 women and 1 legal entity.

As of December 31, 2019, the Board of Directors of Renta 4 Banco, S.A., responsible for the approval of these consolidated financial statements for issue, the year of 2019, is made up of 8 men, 3 women and 1 legal entity.

## e) Other administrative expenses

The breakdown of the balance of this heading in the consolidated statements of income is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Property, fixtures and equipment | 1,817 | 1,935 |
| IT | 4,623 | 3,992 |
| Notifications | 5,663 | 5,481 |
| Advertising and publicity | 1,920 | 1,755 |
| Technical reports | 1,646 | 1,261 |
| Court and legal fees | 403 | 473 |
| Insurance and self-insurance premiums | 278 | 195 |
| Entertainment and employee travel expenses | 662 | 1,252 |
| Association membership fees | 187 | 178 |
| Levis and other contributions | | |
| Property tax | 114 | 114 |
| Other | 1,042 | 599 |
| Endowments | 349 | 157 |
| Other expenses | 1,570 | 1,370 |
| | **20,274** | **18,762** |

## f) Impairment / Reversal of impairment of financial assets not measured at fair value through profit or loss

The breakdown of the balance of this heading in the accompanying consolidated income statement for the years 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Financial assets designated at fair value with changes in other comprehensive income** | | |
| Generic impairment provision | 82 | (116) |
| **Financial assets at amortised cost** | | |
| Provisions (Note 11.c) | (3,310) | (655) |
| Recoveries (Note 11.c) | 328 | 455 |
| | **(2,982)** | **(200)** |
| | **(2,900)** | **(316)** |

## g) Exchange rate differences (net)

The breakdown of the heading in the accompanying consolidated income statements for the years ended in December, 31, 2020 and 2019 is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Item** | | |
| Trading operations | 11,116 | 4,059 |

This heading includes gains and losses generated by intermediation transactions in currencies other than the euro.

# 2.23

## Other information

### a) Fiduciary services and investment services

The breakdown of off-balance sheet customer funds at year-end 2020 and 2019 (on a consolidated basis and eliminating overlapping) is as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Mutual and pension funds | 7,171,044 | 7,293,851 |
| Discretionary portfolios under management | 738,527 | 661,101 |
| Funds managed by the Group | 7,909,571 | 7,954,952 |
| Investment Funds and Companies | 2,426,451 | 1,620,170 |
| Funds marketed but not managed by the Group | 2,426,451 | 1,620,170 |
| **Total** | **10,336,022** | **9,575,122** |

The fee and commission income generated by the management of the assets listed above in 2020 and 2019 is shown below:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Asset management fees and equity management advice (Note 22.b) | 2,013 | 3,175 |
| Fees and commissions generated by the marketing of non-banking financial products (Note 22.b) | 11,008 | 8,805 |
| Fees from the management of UCITS and pension funds (Note 22.b) | 69,110 | 69,825 |
| | **82,131** | **81,805** |

In addition, the Group provides securities management and custody services to its customers. The commitments undertaken by the Group at 31 December 2020 and 2019 in connection with this service are as follows:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Securities owned by third parties (at fair value) | | |
| Capital instruments | 13,878,427 | 12,649,818 |
| Debt instruments | 2,359,745 | 2,616,996 |
| | **16,238,172** | **15,266,814** |

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Securities owned by third parties (at nominal value) | | |
| Derivatives | 1,928,408 | 2,286,383 |
| | **1,928,408** | **2,286,383** |

## b) Branches

A list of Renta 4 Banco, S.A. branches at December 31, 2020 and 2019 is provided in Annex II.

## c) Agency agreements

Annex III to the accompanying consolidated financial statements provides the disclosures required under Article 22 of Spanish Royal Decree 1245/1995 of July 14 on the duty of credit institutions operating in Spain to include a list of their agents, indicating the scope of powers granted in this annual report.

## d) Audit fees

The auditing firm KPMG Auditores S.L., which audits the Group's financial statements, invoiced fees for the year ended 31 December 2020 and 2019, as detailed below:

Thousands of Euros

| | Spain | |
|---|---|---|
| | 2020 | 2019 |
| For auditing tasks | 117 | 102 |
| For the review of interim financial statements | - | 24 |
| Client Asset Protection Report | 28 | 27 |
| | **145** | **153** |

The amounts included in the foregoing table include the fees relating to the services performed to carry out the audit in financial year 2020, regardless of when they were invoiced.

On the other hand, other institutions affiliated to the KPMG Group invoiced the Group for the year ended 31 December 2020 and 2019, fees and expenses for professional services, as detailed below:

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| For auditing tasks | 59 | 54 |
| For other verification services | 2 | 2 |
| For tax advisory services | 9 | 9 |
| For other services | 25 | - |
| | **95** | **65** |

## e) Abandoned balances and deposits

In accordance with what is indicated in article 18 of Law 33/2003, of 3 November, on the equity of public administrations, there are no balances and deposits in the Institutions in abandonment in accordance with the provisions of that Article.

## f) Customer service

During 2020 financial year, the Renta 4 Group received a total of 54 complaints and/or claims, 44 of which were submitted to the Renta 4 Customer Service Department and 10 to the Ombudsman for Participants, as the latter dealt with matters relating to pension plans, which are within its competence.

Of the total number of complaints received, two (2) were not admitted for processing, rejecting the opening of the corresponding files, in one of the cases due to it being under a legal proceeding, and the other case concerned a pension plan that was not managed by Renta 4, and therefore did not fall within its competence.

In relation to the complaints filed with the Ombudsman, during 2020 it received a total of 10 complaints, of which 9 were admitted for processing and one was rejected as not being within its competence. The Ombudsman has issued 8 favourable resolutions for clients and one (1) unfavourable resolution, the main cause of these complaints being delays or incidents in the processing and assumptions of liquidity of pension plans, all during the state of alarm as a result of COVID-19. These incidents in the processing of the cases were solved, not involving any financial compensation for the Entity.

On the other hand, the Renta 4 Customer Service Department received a total of 44 complaints in 2020, 43 of which were admitted for processing and one was rejected due to being in legal proceedings. The number of complaints filed in 2020, a total of 44, was higher than the 25 received in 2019.

In terms of the type of resolutions, during 2020, 15 resolutions were unfavourable for the Client, 34% of the total, a similar figure to the 16 resolutions issued in 2019. In terms of favourable resolutions for the client, in 2020 there were 5 complaints, 11% of the total, compared to one (1) that was issued in 2019.

On the other hand, complaints resolved by means of a proposed settlement by Customer

Service in 2020 amounted to 15, 34% of the total, higher than the 8 settlements reached in 2019, which accounted for 32% of the total. The amount disbursed in such favourable agreements and resolutions in financial year 2020 amounted to 343,806.43 euros, compared to 8,454.71 euros paid in 2019.

Finally, it should be noted that at the end of 2020, seven claims were in the processing and study phase, pending the corresponding resolution.

Attached in Annex V is the Report of the Customer Service Department of Renta 4 Group for the financial year 2020.

## g) Environmental impact

In view of the activity in which the Group entities are involved, they have no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to their equity, financial position or profits or losses. For this reason, no specific breakdowns are included in this annual report of the consolidated financial statements with respect to information on environmental issues.

Also, in 2020 and 2019 the institutions composing the Group did not have any greenhouse gas emission rights.

## h) Information on the average payment period to suppliers. Third additional provision. "Duty of information" of the Law 15/2010, of 5 July

The information regarding the average payment period to suppliers is as follows:

| | 2020 | 2019 |
|---|---|---|
| **(Days)** | | |
| Average payment period to suppliers | 12,24 | 12,25 |
| Ratio of paid operations | 11,56 | 12,83 |
| Ratio of outstanding transactions | 1,06 | 1,21 |
| **(Thousands of euros)** | | |
| Total payments made | **26,833** | **22,251** |
| Total payments pending | **1,725** | **1,298** |

## i) Most relevant contracts between Group companies

On 2 January 2020, Renta 4 Banco, S.A. signed a contract with several of its subsidiaries to provide accounting, IT, administrative and tax services. The contract has a duration of 1 year, which can be extended.

On 2 January 2020, Renta 4 Banco, S.A. signed a lease agreement with several of its subsidiaries for the lease of the building located at Paseo de la Habana 74, Madrid (see Note 13). The space will be used for investment services and financial intermediation in general in each of its subsidiaries. The contract has a duration of 1 year, which can be extended.

Since 31 August 2013, Renta 4 Banco, S.A. has signed a contract with Renta 4 Gestora SGIIC, S.A. and Renta 4 Pensiones EGFP, S.A. to market the managed UCITs and pension funds. The contract has a duration of 1 year, tacitly renewable for equal periods.

As of 2 January 2020, Renta 4 Sociedad de Valores, S.A. has signed a contract with Renta 4 Banco, S.A. for the provision of investment services of indefinite duration, by which it undertakes to provide custody, administration, settlement and intermediation services to the Bank. Both parties agree to adjust on a daily basis, and depending on the volumes (number of operations, equity, markets) managed, intermediated, settled and under the sub-custody of Renta 4 Sociedad de Valores, S.A., the commissions that the Securities Company will receive in execution of the services contained in the contract.

In 2020 and 2019 no contracts were signed with Group companies in addition to those mentioned above.

## j) Annual bank report

In compliance with the provisions of Article 87.1 of Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, Annex VI includes a breakdown of the information required by the aforementioned law.

## k) Other public information required by the Bank of Spain

In compliance with the reporting obligations to the Bank of Spain, the Group reported the following as of 31 December 2020:

- It has not carried out financing operations for the construction, real estate development and home purchases.
- It has no foreclosed assets or assets received in payment of debts by the group of credit institutions.
- For the presentation of information on the distribution of customer loans by activity, see Note 11.c.

# 2.24

## Subsequent events

Up to the date on which the Group's Board of Directors prepared its consolidated annual financial statements, no other significant event has occurred that must be included in the accompanying consolidated annual financial statements in order for them to give a true and fair view of the consolidated Group's equity, financial position, consolidated results of operations and consolidated cash flows.

# Annex 0.1

**Renta 4 Banco, S.A. and Subsidiaries**

Breakdown of holdings in Group Companies and Associates at 31 December 2020

| Companies | Address | Activity | % of Direct |
|---|---|---|---|
| **Group companies** | | | |
| Carterix, S.A. | Madrid | Provision of financial services | 5 |
| Renta 4 Aragón, S.A. | Madrid | Provision of financial services | 99.96 |
| Sociedad de Estudios e Inversiones, S.A. | Madrid | Provision of financial services | - |
| Renta 4 Burgos, S.A. | Madrid | Provision of financial services | 99.97 |
| Renta 4 Gestora, S.G.I.I.C., S.A. | Madrid | I.I.C. Management | 99.99 |
| Renta 4 Huesca, S.A. | Madrid | Provision of financial services | 99.94 |
| Renta 4 Inversiones de Valladolid, S.A. | Madrid | Provision of financial services | 85 |
| Renta 4 Lérida, S.A. | Madrid | Provision of financial services | 81.66 |
| Renta 4 Inversiones Inmobiliarias S.A. | Madrid | Provision of financial services | 99 |
| Renta 4 Pensiones, E.G.F.P., S.A. | Madrid | Management of pension funds | 99.99 |
| Renta 4, S.A., Sociedad de Valores | Madrid | Brokerage on the stock exchange market | 100 |
| Renta 4 Equities, S.A. | Madrid | Provision of financial services | - |
| Renta 4 Corporate, S.A. | Madrid | Financial advice and consultancy | 100 |
| Renta 4 Vizcaya, S.A. | Madrid | Provision of financial services | - |
| Rentsegur, Correduría de Seguros, S.A. | Madrid | Insurance brokerage and provision of financial services | - |
| Padinco Patrimonios, S.A. | Madrid | Provision of financial services | 100 |
| Renta 4 Chile SPA | Chile | Provision of financial services | 100 |
| Inversiones Renta 4 Chile, S.L. | Chile | Provision of financial services | 0.01 |
| Renta 4 Chile Corredores de Bolsa, S.A. | Chile | Provision of financial services | - |
| Renta 4 Colombia SAS | Bogota | Provision of financial services | 100 |
| Renta 4 Agente de Bolsa S.A. | Lima | Provision of financial services | 99.99 |
| Renta 4 Luxemburgo, S.A. | Luxembourg | I.I.C. Management | 100 |
| Renta 4 Global Fiduciaria, S.A. | Bogota | Provision of fiduciary services | 69.43 |
| **Associated companies** | | | |
| Kobus Partners Management S.G.E.I.C., S.A. | Madrid | E.I.C. Management | - |

This annex forms an integral part of Note 3 to the accompanying consolidated annual financial statements report and should be read in conjunction with it.

ownership interest | Thousands of Euros

| Indirect | Total | Capital | Share premium | Reserves | Valuation adjustments | Profit/(loss) | Dividend |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 94.92 | 99.92 | 782 | - | (431) | - | (1) | - |
| - | 99.96 | 62 | - | 8 | - | - | - |
| 100 | 100 | 60 | - | (22) | - | - | - |
| - | 99.97 | 34 | - | 10 | - | - | - |
| - | 99.99 | 2,374 | - | 8,848 | - | 3,996 | (1,975) |
| - | 99.94 | 3 | - | (2) | - | - | - |
| 14 | 99 | 60 | - | 260 | - | - | - |
| - | 81.66 | 90 | - | (7) | - | (2) | - |
| - | 99 | 60 | - | (8) | - | - | - |
| - | 99.99 | 3,889 | 290 | 3,573 | - | 1,315 | - |
| - | 100 | 3,149 | 24 | 6,831 | | (284) | - |
| 99.9 | 99.9 | 15 | - | 260 | - | (7) | - |
| - | 100 | 92 | - | 1,873 | - | 205 | - |
| 99.99 | 99.99 | 391 | - | (369) | - | 4 | - |
| 72.5 | 72.5 | 75 | - | (41) | - | (5) | - |
| - | 100 | 105 | - | 91 | - | - | - |
| - | 100 | 9,640 | - | (229) | (65) | (1) | - |
| 99.99 | 100 | 6,625 | - | (218) | 57 | - | - |
| 100 | 100 | 7,969 | - | (2,239) | (947) | 1,230 | - |
| - | 100 | 587 | - | (330) | (87) | (11) | - |
| - | 99.99 | 4,550 | - | (2,409) | (520) | 201 | - |
| - | 100 | 700 | - | 190 | - | 48 | - |
| - | 69.43 | 6,707 | - | (2,865) | (735) | (295) | - |
| | | | | | | | |
| 30 | 30 | 223 | 236 | 237 | - | 60 | - |

# Annex 0.1

**Renta 4 Banco, S.A. and Subsidiaries**
Breakdown of ownership interests in Group Companies and Associates at 31 December 2019

| Companies | Address | Activity | % of Direct |
|---|---|---|---|
| **Group companies** | | | |
| Carterix, S.A. | Madrid | Provision of financial services | 5 |
| Renta 4 Aragón, S.A. | Madrid | Provision of financial services | 99.96 |
| Sociedad de Estudios e Inversiones, S.A. | Madrid | Provision of financial services | - |
| Renta 4 Burgos, S.A. | Madrid | Provision of financial services | 99.97 |
| Renta 4 Gestora, S.G.I.I.C., S.A. | Madrid | I.I.C. Management | 99.99 |
| Renta 4 Huesca, S.A. | Madrid | Provision of financial services | 99.94 |
| Renta 4 Inversiones de Valladolid, S.A. | Madrid | Provision of financial services | 85 |
| Renta 4 Lérida, S.A. | Madrid | Provision of financial services | 81.66 |
| Renta 4 Inversiones Inmobiliarias S.A. | Madrid | Provision of financial services | 99 |
| Renta 4 Pensiones, E.G.F.P., S.A. | Madrid | Management of pension funds | 99.99 |
| Renta 4, S.A., Sociedad de Valores | Madrid | Brokerage on the stock exchange market | 100 |
| Renta 4 Equities, S.A. | Madrid | Provision of financial services | - |
| Renta 4 Corporate, S.A. | Madrid | Financial advice and consultancy | 100 |
| Renta 4 Vizcaya, S.A. | Madrid | Provision of financial services | - |
| Rentsegur, Correduría de Seguros, S.A. | Madrid | Insurance brokerage and provision of financial services | - |
| Padinco Patrimonios, S.A. | Madrid | Provision of financial services | 100 |
| Renta 4 Chile SPA | Chile | Provision of financial services | 100 |
| Inversiones Renta 4 Chile, S.L. | Chile | Provision of financial services | 0.01 |
| Renta 4 Chile Corredores de Bolsa, S.A. | Chile | Provision of financial services | - |
| Renta 4 Colombia SAS | Bogota | Provision of financial services | 100 |
| Renta 4 Agente de Bolsa S.A. | Lima | Provision of financial services | 99.99 |
| Renta 4 Luxemburgo, S.A. | Luxembourg | I.I.C. Management | 100 |
| Renta 4 Global Fiduciaria, S.A. | Bogota | Provision of fiduciary services | 69.43 |
| **Associated companies** | | | |
| Kobus Partners Management S.G.E.I.C., S.A. | Madrid | E.I.C. Management | - |

This annex forms an integral part of Note 3 to the accompanying consolidated annual financial statements report and should be read in conjunction with it.

ownership interest

Thousands of Euros

| Indirect | Total | Capital | Share premium | Reserves | Valuation adjustments | Profit/(loss) | Dividend |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 94.92 | 99.92 | 782 | - | (412) | - | (19) | - |
| - | 99.96 | 62 | - | 8 | - | - | - |
| 100 | 100 | 60 | - | (22) | - | - | - |
| - | 99.97 | 34 | - | 10 | - | - | - |
| - | 99.99 | 2,374 | - | 8,708 | - | 6,262 | (4,029) |
| - | 99.94 | 3 | - | (2) | - | - | - |
| 14 | 99 | 60 | - | 260 | - | - | - |
| - | 81.66 | 90 | - | (5) | - | (2) | - |
| - | 99 | 60 | - | (8) | - | - | - |
| - | 99.99 | 3,889 | 290 | 5,207 | - | 1,048 | - |
| - | 100 | 3,149 | 24 | 7,873 | | 6 | - |
| 99.9 | 99.9 | 15 | - | 260 | - | - | - |
| - | 100 | 92 | - | 1,386 | - | 487 | - |
| 99.99 | 99.99 | 391 | - | (367) | - | (2) | - |
| 72.5 | 72.5 | 75 | - | (37) | - | (4) | - |
| - | 100 | 105 | - | 91 | - | - | - |
| - | 100 | 9,640 | - | (229) | (65) | (1) | - |
| 99.99 | 100 | 6,625 | - | (218) | 57 | - | - |
| 100 | 100 | 7,969 | - | (1,628) | (858) | (611) | - |
| - | 100 | 587 | - | (319) | (64) | (11) | - |
| - | 99.99 | 3,550 | - | (1,962) | (192) | (395) | - |
| - | 100 | 700 | - | 91 | - | 99 | - |
| - | 69.43 | 6,047 | - | (2,115) | (327) | (750) | - |
| | | | | | | | |
| 30 | 30 | 223 | 236 | 44 | - | 217 | - |

# Annex 0.2

**Renta 4 Banco, S.A. and Subsidiaries**
List of offices December 31, 2020 and 2019
**Financial year 2020**

| OFFICE | POSTAL ADDRESS |
|---|---|
| Renta 4 A Coruña | Calle Juan Florez, Núm 60, Bajo 15004, Coruña (A), España |
| Renta 4 Albacete | Calle Tesifonte Gallego, Núm 25, Bajo 2002, Albacete, España |
| Renta 4 Alicante | Avenida Óscar Esplá, Núm 29, Bj 3007, Alicante/Alacant, España |
| Renta 4 Almería | Avenida Federico García Lorca, Núm 21, 4004, Almeria, España |
| Renta 4 Ávila | Avenida de Portugal, Núm 39, 5001, Ávila, España |
| Renta 4 Badajoz | Calle Pedro de Valdivia, Nº7-9, (Chaflán Con Ronda Del Pilar) 06002, Badajoz |
| Renta 4 Barcelona | Calle Gran Via de Les Corts Catalanes, Núm 655, Local 8010, Barcelona, España |
| Renta 4 Barcelona- Diagonal | Avenida Diagonal, Núm 459, 8036, Barcelona, España |
| Renta 4 Bilbao | Calle Elcano, Núm 14, 48008, Bilbao, España |
| Renta 4 Burgos | Avenida de La Paz, Núm 3, Bajo 9004, Burgos, España |
| Renta 4 Cáceres | Avenida Virgen de Guadalupe, Núm 7, Bj 10001, Cáceres, España |
| Renta 4 Cádiz | Calle Juan Ramón Jiménez, 1 Esquina Avenida Andalucia, 11007, Cádiz, España |
| Renta 4 Cantabria | Calle Isabel II, Núm 20, 39002, Santander, España |
| Renta 4 Castellón | Calle Carrer Gasset, Núm 9, 12001, Castellón de La Plana, España |
| Renta 4 Ciudad Real | Calle Calatrava, Núm 5, Bj 13004, Ciudad Real, España |
| Renta 4 Córdoba | Paseo de La Victoria, Núm 1, 14008, Córdoba, España |
| Renta 4 Cuenca | Calle Diego Jiménez, Nº2, Cp 16.004, Cuenca, España |
| Renta 4 Cullera | Paseo Passtge de Lúllal, Núm 2-Bj, Edificio Manantial 46400, Cullera, España |
| Renta 4 Elche | Calle Corredera, Núm 34, 3203, Elche/Elx, España |
| Renta 4 Gijón | Calle Jovellanos, Núm 2, Esquina C/Cabrales 33202, Gijon, España |
| Renta 4 Girona | Calle Gran Via Jaume I, Núm 29-35, 17001, Girona, España |
| Renta 4 Gran Canaria | Calle Muelle Las Palmas, Núm 6, 35003, Las Palmas de Gran Canaria, España |
| Renta 4 Granada | Calle Acera Del Darro, Núm 35, 18005, Granada, España |
| Renta 4 Guadalajara | Calle Padre Félix Flores, Núm 4, 19001, Guadalajara, España |
| Renta 4 Guipúzcoa | Calle Urbieta, Núm 2, Bajo, 20006, San Sebastián/Donostia, España |
| Renta 4 Huelva | Avenida de La Ría, Núm 4, Entreplanta 21001, Huelva, España |
| Renta 4 Huesca | Calle Cavia, Núm 8, Bajo 22005, Huesca, España |
| Renta 4 Jaén | Avenida de Madrid, Núm 20, Bajo 23003, Jaén, España |
| Renta 4 Lanzarote | Calle Esperanza, Núm 1, 35500, Arrecife, España |
| Renta 4 León | Calle Ordoño II, Núm 35, 24001, León, España |
| Renta 4 Lleida | Rambla Ferrán, Núm 1, 25007, Lleida, España |

| OFFICE | POSTAL ADDRESS |
|---|---|
| Renta 4 Logroño | Calle Jorge Vigon, Núm 22, 26003, Logroño, España |
| Renta 4 Lugo | Calle Rúa Montevideo, Núm 7, Bajo 27001, Lugo, España |
| Renta 4 Madrid | Paseo de La Habana, Núm 74, 28036, Madrid, España |
| Renta 4 Madrid - Almagro | Calle Almagro, Núm 11, 28010, Madrid, España |
| Renta 4 Madrid - Príncipe de Vergara | Calle Príncipe de Vergara, Núm 12, 28001, Madrid, España |
| Renta 4 Madrid - Recoletos | Paseo de Recoletos, Núm 21, 28004, Madrid, España |
| Renta 4 Madrid - Serrano | Calle Serrano, Núm 63, Bajo, 28006, Madrid, España |
| Renta 4 Madrid Sur | Calle Leganés, Núm 33, 28945, Fuenlabrada, España |
| Renta 4 Málaga | Calle Alameda de Colon, Núm 9, 29001, Málaga, España |
| Renta 4 Mallorca | Calle Avinguda Comte de Sallent, Núm 2, 7003, Palma de Mallorca, España |
| Renta 4 Murcia | Avenida General Primo de Rivera, Núm 23, 30008, Murcia, España |
| Renta 4 Ourense | Calle Curros Enríquez, Núm 27, Baixo 32003, Ourense, España |
| Renta 4 Oviedo | Calle General Yagüe, Núm 1, Conde de Torero 33004, Oviedo, España |
| Renta 4 Palencia | Plaza Isabel La Católica, Núm 1, 34005, Palencia, España |
| Renta 4 Pamplona | Avenida Baja Navarra, Núm 9 Bis, 31002, Pamplona/Iruna, España |
| Renta 4 Sabadell | Calle Vilarrubias, Núm 9, Bajos B, 08208, Sabadell, España |
| Renta 4 Salamanca | Avenida Mirat, Núm 11, 37002, Salamanca, España |
| Renta 4 Segovia | Paseo Ezequiel González, Núm 34, 40002, Segovia, España |
| Renta 4 Sevilla | Avenida de La Buharia, Núm 11, 41018, Sevilla, España |
| Renta 4 Soria | Avenida Navarra, Núm 5, 42003, Soria, España |
| Renta 4 Tarragona | Rambla Nova, Núm 114, Bajo 5 43001, Tarragona, España |
| Renta 4 Tenerife | Calle El Pilar, Núm 54, 38002, Santa Cruz de Tenerife, España |
| Renta 4 Terrassa | Calle Arquimedes, Núm 156, 8224, Terrassa, España |
| Renta 4 Teruel | Avenida Sagunto, Núm 42, Bajo 44002, Teruel, España |
| Renta 4 Toledo | Avda de La Reconquista Nº 3 Planta Baja, Toledo, España |
| Renta 4 Valencia | Plaza Alfonso El Magnánimo, Núm 2, 46003, Valencia, España |
| Renta 4 Valladolid | Calle Manuel Íscar, Núm 3, 47001, Valladolid, España |
| Renta 4 Vigo | Calle García Barbón, Núm 18, 36201, Vigo, España |
| Renta 4 Vitoria | Avenida Gasteiz, Núm 23, 01008, Vitoria-Gasteiz, España |
| Renta 4 Zamora | Avenida Alfonso IX, Núm 1, 49013, Zamora, España |
| Renta 4 Zaragoza | Calle León XIII, Núm 5, 50008, Zaragoza, España |

| INTERNATIONAL LOCATIONS | POSTAL ADDRESS |
|---|---|
| Colombia | Carrera 9 Número 78-15, Bogota |
| Chile | Avenida Alonso de Córdova Nº 5752 Local A, Comuna de las Condes, Región Metropolitana |
| Peru | Avenida Víctor Andrés Belanunde 147.<br>Centro Empresarial Camino Real, Torre Real 1, Oficina 202 San Isido, Lima |
| Luxembourg | Grand Rue 70; L-1660 Luxembourg |

This annex forms an integral part of Note 23 to the accompanying annual financial statements with which it should be read.

# Annex 0.2

**Renta 4 Banco, S.A. and Subsidiaries**

List of offices December 31, 2020 and 2019

**Financial year 2019**

| OFFICE | POSTAL ADDRESS |
|---|---|
| Renta 4 A Coruña | Calle Juan Florez, Núm 60, Bajo 15004, Coruña (A), España |
| Renta 4 Albacete | Calle Tesifonte Gallego, Núm 25, Bajo 2002, Albacete, España |
| Renta 4 Alicante | Avenida Oscar Esplá, Núm 29, Bj 3007, Alicante/Alacant, España |
| Renta 4 Almería | Avenida Federico Garcia Lorca, Núm 21, 4004, Almeria, España |
| Renta 4 Ávila | Avenida de Portugal, Núm 39, 5001, Avila, España |
| Renta 4 Badajoz | Calle Pedro de Valdivia, Nº7-9, (Chaflán Con Ronda Del Pilar) 06002, Badajoz |
| Renta 4 Barcelona | Calle Gran Via de Les Corts Catalanes, Núm 655, Local 8010, Barcelona, España |
| Renta 4 Barcelona - Diagonal | Avenida Diagonal, Núm 459, 8036, Barcelona, España |
| Renta 4 Bilbao | Calle Elcano, Núm 14, 48008, Bilbao, España |
| Renta 4 Burgos | Avenida de La Paz, Núm 3, Bajo 9004, Burgos, España |
| Renta 4 Cáceres | Avenida Virgen de Guadalupe, Núm 7, Bj 10001, Caceres, España |
| Renta 4 Cádiz | Calle Juan Ramón Jiménez, 1 Esquina Avenida Andalucia, 11007, Cádiz, España |
| Renta 4 Cantabria | Calle Isabel II, Núm 20, 39002, Santander, España |
| Renta 4 Castellón | Calle Carrer Gasset, Núm 9, 12001, Castellón de La Plana, España |
| Renta 4 Ciudad Real | Calle Calatrava, Núm 5, Bj 13004, Ciudad Real, España |
| Renta 4 Córdoba | Paseo de La Victoria, Núm 1, 14008, Córdoba, España |
| Renta 4 Cuenca | Calle Diego Jiménez, Nº2, Cp 16.004, Cuenca, España |
| Renta 4 Cullera | Paseo Passtge de Lúllal, Núm 2-Bj, Edificio Manantial 46400, Cullera, España |
| Renta 4 Elche | Calle Corredera, Núm 34, 3203, Elche/Elx, España |
| Renta 4 Gijón | Calle Jovellanos, Núm 2, Esquina C/Cabrales 33202, Gijon, España |
| Renta 4 Girona | Calle Gran Via Jaume I, Núm 29-35, 17001, Girona, España |
| Renta 4 Gran Canaria | Calle Muelle Las Palmas, Núm 6, 35003, Las Palmas de Gran Canaria, España |
| Renta 4 Granada | Calle Acera Del Darro, Núm 35, 18005, Granada, España |
| Renta 4 Guadalajara | Calle Padre Félix Flores, Núm 4, 19001, Guadalajara, España |
| Renta 4 Guipúzcoa | Calle Urbieta, Núm 2, Bajo, 20006, San Sebastián/Donostia, España |
| Renta 4 Huelva | Avenida de La Ría, Núm 4, Entreplanta 21001, Huelva, España |
| Renta 4 Huesca | Calle Cavia, Núm 8, Bajo 22005, Huesca, España |
| Renta 4 Jaén | Avenida de Madrid, Núm 20, Bajo 23003, Jaén, España |
| Renta 4 Lanzarote | Calle Esperanza, Núm 1, 35500, Arrecife, España |
| Renta 4 León | Calle Ordoño II, Núm 35, 24001, León, España |

| OFFICE | POSTAL ADDRESS |
|---|---|
| Renta 4 Lleida | Rambla Ferran, Núm 1, 25007, Lleida, España |
| Renta 4 Logroño | Calle Jorge Vigon, Núm 22, 26003, Logroño, España |
| Renta 4 Lugo | Calle Rúa Montevideo, Núm 7, Bajo 27001, Lugo, España |
| Renta 4 Madrid | Paseo de La Habana, Núm 74, 28036, Madrid, España |
| Renta 4 Madrid - Almagro | Calle Almagro, Núm 11, 28010, Madrid, España |
| Renta 4 Madrid - Príncipe de Vergara | Calle Príncipe de Vergara, Núm 12, 28001, Madrid, España |
| Renta 4 Madrid - Recoletos | Paseo de Recoletos, Núm 21, 28004, Madrid, España |
| Renta 4 Madrid - Serrano | Calle Serrano, Núm 63, Bajo, 28006, Madrid, España |
| Renta 4 Madrid Sur | Calle Leganés, Núm 33, 28945, Fuenlabrada, España |
| Renta 4 Málaga | Calle Alameda de Colon, Núm 9, 29001, Málaga, España |
| Renta 4 Mallorca | Calle Avinguda Comte de Sallent, Núm 2, 7003, Palma de Mallorca, España |
| Renta 4 Murcia | Avenida General Primo de Rivera, Núm 23, 30008, Murcia, España |
| Renta 4 Ourense | Calle Curros Enríquez, Núm 27, Baixo 32003, Ourense, España |
| Renta 4 Oviedo | Calle General Yagüe, Núm 1, Conde de Torero 33004, Oviedo, España |
| Renta 4 Palencia | Plaza Isabel La Católica, Núm 1, 34005, Palencia, España |
| Renta 4 Pamplona | Avenida Baja Navarra, Núm 9 Bis, 31002, Pamplona/Iruna, España |
| Renta 4 Sabadell | Calle Vilarrubias, Núm 9, Bajos B, 08208, Sabadell, España |
| Renta 4 Salamanca | Avenida Mirat, Núm 11, 37002, Salamanca, España |
| Renta 4 Segovia | Paseo Ezequiel González, Núm 34, 40002, Segovia, España |
| Renta 4 Sevilla | Avenida de La Buharia, Núm 11, 41018, Sevilla, España |
| Renta 4 Soria | Avenida Navarra, Núm 5, 42003, Soria, España |
| Renta 4 Tarragona | Rambla Nova, Núm 114, Bajo 5 43001, Tarragona, España |
| Renta 4 Tenerife | Calle El Pilar, Núm 54, 38002, Santa Cruz de Tenerife, España |
| Renta 4 Terrassa | Calle Arquimedes, Núm 156, 8224, Terrassa, España |
| Renta 4 Teruel | Avenida Sagunto, Núm 42, Bajo 44002, Teruel, España |
| Renta 4 Toledo | Avda de La Reconquista Nº 3 Planta Baja, Toledo, España |
| Renta 4 Valencia | Plaza Alfonso El Magnánimo, Núm 2, 46003, Valencia, España |
| Renta 4 Valladolid | Calle Manuel Íscar, Núm 3, 47001, Valladolid, España |
| Renta 4 Vigo | Calle Garcia Barbón, Núm 18, 36201, Vigo, España |
| Renta 4 Vitoria | Avenida Gasteiz, Núm 23, 01008, Vitoria-Gasteiz, España |
| Renta 4 Zamora | Avenida Alfonso IX, Núm 1, 49013, Zamora, España |
| Renta 4 Zaragoza | Calle León XIII, Núm 5, 50008, Zaragoza, España |

| INTERNATIONAL LOCATIONS | POSTAL ADDRESS |
|---|---|
| Colombia | Carrera 9 Número 78-15, Bogota |
| Chile | Avenida Alonso de Córdova Nº 5752 Local A, Comuna de las Condes, Región Metropolitana |
| Peru | Avenida Víctor Andrés Belanunde 147.<br>Centro Empresarial Camino Real, Torre Real 1, Oficina 202 San Isido, Lima |
| Luxembourg | Grand Rue 70; L-1660 Luxembourg |

This annex forms an integral part of Note 23 to the accompanying annual financial statements with which it should be read.

# Annex 0.3

## Renta 4 Banco, S.A. and Subsidiaries

**Renta 4 Banco, S.A. and Subsidiaries**
List of Agents 31 December, 2020

| Name of Representative |
|---|
| Sentido Común Gestion, S.L. |
| Sofaboyco, S.L. |

This Annex forms an integral part of Note 23 in the accompanying annual financial statements and both should be read jointly.

**Renta 4 Banco, S.A. and Subsidiaries**
List of Agents 31 December, 2019

| Name of Representative |
|---|
| Sentido Común Gestion, S.L. |
| Sofaboyco, S.L. |

This Annex forms an integral part of Note 23 in the accompanying annual financial statements and both should be read jointly.

# Annex 0.4

**Renta 4 Banco, S.A.**

Balance sheets as of 31 December 2020 and 2019

Thousands of Euros

| ASSET | 2020 | 2019 |
|---|---|---|
| **Cash, cash balances with central banks and other demand deposits** | **696,791** | **623,844** |
| **Financial assets held for trading** | **54,086** | **26,595** |
| Derivatives | 467 | 7 |
| Equity instruments | 51,044 | 26,588 |
| Debt securities | 2,575 | - |
| **Financial assets designated at fair value with changes in other comprehensive income** | **580,174** | **850,256** |
| Equity instruments | 282 | 7,184 |
| Debt securities | 579,892 | 843,072 |
| *Memorandum item: Loaned or given as collateral with the right to sell or pledge* | *283,928* | *377,616* |
| **Financial assets at amortised cost** | **295,711** | **139,132** |
| Debt securities | 107,591 | - |
| Loans and advances | 188,120 | 139,132 |
| Central banks | - | - |
| Credit institutions | 41,984 | 33,732 |
| Clientele | 146,136 | 105,400 |
| *Memorandum item: Loaned or given as collateral with the right to sell or pledge* | *51,294* | - |
| **Investments in subsidiaries, joint ventures and associates** | **36,846** | **39,298** |
| Group companies | 36,846 | 39,298 |
| Jointly controlled companies | - | - |
| Associates | - | - |
| **Tangible assets** | **55,359** | **57,295** |
| Tangible fixed assets | 55,087 | 57,014 |

Thousands of Euros

| ASSET | 2020 | 2019 |
|---|---|---|
| For own use | 55,087 | 57,014 |
| Real estate investment | 272 | 281 |
| *Of which: transferred under an operating lease* | *272* | *281* |
| *Memorandum item: acquired under a finance lease* | *18,775* | *19,628* |
| **Intangible assets** | **7,332** | **6,019** |
| Goodwill | 3,177 | 3,812 |
| Other intangible assets | 4,155 | 2,207 |
| **Tax assets** | **1,012** | **991** |
| Current tax assets | - | - |
| Deferred tax assets | 1,012 | 991 |
| **Other assets** | **1,508** | **990** |
| Rest of the assets | 1,508 | 990 |
| **Non-current assets and disposal groups of items classified as held for sale** | **-** | **-** |
| **TOTAL ASSETS** | **1,728,819** | **1,744,420** |

# Annex 0.4

**Renta 4 Banco, S.A.**

Balance sheets as of 31 December 2020 and 2019

Thousands of Euros

| LIABILITIES | 2020 | 2019 |
|---|---|---|
| **Financial liabilities held for trading** | **457** | **6** |
| Derivatives | 457 | 6 |
| **Financial liabilities at amortised cost** | **1,617,389** | **1,649,743** |
| Deposits | 1,489,937 | 1,481,178 |
| Central banks | - | 9,808 |
| Credit institutions | 11,283 | 14,117 |
| Clientele | 1,478,654 | 1,457,253 |
| Debt instruments issued | - | - |
| Other financial liabilities | 127,452 | 168,565 |
| **Derivatives - Accounting Coverages** | **-** | **-** |
| **Provisions** | **318** | **496** |
| Pensions and other post-employment defined benefit obligations | - | - |
| Other long-term employee compensations | - | - |
| Outstanding tax litigation and procedural issues | 301 | 490 |
| Commitments and guarantees granted | 17 | 6 |
| Remaining provisions | - | - |
| **Tax liabilities** | **6,588** | **4,656** |
| Current tax liabilities | 5,189 | 3,185 |
| Deferred tax liabilities | 1,399 | 1,471 |
| **Share capital repayable on demand** | **-** | **-** |
| **Other liabilities** | **4,081** | **4,584** |
| **Liabilities included in disposal groups of items classified as held for sale** | **-** | **-** |
| **TOTAL LIABILITIES** | **1,628,833** | **1,659,485** |

Thousands of Euros

| EQUITY | 2020 | 2019 |
|---|---|---|
| **Equity** | **98,533** | **83,249** |
| Capital | 18,312 | 18,312 |
| Paid-up capital | 18,312 | 18,312 |
| Share premium | 8,496 | 8,496 |
| Other reserves | 57,198 | 47,901 |
| Accumulated reserves or losses on investments in joint ventures and associates | - | - |
| Others | 57,198 | 47,901 |
| (-) Treasury shares | (486) | (601) |
| Profit for the financial year | 15,013 | 17,258 |
| (-) Interim dividends | - | (8,117) |
| **Accumulated other comprehensive income** | **1,453** | **1,686** |
| **Items that are not reclassified to the income statement** | (366) | 147 |
| Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income | (366) | 147 |
| **Elements that can be reclassified to profit and losses** | 1,819 | 1,539 |
| Changes in fair value of debt instruments measured at fair value with changes in other comprehensive income | 1,819 | 1,539 |
| **TOTAL EQUITY** | **99,986** | **84,935** |
| **TOTAL EQUITY AND LIABILITIES** | **1,728,819** | **1,744,420** |
| ***MEMORANDUM ITEM: OFF-BALANCE-SHEET EXPOSURES*** | | |
| Guarantees granted | 4,985 | 5,123 |
| Contingent commitments granted | 19,931 | 20,999 |
| Other obligations issued | 8,657 | 9,115 |

# Annex 0.4

**Renta 4 Banco, S.A.**
Income statements for financial years ended on December 31, 2020 and 2019

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Interest income | 4,377 | 6,088 |
| (Interest expense) | (3,863) | (2,196) |
| (Expenses relating to share capital repayable on demand) | | |
| **A) INTEREST MARGIN** | **514** | **3,892** |
| Dividend income | 7,882 | 7,382 |
| Commission income | 94,806 | 68,257 |
| (Commission expenses) | (41,653) | (22,142) |
| Gains or (-) losses on derecognition in accounts of financial assets and liabilities not measured at fair value with changes in profit or loss, net | 1 | 8,099 |
| Gains or (-) losses on financial assets and liabilities held for trading, net | 8,300 | 5,790 |
| Exchange differences [profit or (-) loss], net | 10,362 | 3,843 |
| Other operating income | 401 | 351 |
| (Other operating expenses) | (3,197) | (2,284) |
| **B) GROSS MARGIN** | **77,416** | **73,188** |
| (Administrative expenses) | (42,512) | (41,980) |
| (Personnel Expenses) | (26,502) | (27,336) |
| (Other administrative expenses) | (16,010) | (14,644) |
| (Amortisation) | (8,752) | (8,284) |
| (Provisions or (-) reversal of provisions) | (226) | (202) |
| (Impairment in the value or (-) reversal of impairment in the value of financial assets not measured at fair value with changes in profit or loss) | (2,926) | (309) |

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| (Financial assets at fair value through changes in other comprehensive income) | 82 | (116) |
| (Financial assets at amortised cost) | (3,008) | (193) |
| **C) OPERATING INCOME** | **23,000** | **22,413** |
| (Impairment in the value or (-) reversal of impairment in the value of investments in subsidiaries, joint ventures or associates) | (3,910) | (772) |
| **D) PRE-TAX GAINS OR (-) LOSSES FROM CONTINUING OPERATIONS** | **19,090** | **21,641** |
| (Expenses or (-) income from taxes on income from continuing operations) | (4,077) | (4,383) |
| **E) GAINS OR (-) LOSSES AFTER TAX FROM CONTINUING OPERATIONS** | **15,013** | **17,258** |
| Gains or (-) losses after tax from discontinued operations | - | - |
| **F) PROFIT OR LOSS FOR THE FINANCIAL YEAR** | **15,013** | **17,258** |

# Annex 0.4

**Renta 4 Banco, S.A.**
Statements of changes in Equity as of December 31, 2020 and 2019

## Statement of recognised income and expenses for financial years ended 31 December 2020 and 2019

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **Profit for the financial year** | **15,013** | **17,258** |
| **Other comprehensive income** | **(77)** | **662** |
| **Items that will not be reclassified to profit and losses** | **(357)** | **1,320** |
| Changes in the fair value of equity instruments measured at fair value with changes in comprehensive income | (407) | 1,886 |
| Other valuation adjustments | - | - |
| Income tax relating to items that will not be reclassified | 50 | (566) |
| **Elements that can be reclassified to profit and losses** | **280** | **(658)** |
| Financial assets designated at fair value with changes in other comprehensive income | 400 | (940) |
| *Profits or (-) losses in value recognised in equity* | *483* | *7,043* |
| *Transferred to profit and losses* | *(83)* | *(7,983)* |
| *Other reclassifications* | - | - |
| Income tax relating to items that can be reclassified to profit or loss | (120) | 282 |
| **Total comprehensive profit or loss for the financial year** | **14,936** | **17,920** |

# Annex 0.4

**Renta 4 Banco, S.A.**
Statement of Changes in Equity

## Total statement of changes in equity for the financial year ended on 31 December 2020(*)

| Sources of changes in equity | Capital | Share premium | Equity instruments issued other than capital | Othe instr |
|---|---|---|---|---|
| **Opening balance 2020** | **18,312** | **8,496** | **-** | |
| Effects of error correction | - | - | - | |
| Effects of changes in accounting policies | - | - | - | |
| **Opening balance 2020** | **18,312** | **8,496** | **-** | |
| **Total comprehensive profit or loss for the financial year** | **-** | **-** | **-** | |
| **Other changes in equity** | **-** | **-** | **-** | |
| Dividends (or remuneration to shareholders) (Note 16.g) | - | - | - | |
| Purchase of treasury shares | - | - | - | |
| Sale or cancellation of treasury shares | - | - | - | |
| Transfers between equity components | - | - | - | |
| **Closing balance 2020** | **18,312** | **8,496** | **-** | |

Thousands of Euros

| r equity ruments | Retained gains | Revaluation reserves | Other reserves | (-) Treasury shares | Profit for the financial year | (-) Interim dividends | Accumulated other comprehensive income | Total |
|---|---|---|---|---|---|---|---|---|
| **-** | **-** | **-** | **47,901** | **(601)** | **17,258** | **(8,117)** | **1,686** | **84,935** |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| **-** | **-** | **-** | **47,901** | **(601)** | **17,258** | **(8,117)** | **1,686** | **84,935** |
| **-** | **-** | **-** | **-** | **-** | **15,013** | **-** | **(77)** | **14,936** |
| **-** | **-** | **-** | **9,297** | **115** | **(17,258)** | **8,117** | **(156)** | **115** |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | 115 | | - | - | 115 |
| - | - | - | 9,297 | - | (17,258) | 8,117 | (156) | - |
| **-** | **-** | **-** | **57,198** | **(486)** | **15,013** | **-** | **1,453** | **99,986** |

# Annex 0.4

**Renta 4 Banco, S.A.**
Statement of Changes in Equity.

## Total statement of changes in equity for the year ended 31 December 2019

| Sources of changes in equity | Capital | Share premium | Equity instruments issued other than capital | Othe instr |
|---|---|---|---|---|
| **Opening balance 2019** | **18,312** | **8,496** | **-** | |
| Effects of error correction | - | - | - | |
| Effects of changes in accounting policies | - | - | - | |
| **Opening balance 2019** | **18,312** | **8,496** | **-** | |
| **Total comprehensive profit or loss for the financial year** | **-** | **-** | **-** | |
| **Other changes in equity** | **-** | **-** | **-** | |
| Dividends (or remuneration to shareholders) (Note 16.g) | - | - | - | |
| Purchase of treasury shares | - | - | - | |
| Sale or cancellation of treasury shares | - | - | - | |
| Transfers between equity components | - | - | - | |
| **Closing balance 2019** | **18,312** | **8,496** | **-** | |

Thousands of Euros

| r equity ruments | Retained gains | Revaluation reserves | Other reserves | (-) Treasury shares | Profit for the financial year | (-) Interim dividends | Accumulated other comprehensive income | Total |
|---:|---:|---:|---:|---:|---:|---:|---:|---:|
| **-** | **-** | **-** | **45,626** | **(763)** | **14,407** | **(8,922)** | **1,024** | **78,180** |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| **-** | **-** | **-** | **45,626** | **(763)** | **14,407** | **(8,922)** | **1,024** | **78,180** |
| **-** | **-** | **-** | **-** | **-** | **17,258** | **-** | **662** | **17,920** |
| **-** | **-** | **-** | **2,275** | **162** | **(14,407)** | **805** | **-** | **(11,165)** |
| - | - | - | (3,246) | - | - | (8,117) | - | (11,363) |
| - | - | - | - | (231) | - | - | - | (231) |
| - | - | - | 36 | 393 | - | - | - | 429 |
| - | - | - | 5,485 | - | (14,407) | 8,922 | - | - |
| **-** | **-** | **-** | **47,901** | **(601)** | **17,258** | **(8,117)** | **1,686** | **84,935** |

# Annex 0.4

**Renta 4 Banco, S.A.**
Cash Flow Statement for financial years ended on December 31, 2020 and 2019

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **86,729** | **233,011** |
| **Profit for the financial year** | **15,013** | **17,258** |
| **Adjustments to obtain cash flows from operating activities** | **14,102** | **(1,060)** |
| Amortisation | 8,752 | 8,284 |
| Other adjustments | 5,350 | (9,344) |
| **Net increase/decrease in operating assets** | **83,881** | **(160,328)** |
| Trading portfolio | (27,491) | 1,534 |
| Other financial assets at fair value with changes in profits and losses | – | – |
| Financial assets at fair value with changes in other comprehensive income | 271,498 | (120,423) |
| Financial assets at amortised cost | (159,587) | (42,729) |
| Other operating assets | (539) | 1,290 |
| **Net increase/decrease in operating liabilities** | **(23,057)** | **381,273** |
| Trading portfolio | 451 | 6 |
| Financial liabilities at amortised cost | (24,025) | 380,330 |
| Other operating liabilities | 517 | 937 |
| **Collections/payments from taxes on profits** | **(3,210)** | **(4,312)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES)** | **(7,966)** | **(565)** |
| **Payments** | **(7,966)** | **(7,947)** |
| Tangible assets | (3,248) | (4,773) |
| Intangible assets | (3,260) | (1,606) |
| Shares | (1,458) | (1,568) |
| **Collections** | **-** | **7,382** |
| Other collections related to investment activities | - | 7,382 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **(5,816)** | **(13,361)** |
| **Payments** | **(13,813)** | **(13,790)** |
| Dividends | - | (11,363) |
| Acquisition of equity instruments | - | (231) |

Thousands of Euros

| | 2020 | 2019 |
|---|---|---|
| Other payments related to financing activities | (13,813) | (2,196) |
| **Collections** | **7,997** | **429** |
| Disposal of equity instruments | 115 | 429 |
| Other collections related to financing activities | 7,882 | - |
| **EFFECT OF EXCHANGE RATE CHANGES** | **-** | **-** |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS** | **72,947** | **219,085** |
| **Cash or cash equivalents at beginning of year** | **623,844** | **404,759** |
| **Cash and cash equivalents at end of year** | **696,791** | **623,844** |
| **MEMORANDUM ITEM** | | |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **696,791** | **623,844** |
| Cash | 56 | 42 |
| Cash equivalents at central banks | 421,247 | 294,391 |
| Other financial assets | 275,488 | 329,411 |
| Minus: bank overdrafts repayable on demand | - | - |

# Annex 0.5

**Renta 4 Banco, S.A.**
Customer Service Department Report
Renta 4. **Financial Year 2020**

## Purpose of the Report

The purpose of this report is to highlight the activity carried out during fiscal year 2020 by the Customer Service Department of Renta 4 Banco, S.A. and the entities of the Renta 4 Group that adhere to it, as it has done annually since its creation in 2004, thus complying with article 20 of the Regulations for the Defense of the Customer of Group Renta 4 and with the provisions of Order ECO 734/2004, of 11 March, on Customer Service Department and the Ombudsman for Customers of Financial Institutions.

In that sense, as laid down in Article 6 of that regulation, the main function of the Customer Service Department is the addressing and resolution of the complaints and claims that are presented before the entities subject to the law. In the case of financial services provided by the aforementioned entities, directly or through representation, by Spanish or foreign natural or legal persons who meet the condition of users of the financial services provided by the aforementioned entities, provided that such complaints and claims refer to their legally recognised interests and rights, whether they derive from contracts, from the regulations on transparency and protection of customers or from good financial practices and uses, in particular from the principle of equity.

## Result of claims during financial year 2020

During 2020 financial year, a total of 54 complaints and/or claims were received, 44 of which were submitted to the Renta 4's Customer Service Department and 10 to the Ombudsman for Participants, as the latter dealt with matters relating to pension plans, which are within its competence. Of the total number of claims/complaints filed, 2 of them were not admitted for processing, rejecting the opening of the corresponding file, in one of the cases because the Ombudsman for Participants considered that it did not fall within his competence as it dealt with a pension plan that was not managed by Renta 4 and another one was rejected by the Customer Service Department as it was being processed by the court.

All 25 claims admitted for processing, both the Ombudsman for Participants and Renta 4's Customer Service Department carried out a detailed study and analysis of each of the claims and issues raised, reviewing the procedures established by Renta 4 and finally issuing the corresponding resolution, or requesting the parties to reach an agreement on the disputes that had arisen.

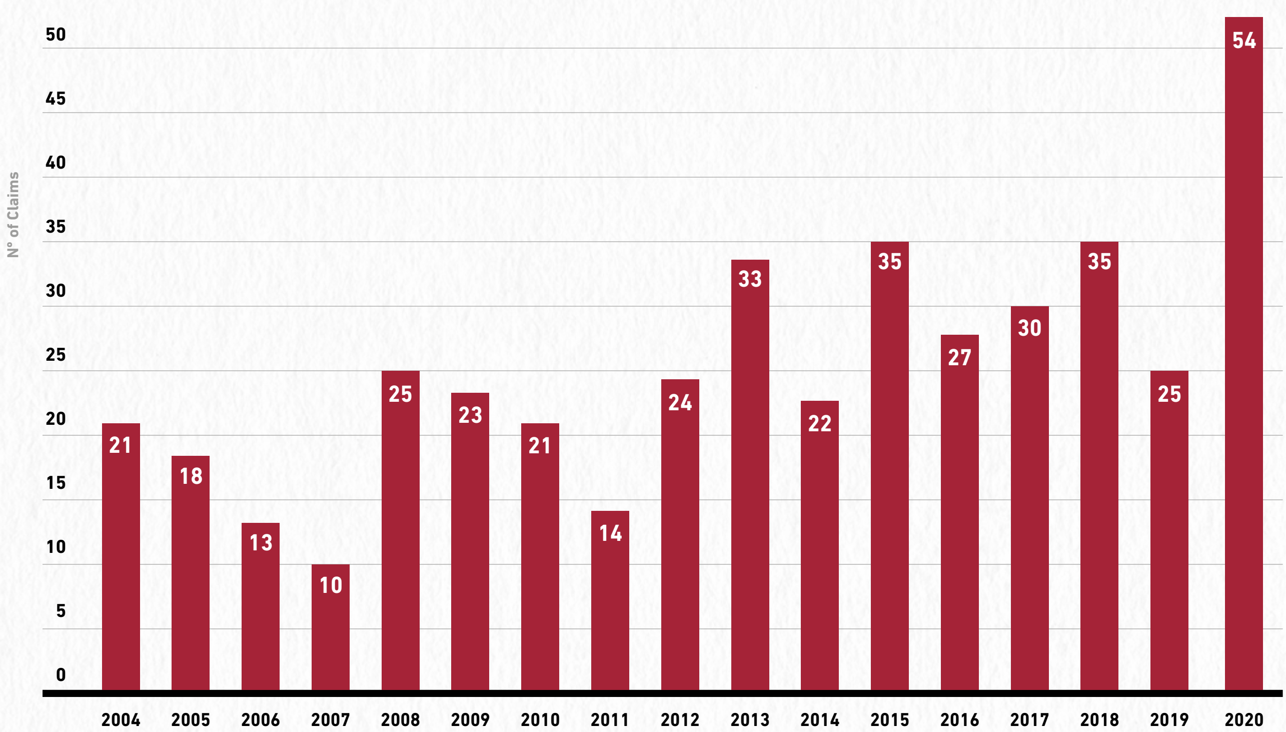
In relation to the claims filed with the Ombudsman for Participants during 2020, a total of 10 claims were received, one (1) of which was rejected, as it related to a pension plan not managed by Renta 4, and therefore outside its competence. In the 9 claims admitted for processing regarding pension plans, the Ombudsman for Participants issued one (1) decision unfavourable to the customer, while in 8 of the remaining claims the decisions issued were favourable to the customers. In this regard, it should be noted that most of the claims related to delays and incidents in administrative procedures and liquidity issues that arose during the state of alarm as a result of COVID-19, all of which were resolved swiftly and none of which entailed any financial loss for customers or financial compensation for the Entity.

On the other hand, during 2020 the number of claims filed with the Renta 4's Customer Service Department reached a total of 44 claims or complaints, of which 43 of them were admitted for processing, while one of the claims, as the matter giving rise to the claim was in legal proceedings, was rejected for processing by the Customer Service Department, as regulated in the rules of procedure and in the regulations, and the customer was informed accordingly.

With regard to the evolution of claims, it should be noted that in 2020 the number of claims has increased with respect to previous years, rising from 25 claims filed in 2019 to 54 in 2020. However, in none of the financial years has the number of claims processed been a significant figure in absolute terms; 54 in 2020, 25 in 2019, 35 in 2018, 30 in 2017 and 27, 35 and 22 in 2016, 2015 and 2014, respectively, with small variations from one financial year to another.

Although the total number of claims filed in 2020 has increased compared to 2019, it is still a low figure, not at all high, and has remained stable over the sixteen (16) years that the Renta 4's Customer Service Department has been in operation, as shown in Graph 1.

**Graph 1. Total Claims 2004-2020**



On the other hand, the number of claims received during the 2020 financial year, a total of 54, is not very significant in relation to the total number of customers with assets that Renta 4 held at 31 December 2020, a total of 102,158 customers, as has occurred in all previous financial years, such as in 2019, when a total of 25 claims were admitted for processing, compared to 81,924 customers at the end of 2019. Similarly, if we compare the number of claims filed during 2020 versus the assets managed by Renta 4 at the end of 2020, 21,868 million euros, or with the number of commercial offices that Renta 4 has throughout the country, 62 offices.

In summary, the number of claims received by Renta 4's Customer Service Department or Ombudsman for Participants during the 2020 financial year continues to be insignificant and not very relevant when compared to the number of customers or the assets managed by Renta 4.

## Claims classified by Type of Resolution

In relation to the type of resolution issued by the Customer Service Department in 2020, as shown in Table 1, of the 54 claims received, 16 resolutions were unfavourable to the customer, 30% of the total, which is the same figure as in 2019.

Twelve claims were resolved in favour of the customer, 22% of the total, a higher figure than in previous years, mainly due to administrative incidents involving another third party in the processing of pension plan files of Renta 4 customers, as explained above. On the other hand, in 15 claims the Customer Service Department urged the parties to reach an agreement, 28% of the total, and in 2 of the cases the customers withdrew their claims after the explanations and clarifications provided by the Entity. Finally, it should be noted that at 31 December 2020, 7 claims were being processed and under analysis, and the corresponding resolution was pending.

**TABLE 1. Evolution Claims filed with CSS- Classification by type Resolution**

| Classification by Resolution Type | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % |
| Unfavourable for the customer | 16 | 30% | 16 | 64% | 24 | 69% | 21 | 70% | 24 | 89% | 18 | 51% | 12 | 55% | 24 | 73% | 20 | 83% |
| Favourable for the customer | 12 | 22% | 1 | 4% | 1 | 3% | | | | | | 0% | 2 | 9% | 0 | 0% | | 0% |
| Compromise Proposal (Agreement) | 15 | 28% | 8 | 32% | 9 | 26% | 8 | 27% | 3 | 11% | 14 | 40% | 6 | 27% | 7 | 21% | 4 | 17% |
| Customer cancellation | 2 | 4% | | | | | | | | | 1 | 3% | | 0% | 2 | 6% | | |
| Not admitted for processing/suspension | 2 | 4% | | | 1 | 3% | 1 | 3% | | | 2 | 6% | 2 | 9% | | | | |
| Pending Resolution | 7 | 13% | | | | | | | | | | | | | | | | |
| **TOTAL** | **54** | | **25** | | **35** | | **30** | | **27** | | **35** | | **22** | | **33** | | **24** | |

* Se incluye todas las reclamaciones presnetadas tanto ante Servicio Atención al Cliente, como ante del Defensor Participe.

In those cases where Renta 4 and customers have reached an agreement in 2020 the amount disbursed amounted to €343,806.43, higher than the amounts paid in previous years; in 2019 it amounted to €8,454.71, in 2018 to €24,832.61. However, although the total amount paid in 2020 has increased with respect to previous years, it is not significant compared to the Entity's financial figures.

Likewise, it should be noted that Renta 4's Customer Service Department, in addition to carrying out the main function of resolving complaints and claims, plays an intermediary role between the Customer and the Entity. In this sense, having analysed the reason for the claim, reviewed the procedures, and in the cases this is feasible, it is the Service itself that urges the parties to reach an agreement.

In addition, as this Customer Service Department has been doing every year, an estimate has been made of the amounts and sums affected by the claims filed and admitted for processing, i.e. the maximum cost that Renta 4 would have had to pay if all the resolutions were favourable to customers, estimating an overall amount for 2020 of €647,000.

## Claims classified by content

In relation to the content of the claims reflected in Table 2, following the same classification used in previous years' reports, the figures are as follows:

**TABLE 2. Evolution Claims filed with CSS- Classification by Content**

| Classification by Content | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % | Nº. | % |
| Commissions - Fees | 3 | 6% | 6 | 24% | 3 | 9% | 6 | 20% | 9 | 33% | 13 | 37% | 11 | 50% | 18 | 55% | 7 | 29% |
| Securities transactions, order execution | 27 | 50% | 6 | 24% | 20 | 57% | 15 | 50% | 8 | 30% | 3 | 9% | 5 | 23% | 13 | 39% | 16 | 67% |
| Investment Funds/ Pension Plans*. | 15 | 28% | 7 | 28% | 4 | 11% | 3 | 10% | 1 | 4% | 9 | 26% | 5 | 23% | 0 | 0% | 0 | 0% |
| Other | 9 | 17% | 6 | 24% | 8 | 23% | 6 | 20% | 9 | 33% | 10 | 29% | 1 | 5% | 2 | 6% | 1 | 4% |
| **TOTAL** | **54** | **100%** | **25** | **100%** | **35** | **100%** | **30** | **100%** | **27** | **100%** | **35** | **100%** | **22** | **100%** | **33** | **100%** | **24** | **100%** |

In 2020, the heading with the highest number of claims was that relating to Securities transactions and order execution with 27 claims, 50% of the total, 15 claims in the section referring to Investment Funds-Pension Plans, 28% of the total, while in the remaining headings 3 claims were received in the area of  Fees, a 6%, and 9 under the heading of Others, 17%.

The heading of Securities transactions and order execution, includes claims relating to discrepancies in the trading and execution of orders and the procedure for marketing and advising customers on the various financial products. In 2020, a total of 27 claims were received, 50% of the total, similar to the 2018 financial year when 20 claims were filed out of a total of 35, a 57%, and to the 15 claims filed in 2017.

The claims filed in Investment Funds-Pension Plans are those whose content refers to the marketing and operation in the subscription, reimbursement and transfer of investment funds and pension plans. In 2020, a total of 15 claims were received, 28% of the total, a higher figure than in previous years, due to the increase in claims about pension plans described above.

On the other hand, the heading on Commissions-Fees includes claims relating to fees and expenses associated with the different investment products and services. In 2020, the total of claims on this matter were 3, which is lower than in previous years, when the heading of Commissions for several years has been the one in which the largest number of claims have been collected, such as in 2013 with 18 claims (55%), a total of 11 in 2014 (50%) and 13 in 2015.

Finally, the claims classified under Others include all those claims that could not be included in any of the other segments, and therefore the content of these claims is very heterogeneous. In 2020 there have been a total of 9 claims, 17%, the same figure as in 2016 and similar to 2018 and 2015, with 8 and 10 claims respectively.

On the other hand, it should be noted that in recent years the National Securities Market Commission and the Bank of Spain have requested more information from entities' Customer Services regarding claims and a greater degree of detail, establishing different classifications as to the reasons, causes, types of products, among others, etc. This information enables the regulatory bodies to prepare annual reports with the aggregate information of all entities.

For this reason, as in previous years, the information relating to claims filed between 2015 and 2019 has been included in this Annual Report, using the classification and information criteria required by the National Securities Market Commission and the Bank of Spain.

**TABLE 3. Evolution of Claims filed with the CCS - CNMV Classification**

| Product type | Claim Reason | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| **Shares and rights** | Marketing | 1 | | 1 | 3 | 3 | 3 |
| | Management and execution of orders | 4 | 3 | 1 | 5 | 4 | |
| | Fees | 2 | | | | 1 | 1 |
| | Other | | | | | | 1 |
| **Debt and hybrid instruments** | Fees | | | | | | 2 |
| | Other | | | | | | 1 |
| **IIC** | Marketing | 1 | 4 | 1 | | | 1 |
| | Management and execution of orders | 13 | 3 | 3 | 4 | | 6 |
| | Other | 10 | | | 1 | | 2 |

| Product type | Claim Reason | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Derivatives | marketing | 4 | 1 | 1 | 1 | 3 | 2 |
| | Management and execution of orders | 11 | 3 | 16 | 8 | 4 | 1 |
| | Fees | 1 | | | 1 | | |
| | Other | | | | | | 1 |
| Portfolio Management Contracts | Other | | | | | | 1 |
| Other | Marketing | 2 | 1 | | | | |
| | Fees | | 6 | 3 | 5 | 7 | 9 |
| | Management and execution of orders | 3 | | 3 | | | |
| | Other | 2 | 4 | 6 | 2 | 2 | 4 |
| **Total** | | **54** | **25** | **35** | **30** | **24** | **35** |

**TABLE 4. Claims Evolution - BdE Classification**

| Subject Bank of Spain | | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Other Investment Services | Fees and expenses, | 3 | 6 | 3 | 8 | 10 | 13 |
| | Discrepancy in notes | 20 | 6 | 10 | 11 | 8 | 2 |
| | Ex Ante | 3 | 2 | 1 | 2 | 2 | 2 |
| | Ex Post | 1 | - | 2 | 1 | 2 | - |
| | Miscellaneous | 3 | 3 | 14 | 3 | 4 | 9 |
| Relationship with IIC | Relationship with IIC | 12 | - | - | 5 | 1 | 9 |
| | Discrepancy in notes | - | 3 | 2 | - | - | - |
| | Ex-ante | 1 | 2 | 2 | - | - | - |
| | Ex Post | 1 | 2 | - | - | - | - |
| | Miscellaneous | 10 | - | 1 | - | - | - |
| Current accounts | Miscellaneous | - | 1 | - | - | - | - |
| **TOTAL** | | **54** | **25** | **35** | **30** | **27** | **35** |

## CONCLUSIONS

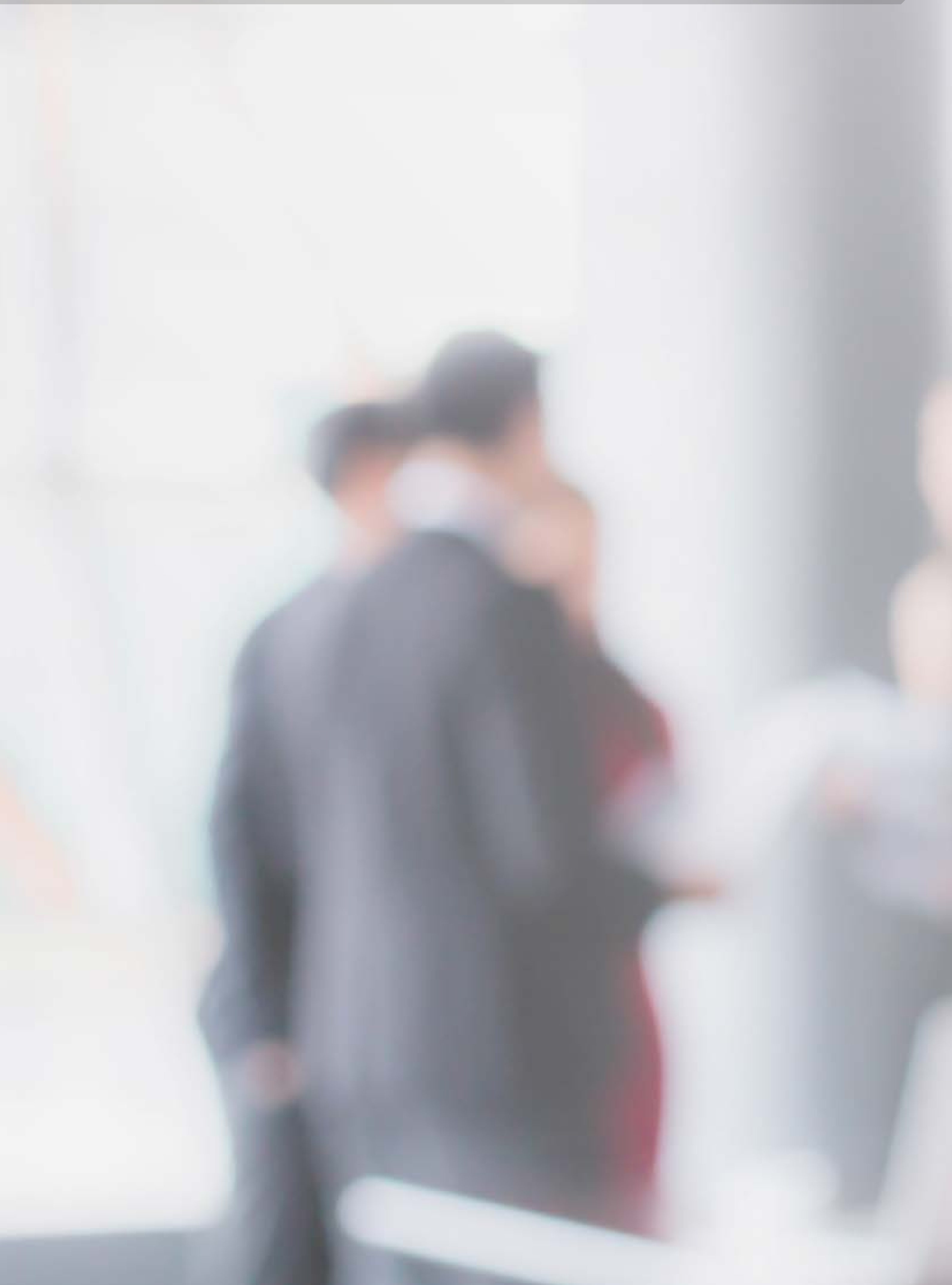
In summary, the Customer Service Department considers that the 54 claims submitted during the 2020 financial year, although representing an increase versus previous years, continues to be a non-significant figure both in absolute and in relative terms if compared with the total number of the Entity's Customers, with the assets managed by Renta 4, or with the amounts claimed therein.

On the other hand, the evolution of the number of claims since the start of its activity in 2004 and up to 2020 continues to be of little relevance and remains stable with respect to the growth of the Entity and its business magnitudes.

In addition, it should be noted that the Customer Service Department, as it has been doing since the beginning of its activity, in each of the claims received it has gathered as much information as it has deemed appropriate from the different areas of the Entity, in order to know all the aspects relating to the claims, in order to be able to issue an appropriate resolution or to urge the parties to reach an agreement. In this process, this Service, together with other areas of Renta 4, has promoted and carried out modifications both in procedures and in the information available through the different channels at its disposal, all with the aim of correcting any specific incidents that may occur, as well as improving operations and the information available.

All this with the aim of reducing incidents, improving the quality of the provision of financial services and increasing transparency towards the customer, offering better and more complete information on products, their risks, operations and other specific characteristics.

In this way, in addition to the functions assigned, the Customer Service Department is intended to be a means of communication between customers and the different entities of the Renta 4 Group, in order to improve the procedures and practices of the Renta 4 Group and offer a higher quality service to all customers.



# Annex 0.6

**Renta 4 Banco, S.A.**
Annual Banking Report

On 27 June 2014, Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions, transposing Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 relating to the taking up and pursuit of the business of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC, was published in the Official State Gazette.

In compliance with the provisions of Article 87.1 and the Twelfth Transitional Provision of Law 10/2014, of 26 June, credit institutions shall be obliged to publish, specifying by countries where they are established, the following information on a consolidated basis corresponding to the last closed financial year:

a. Name, nature and geographical location of the activity.

b. Turnover and number of full-time employees.

c. Gross profits before tax and income tax.

d. Subsidies and public aid received.

On the basis of the foregoing, the information required, as mentioned above, is set out below:

## a) Name, nature and geographical location of the activity.

Renta 4 Banco, S.A. is the entity resulting from the merger by absorption, which took place on 30 March 2011, of Renta 4 Servicios de Inversión S.A., (absorbing entity) and Renta 4 Banco, S.A. (absorbed entity), the latter previously known as Banco Alicantino de Comercio, S.A., the change of name of the latter having been registered in the Mercantile Registry on 8 June 2011. In addition, during the merger process, the absorbing company's bylaws were amended, changing its trade name from Renta 4 Servicios de Inversión, S.A.

to Renta 4 Banco, S.A. and extending its corporate purpose to include banking activities, as well as the investment and ancillary services of investment service companies. The Parent Company is registered on the Mercantile Registry and on the Special Registry of Credit Entities of the Bank of Spain under code 0083.

The corporate purpose of Renta 4 Banco, S.A. consists of the activities of credit institutions in general, including the provision of investment services, as well as the acquisition, holding, enjoyment, administration and disposal of all types of transferable securities, and in particular those specified in article 175 of the Commercial Code and other legislation in force relating to the activity of such entities.

The activity or activities constituting the corporate purpose may be carried out by the Company totally or partially, indirectly, through the ownership of shares or ownership interest in companies with an identical or similar corporate purpose. In addition to the operations it carries out directly, the Bank is the head of a group of subsidiaries which engage in various activities and which, together with it, constitute Renta 4 Group.

As a result, the Parent Company is required to prepare, in addition to its own individual financial statements, the Group's consolidated financial statements. The Parent has its registered office at Paseo de la Habana 74, Madrid.

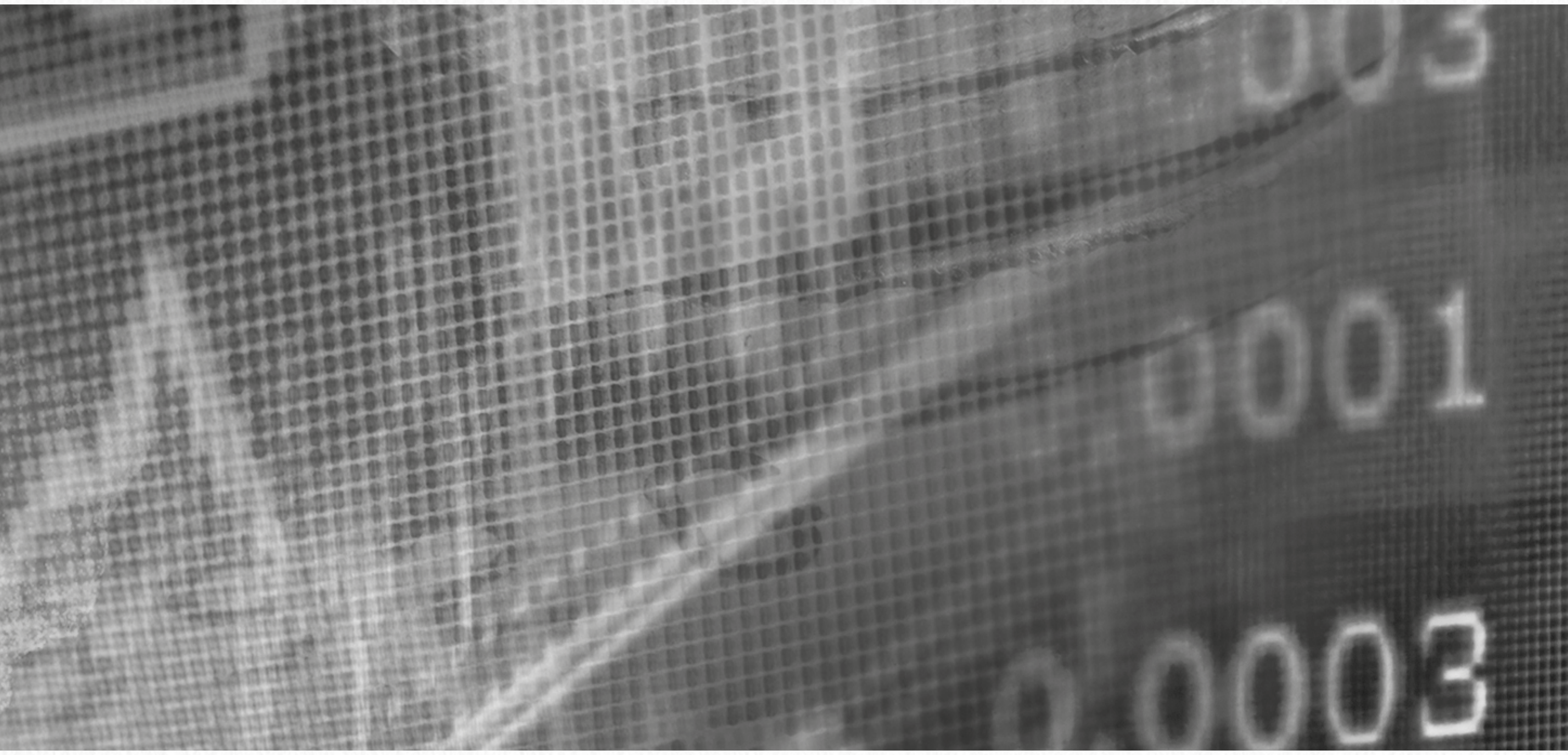
The Group operates mainly in Spain. The activities, name, nature and geographical location of the subsidiaries are included in Annex I to this annual report.

## b) Turnover and number of full-time employees.

This heading provides information on turnover and the number of full-time employees by country at the end of 2020 and 2019, on a consolidated basis.

Turnover was considered to be the number of fees and commissions received, as shown in the Group's consolidated income statement, at the end of 2020 and 2019:

| | Thousands of Euros Turnover | | Number of employees (full time) | |
|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2020** | **12/31/2019** |
| Spain | 156,143 | 128,653 | 497 | 465 |
| Chile | 3,217 | 983 | 30 | 26 |
| Colombia | 803 | 335 | 19 | 16 |
| Peru | 333 | 90 | 11 | 12 |
| Luxembourg | 1,236 | 2,286 | 3 | 3 |
| **TOTAL** | **161,732** | **132,347** | **560** | **522** |



## c) Gross profits before tax and income tax

This heading shows the information relating to consolidated profit before tax and consolidated income tax as included in the Group's consolidated income statement at 2020 and 2019 year-end:

(thousands of euros)

| | Profit before tax | | Income tax | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Spain | 21,744 | 24,870 | (6,015) | (7,117) |
| Chile | 1,729 | (576) | 71 | 0 |
| Colombia | (329) | (785) | (1) | (10) |
| Peru | 202 | (370) | - | - |
| Luxembourg | 673 | 1,641 | (28) | (51) |
| **TOTAL** | **24,019** | **24,780** | **(5,973)** | **(7,178)** |

## d) Subsidies or public aid received

No public subsidies or aid were received during the financial years of 2020 and 2019.

## e) Return on assets

The return on assets calculated as the net profit divided by the entire balance sheet is 1,01% (2019: 1.00%).


-50.00% 0,
14.29% 0.


# 3

# Consolidated Management Report

# 3.1

## Economic environment and financial markets

The health crisis resulting from the global Covid-19 expansion, the sharp economic contraction in 2Q20 and subsequent recovery (of greater or lesser intensity, depending on the geographical area), and the strong monetary/fiscal measures adopted by the authorities to try to offset this impact, are the main factors behind the performance of financial assets in 2020.

On **Variable Income** assets, the year was not particularly negative, despite the uncertainties arising from the global pandemic. There is a strong dispersion of returns, both geographically and by sector. Geographically, the Chinese stock market (+13.9%), with a rapid recovery in economic activity and control over Covid-19, and the US S&P 500 (+15.5%), where the greater weight of technology and e-commerce sectors explains its better performance compared to Europe. This is visible if we look at the Nasdaq 100's +47% in the year. Meanwhile, in Europe, a mixed result can be seen, with the DAX at +3%, record highs, while the rest of the continental indexes recorded moderate losses, with the Eurostoxx 50, -5%; the French CAC, -7%; the Italian MIB, -5%; and the Ibex, -15%, in line with the British FTSE 100 index at -14%. Emerging markets (MSCI Emerging Markets) gained +13% in dollars, driven by China's weight on the index. In LatAm, performance was mixed, with the Brazilian (Bovespa +2.9%) and Mexican (Mexbol +2.6%) indexes ending in positive figures, while the Chilean (-10.5%) and Colombian (-13.5%) indexes performed worse.

In terms of sectors, the best performance during the year was observed in growth sectors, mainly technology. The positive evolution of these sectors in recent years has been joined by the acceleration/ greater online adoption and greater technological use caused by Covid-19. Mainly companies that have provided the software and hardware to allow a good part of the population to work from home, online payments or online distributors stand out. The combination of higher earnings and cash flows, lean business models, greater visibility of their growth, together with low discount rates (thanks to central banks) explains their strong revaluation. On the other hand, businesses and sectors that depend on the movement of people have been significantly affected by the health situation. Tourism (hotels and airlines), shopping centres, or the energy sector (mainly oil companies) are the sectors, together with banks/financial companies, that accumulated the worst performance in 2020 in Europe and the United States.

From September onwards, however, we started to see a sector rotation stemming from the Covid-19 vaccine, which opened up the interesting debate between growth/quality sectors versus more cyclical and undervalued sectors.

Although the outbreak of a new coronavirus in China had been known since the beginning of the year, the opacity of information in China and a certain complacency of the markets did not reflect the seriousness of the pandemic until its expansion was already unstoppable in March, when the main measure for its containment was the general confinement of the population and, therefore, the collapse of the developed economies.

Thus, GDP figures in 2Q20 recorded historic contractions, followed by very high recovery rates in 3Q20, reflecting the effects of the end of confinements. However, according to the OECD, pre-pandemic levels are not expected to recover until the second half of 2022 in most cases (or until 2023 in the case of Spain). The only exception, paradoxically, is China, which will achieve positive growth this year, having managed to contain the pandemic in the province of Hubei, the initial focus of it, and thanks to the stimulus programs implemented.

In this context, global stock markets plunged 35-40% between late February and March, posting some of the largest daily rises and falls in historical terms, until decisive action by the Federal Reserve and the ECB flooded markets with liquidity and prompted governments to promote unprecedented fiscal expansion in peacetimes, putting an end to the falls and sowing the seeds of a rebound. The ultra-expansionary monetary policies of central banks have been key to market performance in 2020, even more so in a year with sharp falls in corporate earnings and where an exogenous shock of such magnitude would have undermined market confidence at least until the final impact of the crisis on the real economy could be ascertained. Undoubtedly, a notable effect of the financial repression policies is the support they provide for growth sectors, with the technology sector leading the way, reflected in a Nasdaq at record highs and with valuations that can be considered demanding in some cases. On the other hand, the more cyclical sectors are still not rebounding clearly and only after the approval of the vaccines would they have a little more visibility in their results in the coming quarters, which would lead to a greater overweighting in portfolios.

The emergence of this Black Swan undoubtedly overshadowed the two other major uncertainties affecting the global economy and markets at the beginning of the year: the US-China trade conflict (with presidential elections in the United States), and the Brexit, where Boris Johnson had just consolidated his parliamentary majority. In this sense, 2020 has brought a favourable outcome in both cases, although it will probably not be definitive in either case.

In the first case, we consider it favourable that there has been no further escalation of protectionism despite the confrontational rhetoric employed by both sides, which was accentuated as a result of the origin of the pandemic. Despite the trade agreement reached earlier this year, Covid-19 revealed China's expected non-compliance with the agreement, with no repercussions for the time being. On the other hand, the defeat of President Trump in November implies a renewal in the White House, and although a radical change of course is not expected, multilateralism could be recovered. In any case, the close result at the polls will maintain a balance in USA's political power, with the Congress controlled by the Democratic Party and the Senate, predictably, by the Republican Party.

As for Brexit, as it was to be expected, negotiations continued until the last moment and it was not until 24 December that an agreement was announced. Once ratified in the British Parliament, it only needs the approval of the European Parliament, where it seems that it will not be voted until February. Until then, the ambassadors of the EU-27 have given the go-ahead for its provisional implementation until the end of February. As this is an agreement that does not include shared competencies with the member states, the consent of the various national parliaments will not be necessary, which would have made the process a little more complicated as in some countries the consent of the regional chambers of representatives is required.

**Regarding Fixed** Income assets, after the abrupt shock suffered by the markets in March in reaction to the spread of the Covid-19 pandemic, in which the need to raise liquidity led investors to flee from all types of assets, including assets considered safe havens such as government bonds, the rapid intervention of central banks managed to return liquidity to the market and provide support. Fixed income asset markets have thus benefited from the unprecedentedly large bond buyback programmes, both sovereign and corporate, being undertaken by the world's major central banks. This has allowed the market to digest without major problems the large volume of public and private debt issuance that has occurred in 2020 as a result of the expansion of government budgets and the efforts of companies to strengthen their liquidity to cope with the disruptions caused by the pandemic.

As a result, the yield on the German 10-year bond, a European safe-haven asset, which had started the year at -0.19%, fell back to -0.87% on 9 March as investors sought refuge there, before quickly rebounding to -0.18% ten days later as investors liquidated assets in search of liquidity. After some fluctuations in the second quarter, the second half of the year saw a significant reduction in volatility, with yields drifting downwards to consolidate at levels of between -0.5% and -0.6%. It should be noted that, starting with the European Central Bank's (ECB) benchmark interest rates already very low at the beginning of 2020, with hardly any margin to continue lowering them, and with a monetary policy outlook in which interest rate hikes are not expected for several years, the shorter part of the yield curve is more or less anchored, so that this movement of long-term rates down has occurred with a flattening of the curve (reducing the remuneration as per term). The evolution of the US yield curve has been somewhat uneven, as the US Federal Reserve (Fed) started from higher benchmark rates and was able to cut them by 150 basis points in March, so the decline in the yield curve has been more aggressive on the short end, resulting in a steeper US yield curve.

With regard to the debt of the countries in the euro periphery, after an initial sharp increase in risk premiums in March, they gradually declined towards the end of the financial year, until reaching levels close to, and in some cases even below, those of the beginning of 2020. The containment of the risk premiums of the countries in the euro periphery is due to the support of the ECB's asset purchase programme, as well as its commitment to maintain favourable financing conditions throughout the Eurozone, which translates into implicit support for the containment of these risk premiums.

In corporate credit, credit spreads (the premium or cost of insuring against default risk) performed similarly. The itraxx Main index (investment grade debt), which had been trading at just over 40 points in the first few months of the year, rose to 136 points on 18 March, before falling back to just under 50 points throughout the rest of the year. The itraxx Crossover (high yield debt), which had been trading at levels slightly above 210 points, reached 704 points on 18 March, before falling back, following the same trend as the Main, to levels of around 240 points at the closing of 2020. Again, central bank support for large investment grade bonds, as well as low interest rates, have been driving investors out of safer assets and into riskier assets in search of yield, underpinning the entire credit market.

It should be kept in mind that the packages of measures adopted by central banks have been extensive and cover several areas of action. On the one hand, liquidity has been provided to the banking sector so that it can continue to lend to companies.

Note the more favourable conditions of the ECB's TLTRO III, at -1.0% for those banks that manage to meet their lending targets. In addition, banks' capital requirements have been made more flexible, as well as the classification of doubtful loans, so that these entities have room for manoeuvre to continue supporting the economy without the need to raise capital. On the other hand, substantial asset purchase programs have been announced, both in public and private debt, with the Fed extending its activity even to the so-called fallen angels, or companies that have lost their investment grade. Similarly, the Fed and the Bank of England, which had room to do so, cut their benchmark interest rates back to rock-bottom levels.

Also noteworthy is the Fed's revision of its monetary strategy, in which it has set a long-term inflation target of 2%. After having persistently kept inflation below this target, it will seek to achieve inflation moderately above 2% for some time, in order to reach an average of 2% and for inflation expectations to remain anchored at this percentage.  The ECB, which is currently undertaking its strategy review (expected to be completed by mid-2021) is expected to similarly set a symmetric inflation target.

Fiscal measures were somewhat slower to respond, but in general all countries have launched, and continue to launch, fiscal stimulus programmes, which in general have several common features: loan guarantees for companies, public investment, unemployment benefits, tax deferrals and, in cases such as the US, transferring money directly to households. The approval of the EU reconstruction fund (NextGenerationEU), amounting to €750 million, should be highlighted due to its relevance. The fund will be financed with common debt issues that will be amortised over 30 years.
It is therefore an important first step towards joint financing in the EU, which was unthinkable before the pandemic. Moreover, this means that countries with high public debt and deficits, such as Spain and Italy, do not have to raise their debt to highly unsustainable levels, which has undoubtedly also contributed to the fall in their debt risk premiums.

In terms of credit, there have also been numerous rating cuts by credit rating agencies, especially during the second quarter of the year. Default rates have evolved along the same lines. According to credit rating agency Moody's, the 12-month moving default rate in HY rose to 6.7% in November, the highest in a decade and double the pre-pandemic rate. However, these rates are well below the double-digit rates that were feared in the wake of the pandemic. Likewise, the agency has been significantly reducing its projections for the default rate. Thus, in June it projected a peak default rate of 9.5% in February 2021, in September its forecasts pointed to a peak of 8.7% in the first quarter of 2021 and in December it pointed to a peak of 7.7% in March 2021.

With regard to the **currency market,** the euro has appreciated 9% against the dollar to levels of 1.23 USD/EUR, recovering strongly after the lows of 1.08 reached during the confinement in Europe. As for the pound, it has depreciated 6% against the euro, in a context where a hard Brexit has finally been avoided, although the agreement does not seem very beneficial for the UK taking into account that it does not include agreement on services, where the British enjoy a surplus against Europe. Regarding the Chinese Yuan, the effective fight against the pandemic and the resulting good economic performance, as well as the improvement in the interest rate differential against the USD has favoured the revaluation of the currency, which appreciates 6% and reaches the highs of 2018. Conversely, it depreciates slightly against the euro.

As usual in turbulent times, we see a significant appreciation in traditional safe-haven currencies such as the yen (+5% vs USD) and the Swiss franc (+9% vs USD), which remain more stable against the euro after the revaluation of the single currency in the second half of the year, supported by the significant stimulus plan promoted by the European Commission (NGEU). The Turkish lira and the Argentine peso continue as in recent years, where high inflation and the lack of credibility of their governments and central banks to counteract it continue to weigh on their currencies.

As for the other emerging currencies, the Brazilian real depreciated sharply, falling by -24% over the year despite a significant recovery in the last quarter of the year. Other Latin American currencies, such as the Mexican, Colombian and Chilean pesos, are showing similar patterns, having benefited greatly since March from the rebound in copper and other commodity prices, which have finally allowed them to register slight variations against the USD.

In the **commodities market,** we highlight the movement in oil, which has been very volatile throughout the year due to the complicated outlook on the demand side and the difficult balance in OPEC+ on the supply side. Thus, Brent recorded falls of 22%, similar to WTI which, let us remember, fell below 0 USD/b in April due to the difficulties of storing excess inventories. It closes the year at around 50 USD/b after the improved outlook brought by the approval of vaccines and the OPEC+ agreement to extend production cuts. As far as precious metals are concerned, both gold and silver are once again acting as safe-haven assets with a revaluation of more than +23% and 45% respectively. On the other hand, industrial metals such as copper, aluminium, iron and nickel recorded a strong rebound from the lows of March/April, ending the year with double-digit rises. Similarly, other agricultural commodities such as soybeans, corn or wheat replicate similar movements.

# 3.2

## Evolution of the sector

From a **macroeconomic point of view,** we expect a gradual recovery by 2021, on the assumption that economic activity will gradually normalise, thanks to the gradual reduction in health risk (vaccine generally available by mid-2021). However, a slowdown is foreseeable in the short term due to restrictions on mobility (up to the effectiveness of vaccines, for which challenges of production, distribution, availability of vaccines persist). The main supports for recovery are additional monetary and fiscal stimuli, and vaccines/treatments that allow for a safe economic reopening. On the contrary, the main risks are Covid outbreaks and political instability.

Evolution will be uneven across regions. After a 2020 with China as the only major economy with growth, and the US or Germany showing a better evolution than the rest of the Eurozone (with greater dependence on the services sector), the recovery in 2021 is also expected to be heterogeneous. China is expected to lead the recovery (already at pre-Covid levels), the US to recover pre-Covid levels by the end of 2021, Europe, more affected by restrictions, in 2022, and LatAm to benefit from China's recovery, sustaining favourable financial conditions and USD depreciation.

With regard to **monetary policies,** the macroeconomic scenario calls for maintaining or expanding stimulus. Monetary and fiscal policy should continue to work in tandem in the near term, with low rates, more QE, and new fiscal support. The gradual recovery, still far from closing the production and employment gap, together with the deflationary effect of COVID-19, should lead to low inflation in the short term, especially in Europe.

Global debt (governments, households, non-financial businesses) at all-time highs also complicates rate hikes. Therefore, we believe that monetary policies will remain broadly expansionary, with low rates for a long time and abundant liquidity.

**Regarding variable income,** there are reasons to be constructive for the coming months. Our positioning is based on a recovery in the economy and markets that is not without volatility, and where the road to herd immunity will be a long one. Regarding **corporate earnings,** we expect strong growth in 2021 (after the decline in 2020). In the US, the consensus for the S&P 500 points to EPS growth of +38% versus 2020. In Europe, after a 30% EPS decline in 2020, the market consensus estimates a 32% EPS growth in 2021e and 12% in 2022.

Variable income valuations may seem demanding if we look at multiples such as PER (in most indices, PER 21e above the 30-year median, Stoxx 600 at 18x PER 21e, S&P at 23x PER 21e), but not so much if we look at metrics such as FCF yield, with a greater weight in the index of companies with lighter business models and greater capacity to convert to free cash. The market is willing to pay these multiples, in a context of a lack of alternatives, and with the main support of liquidity.

We continue to believe that in the new "post coronavirus" world, variable income will remain an interesting asset to invest in, given their ability to generate attractive and sustainable returns over the medium to long term, in the low interest rate environment that we will face for a long time to come.

From a relative standpoint, variable income remains attractive relative to other assets, based on dividend yield and free cash flow from capitalisation. Risk premiums remain stable and the percentage of companies with a higher dividend yield than corporate bond yields continues to rise since central bank intervention, with the spread between dividend yields and bond yields remaining at historically high levels.

With an economic recovery that seems gradual but on track, and prices that have recovered significantly from March levels, we believe that multiple expansion should not be the most important factor behind equity performance, **we believe that the expansion of multiples should not be the most important factor behind variable income asset performance going forward.** Given expectations for revenue and earnings growth, and the limited potential for financial conditions to ease further, **growth in corporate earnings is the main factor to see variable income assets perform well in the coming months/years.** The focus is therefore on the extent and speed of the economic recovery, and of corporate earnings.

We believe that this scenario offers opportunities for company selection and bottom-up management. We continue to overweight quality, defensive growth companies, well managed, immersed in mega trends, financially sound, with high cash generation and interesting returns on capital employed, which are currently at reasonable valuations. We find them mainly in **healthcare, technology and consumer staples sectors.** As far as tech stocks are concerned, there is an interesting debate about a possible bubble and how it compares to what we saw in 2000. However, we believe that the situation is very different from what we saw 20 years ago.

In the case of FAAMGs, we are talking about companies that in addition to high double-digit growth, have dominant positions in the businesses in which they operate, strong barriers to entry, high gross and operating margins, lean business models that lead to high returns on equity and strong conversion to free cash, very healthy financial position (in many cases net cash), and future growth opportunities, with expanding market sizes and new verticals. Their scalability and market structure is evolving towards monopolies, and from a valuation point of view they present reasonable levels considering the visibility of their growth (FAAMG trading at c.4% FCF yield 21e).

Health and consumer staples are more defensive sectors, with visible medium-to-long-term growth supported by demographic and socio-economic trends. Pharmaceuticals, medical technology, food and beverage, personal care, are significantly present in our funds. And finally, we see opportunities in quality cyclical sectors, which could rally strongly as we approach the peak of the pandemic. Companies that are currently undervalued, leaders in their sector, with a good financial situation, and with a strong sensitivity in results to a rapid return to normality. We find them mainly in industrial niches and commodities.

Within variable income assets, the question arises as to whether the recent outperformance of value versus growth is the beginning of a greater rotation in the market. We expect the rotation from growth/defensive to value/cycle to continue as some normalisation of economic activity comes into view, although we believe we need to be selective in terms of value. We are looking for leading companies in their sector, with a good financial situation, and a strong sensitivity in results to a quick return to normality. We find them mainly in industrial niches and commodities. However, some doubts remain: definitive results of the vaccines, timing and challenges of distribution and availability for the population to be vaccinated, restrictions on mobility in the short term, the distribution of power in the US along with doubts in terms of further fiscal stimulus. This context leads us to maintain a reasonable value exposure, as the recovery will be slow and not free of volatility. This fact justifies holding positions in quality and growth securities, which have dominant positions, visible growth and reasonable valuations. We therefore believe that a balanced portfolio between the two philosophies is an appropriate strategy. By geographical area, Europe is more exposed to the cyclical rebound than the US (with a greater weight of a technology sector), an aspect that could favour a better relative performance. The recovery should also work in favour of emerging countries, further supported by the recovery of commodities and the weakness of the dollar. In conclusion, in a scenario such as the current one, we believe that bottom-up management and security selection are becoming increasingly important.

**With regard to Fixed Income** assets, although the worst impact of the crisis seems to have been overcome and the beginning of the vaccination of the population against Covid-19 allows us to put on the stage the beginning of the recovery of normality, the current evolution of the pandemic, with an increase in the number of infections that is leading to the reimposition of more or less severe measures to mobility, may have a significant economic cost in the first months of the year and generates uncertainty about the pace of economic recovery that we can reach in 2021.
In contrast to this uncertainty is the enormous liquidity with which central banks are flooding the markets, which we expect to be maintained at least for much of 2021.

In this context, we continue to advocate a degree of caution, although we **see a fixed income market in 2021 that is very much supported by central bank purchases.**

In government bonds, we believe that risk premiums on peripheral European bonds will remain very contained, as we expect ECB purchases to fully absorb the increase in government bond issuance that all European governments must undertake to finance the large fiscal deficits they face. It is possible that some volatility could be generated later in the year in the event that the pandemic has been overcome and the more austere euro countries begin to call for a return to fiscal orthodoxy on the part of the peripheral countries, although we believe that central bank support is here to stay.

Likewise, investment grade corporate debt is going to be supported by the strong purchase programs launched by central banks, so although valuations of these bonds are already very tight, we see little downside risk.

As for High Yield debt, which is not supported by central banks, we believe we should be selective, remembering that we still expect some increase in default rates. We therefore favour investment in business models that are resilient to the pandemic.

We also particularly favour entering this category through subordination, i.e. high yield subordinated debt of investment grade issuers.

# 3.3

## Evolution of the entity

Renta 4 Banco has obtained in 2020 a Net Profit attributable to the Group of €18.1 million compared to €17.8 million obtained in the previous year, representing an increase of 1.7%.

The capital ratio "CET1 Fully Loaded" is 14.71%, well above the regulatory solvency requirements.

The Return on Equity (ROE) amounts to 17.58%, return on investment that is well above the industry average.

The operating variables and activity levels recorded during the year continued to be satisfactory, especially considering the difficulties caused by the COVID-19 crisis. During this period, Renta 4 has continued to consolidate its position as a bank specialising in investment and asset management services. Net new equity raised by the company's own network amounted to €964 million, and 17,656 new clients were added, an increase of 21.1% over the year, reaching a total of 101,278 clients.

A particularly noteworthy aspect in the past year has been the good performance of the Latin American subsidiaries, which have begun to contribute positively to the income statement with a contribution of approximately 7% of the consolidated result.

### Operational Data overview

The volume of equity under administration and management in 2020 reached €23,432 million, 5.1% more than a year ago, of which €12,547 million correspond to our own network. The equity of the company's own network was 1.6% higher than in the previous year, by €200 million.

Net new equity raised by the company's own network amounted to €964 million, a good figure that has largely offset the fall in the value of client portfolios due to the effect of market prices.

The rate of incorporation of new clients has also increased. The total number of accounts in our own network is 101,278 compared to 83,622 in the same period of the previous year.

### Profit and main items of income and expenses

The Net Profit Attributed to the Group has been €18.1 million, representing a 1.7% increase versus that obtained during 2019.

In 2020, gross fees and commissions (fees and commissions received, profit from companies accounted for using the equity method and other operating income) grew by 22.2% compared to the previous year, reaching €162.1 million.

The net interest margin has been €0.4 million, representing a decrease of 89.6% with respect to the previous year, due to the high level of liquidity held on the balance sheet remunerated at a negative interest rate.

Gains on Financial Transactions amounted to €9.5 million compared to €14.5 million in the same period of

2019, results obtained last year largely due to divestments made in the Fixed Income portfolio.

On the cost side, Operating Expenses and Depreciation and Amortisation (Overhead Expenses, Personnel Expenses and Depreciation and Amortisation) amounted to €68.5 million, an increase of 4.3%.

Personnel expenses fell by 0.2% to €35.8 million and general administrative expenses amounted to €20.3 million, compared to €18.8 million the previous year, an increase of 8.1%.

The provision for impairment of financial assets amounted to €2.9 million, due to the provisions made for portfolio and credit valuation, which we expect to be reversed in the following months.

**Relevant Data**

| Operating Magnitudes | 12/31/2020 | 12/31/2019 | % |
|---|---|---|---|
| **No. of Clients Own Network** | **101,278** | **83,622** | **21.1%** |
| **Total Assets (millions of euros)** | **23,432** | **22,294** | **5.1%** |
| Stock Exchange | 9,562 | 9,244 | 3.4% |
| Investment Funds (own and third party) | 5,830 | 5,223 | 11.6% |
| Pension Fund | 4,431 | 4,157 | 6.6% |
| SICAVs | 994 | 1,166 | -14.8% |
| Other | 2,615 | 2,504 | 4.4% |
| **Assets Own Network (millions of euros)** | **12,547** | **12,347** | **1.6%** |
| **Third Party Network Assets (millions of euros)** | **10,885** | **9,947** | **9.4%** |

| Renta 4 Share | 12/31/2020 | 12/31/2019 | % |
|---|---|---|---|
| Ticker (Reuters/Bloomberg/Adrs) | RTA4.MA | RTA4.MA | |
| **Market price (€)** | **7,08** | **7** | 1.1% |
| Market Cap (€) | **288,107,877** | **284,852,421** | 1.1% |
| No. of Outstanding Shares | 40,693,203 | 40,693,203 | |

# 3.4

## Foreseeable evolution of the company

The extraordinary events experienced throughout 2020 have tested the solidity of Renta 4 Banco's business model, and the end result has been a significant increase in the number of clients, the largest-ever inflow of new client assets and an increase in fee income in all business areas. Renta 4 Banco has therefore passed the test, emerging strengthened in its balance sheet, in its positioning, and in all its lines of business.

The subsidiaries in Latin America performed particularly well. They grew sharply in terms of clients, revenues and assets under management, and began to make a positive contribution to the consolidated Group's earnings, which increased during the year.

But beyond the figures achieved, the most important thing is that Renta 4 Banco has laid the foundations to continue growing in the new post-Covid scenario, a more digital, more competitive and more demanding scenario, in which there will be winners and losers.

Throughout the year, Renta 4 Banco has reinforced its mission to promote constructive investment to improve people's lives and contribute to the progress of society, based on the conviction that this objective is the surest way to offer sustainable returns to our clients and shareholders.

Based on this conviction, the foundations have been laid to have a technological platform that responds to the new needs of clients, and to offer more comprehensive services to both traditional clients and those accessing the investment for the first time, preparing the organisation to tackle a stage of high growth.

The permanent zero interest rate scenario results in high growth in demand for investment services. Renta 4's model is to respond to this demand by giving all types of savers access to quality financial services. To achieve this, we relied on the high professional level of all the people who are a part of the Bank, on the culture of prioritising the interests of the client above all else, and on cutting-edge technology, designed by and for the client.

For all these reasons, we expect to maintain the line of growth and good results in the coming quarters, in a demanding context that requires continuous adaptation and evolution. In this regard, in the coming quarters we will incorporate new solutions and investment alternatives and new banking services, which will expand and complement our offering for new client segments, under a profitable growth model that will keep us as a benchmark for innovation and quality in the new scenario.

# 3.5 Management policy and risks

Information on the entity's risk management policies is explained in detail in Note 5 to the financial statements corresponding to year 2020.

# 3.6 Acquisition of treasury shares

Information on treasury shares is disclosed in detail in Note 18 of the financial statements from the financial year 2020.

# 3.7 Environmental impact

In view of the activities in which the Entity is involved, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or profits or losses. For this reason, no specific breakdowns are included in this annual report with respect to information on environmental issues.

In addition, in financial years 2020 and 2019, the Entity had no greenhouse gas emission rights.

# 3.8 Research and development

In 2020, R&D efforts have been channelled into digital development.

# 3.9 Events subsequent to the closing of the financial year

The events subsequent to the balance sheet date are detailed in Note 24 of the financial statements corresponding to year 2020.

# 3.10 Information on human resources

Information on matters relating to the entity's personnel is detailed in Notes 4.p) and 22.d) to the financial statements corresponding to year 2020.

# 3.11 Non-financial and diversity information

On 28 December 2018, Law 11/2018 on non-financial and diversity information was approved, amending the Code of Commerce, the revised text of the Corporate Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing of Financial Statements, in relation to non-financial and diversity information, which involves the transposition of the European regulations provided for in Directive 2014/95/EU of the European Parliament and of the Council, of 22 October 2014, imposing the obligation of disclosure of non-financial information and information on diversity by certain entities and groups.

Renta 4 Banco, S.A. and subsidiaries present the required non-financial information in a separate report entitled "Non-financial information Renta 4 Group".

# Approval of the 2020 consolidated financial statements

The members of the Board of Directors of Renta 4 Banco, S.A. state that to the best of their knowledge the 2020 consolidated annual financial statements approved at the meeting held February 23, 2021 and prepared in accordance with the accounting principles applied, give a true and fair view of the consolidated equity, financial position and results of Renta 4 Banco, S.A. and subsidiaries, and that the management report includes a fair analysis of the business results and position of Renta 4 Banco, S.A. and subsidiaries, as well as a description of the main risks and uncertainties facing the Group.

| | |
|---|---|
| **Mr. Juan Carlos Ureta Domingo** | **Mr. Pedro Navarro Martínez** |
| Chairman | Deputy Chairman |
| **Mr. Juan Luis López García** | **Mr. Santiago González Enciso** |
| CEO | Board member |
| **Mr. Jesús Sánchez Quiñones** | **Mr. Pedro Ferreras Díez** |
| Board member | Board member |
| **Fundación Obra Social Abogacía** | **Mr. José Ramón Rubio Laporta** |
| P.P. Rafael Navas Lanchas \| Board member | Board member |
| **Mrs. Inés Juste Bellosillo** | **Mr. Eduardo Chacón López** |
| Board member | Board member |
| **Mrs. Gema Aznar Cornejo** | **Mrs. Sarah Marie Harmon** |
| Board member | Board member |

# 4

# Annual corporate governance report

# Annual corporate governance report of listed public limited companies

End date of reported year 12/31/2020

## Issuer identification

C.I.F. A- 82473018
Company name:
RENTA 4 BANCO, S.A.
Paseo de la Habana, 74
28036 Madrid

## A. Ownership structure

**A.1. Fill in the following table on the company's share capital:**

| Date of last change | Share capital (€) | Number of shares | Number of voting rights |
|---|---|---|---|
| 09/27/2011 | 18,311,941.35 | 40,693,203 | 40,693,203 |

Indicate whether different types of shares exist with different associated rights:

Yes **No** ✓

**A.2. State the direct and indirect holders of a significant stake at year-end, excluding directors:**

| Name or company name of the shareholder | % of voting rights attached to the shares | | % of voting rights through financial instruments | | Total % of voting rights |
|---|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect | |
| Maria Beatriz López Perera | 0.00 | 5.04 | 0.00 | 0.00 | 5.04 |
| Mutualidad General de la Abogacía | 6.88 | 0.00 | 0.00 | 0.00 | 6.88 |
| Indumenta Pueri S.L. | 0.00 | 5.59 | 0.00 | 0.00 | 5.59 |
| Óscar Balcells Curt | 0.20 | 5.39 | 0.00 | 0.00 | 5.59 |

The position of the MUTUALIDAD GENERAL DE LA Abogacía is reported in this section because in 2019 the company resigned as a director, but continues to be a shareholder of the company.

Mr. Óscar Balcells Curt controls the companies MOBEL LINEA S.L., and MUEBLES Y ASIENTOS DE OFICINA S.L., and the latter, in turn, controls the other two companies that hold voting rights: LORA DE INVERSIONES S.L., and 98 FUTUR 2000, S.L.

Details of the indirect stake:

| Name or company name of the indirect holder | Name or company name of the direct holder | % of voting rights attached to the shares | % of voting rights through financial instruments | Total % of voting rights |
|---|---|---|---|---|
| Maria Beatriz López Perera | Contratas y Servicios Extremeños, S.A. | 5.04 | 0.00 | 5.04 |
| Indumenta Pueri S.L. | Global Portfolio Investments S.L. | 5.59 | 0.00 | 5.59 |
| Óscar Balcells Curt | Lora de Inversiones S.L. | 2.51 | 0.00 | 2.51 |
| Óscar Balcells Curt | Mobel Linea S.L. | 2.31 | 0.00 | 2.31 |
| Óscar Balcells Curt | 98 Futur 2000, S.L. | 0.57 | 0.00 | 0.57 |

Indicate the most significant movements in the shareholder structure during the year

**Most significant movements**

On 12/28/2020 the shareholder Mr. Óscar Balcells Curt exceeded 5% of the share capital.

**A.3. Fill in the following tables on the members of the company's Board of Directors who own voting shares in the company:**

| Name or company name of the director | % of voting rights attached to the shares | | % of voting rights through financial instruments | | Total % of voting rights | % of voting rights that may be transferred through financial instruments | |
|---|---|---|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect | | Direct | Indirect |
| Mr. José Ramón Rubio Laporta | 1.00 | 0.00 | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 |
| Mrs. Inés Juste Bellosillo | 0.02 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 | 0.00 |
| Mr. Juan Carlos Ureta Domingo | 29.83 | 10.55 | 0.00 | 0.30 | 40.38 | 0.00 | 0.30 |
| Mr. Eduardo Chacón López | 0.03 | 0.00 | 0.00 | 0.00 | 0.03 | 0.00 | 0.00 |
| Mr. Pedro Ángel Navarro Martínez | 0.42 | 0.10 | 0.00 | 0.00 | 0.52 | 0.00 | 0.00 |
| Mrs. Gemma Aznar Cornejo | 0.01 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 | 0.00 |
| Mr. Juan Luis López García | 0.30 | 0.00 | 0.02 | 0.00 | 0.30 | 0.02 | 0.00 |
| Mr. Jesús Sánchez- Quiñones González | 0.75 | 0.00 | 0.00 | 0.00 | 0.75 | 0.00 | 0.00 |
| Mr. Santiago González Enciso | 1.39 | 2.64 | 0.00 | 0.00 | 4.03 | 0.00 | 0.00 |
| Mr. Pedro Ferrerías Díez | 0.22 | 0.00 | 0.00 | 0.00 | 0.22 | 0.00 | 0.00 |
| Mrs. Sarah Marie Harmon | 0.01 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 | 0.00 |
| % of total voting rights helds by the board of directors | | | | | | | 47.27 |

Details of the indirect stake:

| Name or company name of the director | Name or company name of the direct holder | % of voting rights attached to the shares | % of voting rights through financial instruments | Total % of voting rights | % of voting rights that may be transferred through financial instruments |
|---|---|---|---|---|---|
| Mr. Juan Carlos Ureta Domingo | Surikomi S.A. | 3.11 | 0.30 | 3.11 | 0.30 |
| Mr. Juan Carlos Ureta Domingo | Sociedad Vasco Madrileña de Inversiones, S.L. | 4.16 | 0.00 | 4.16 | 0.00 |
| Mr. Juan Carlos Ureta Domingo | Cartera de Directivos 2020, S.A. | 0.85 | 0.00 | 0.85 | 0.00 |
| Mr. Pedro Ángel Navarro Martínez | Kursaal 2000, S.L. | 0.10 | 0.00 | 0.10 | 0.00 |
| Mr. Santiago González Enciso | Ige-6, S.L. | 0.64 | 0.00 | 0.64 | 0.00 |
| Mr. Santiago González Enciso | Fundación González Enciso | 1.11 | 0.00 | 1.11 | 0.00 |

Mr Eduardo Chacón López has been included as the indirect owner of a percentage that makes up 0.001% of voting rights attached to the shares, but the real percentage cannot be included in the table above because the system only allows two decimal places.

With regard to Juan Carlos Ureta Domingo (indirect stake) and Mr Juan Luis López García (direct stake), we have reported their positions in CFDs on the Renta 4 Banco security for the purposes of consistency of the information entered into the CNMV records. Nevertheless this position in CFDs does and will not grant its holder any voting rights on the Renta 4 Banco security as the CFDs are a synthetic financial instrument that is always settled by differences (not deliverable).

**A.4. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant stakes, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those reported in section A.6:**

| Name or company name of the related party | Type of relationship | Brief description |
|---|---|---|
| No data | | |

**A.5. Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant stakes, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:**

| Name or company name of the related party | Type of relationship | Brief description |
|---|---|---|
| No data | | |

**A.6. Describe the relationships, unless insignificant for both parties, between the significant shareholders, or represented shareholders, on the Board and the directors, or their representatives, when the administrators are a legal entity.**

Explain, where appropriate, how the significant shareholders are represented. In particular, specify any directors who have been appointed to represent significant shareholders, those whose appointment was promoted by significant shareholders, or those who were related to significant shareholders and/or entities in their group, indicating the nature of such relationship. In particular, mention shall be made, where appropriate, of the existence, identity and position of members of the board, or representatives of directors, of the listed company who are, in turn, members of the board of directors, or their representatives, in companies that hold significant shareholdings in the listed company or in entities belonging to the group of such significant shareholders:

| Name or company name of the director or representative, related | Name or company name of the significant related shareholder | Company name of the significant shareholder's group company | Description of the relationship/ position |
|---|---|---|---|
| Mr. Eduardo Chacón López | Contratas y Servicios Extremeños, S.A. | Contratas y Servicios Extremeños, S.A. | Chairman - CEO |
| Fundación Obra Social de la Abogacía Española | Mutualidad General de la Abogacía | Mutualidad General de la Abogacía | Representative of the significant shareholder on Renta 4 board of directors |

**A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Limited Liability Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:**

Yes **No** ✓

Indicate whether the company is aware of the existence of any joint actions among its shareholders. Give a brief description as applicable:

Yes **No** ✓

Expressly indicate any amendments to or termination of such covenants, agreements or joint actions during the year:

None.

**A.8. Indicate whether any individual or legal entities currently exercise control or could exercise control over the company pursuant to Article 5 of the Securities Market Law. If so, identify:**

**Yes** ✓ No

| Name or company name |
|---|
| Juan Carlos Ureta Domingo |

The direct and indirect stake in the share capital is 40.38%.

**A.9. Complete the following tables on the company's treasury shares:**

At the end of the fiscal year:

| Number of direct shares | Number of indirect shares(*) | Total % out of share capital |
|---|---|---|
| 72,590 | | 0.18 |

(*) Through:

| Name or company name of the direct holder of the stake | Number of direct shares |
|---|---|
| No data | |

Explain any significant changes during the year:

During the period ended 31 December 2020, equity instruments amounting to EUR 115 thousand were sold, with no gains recognised.

**A.10. Give details of the applicable conditions and current timeline for the general meeting to authorise the Board of Directors to issue, buy back or transfer treasury shares:**

On 27 April 2018, the General Meeting of Shareholders adopted the following resolution: "The Board of Directors is authorised, with express powers of substitution, -even if this could lead to self-hiring or despite opposing interests- to carry out the derivative purchase of the Company's treasury shares, directly or indirectly through the Company's group companies, and as deemed convenient in the light of the circumstances, subject to Article 146 and the following articles in the revised text of the Spanish Limited Liability Companies Law and other applicable regulations. The minimum buying price or consideration will be equal to the par value of the treasury shares purchased, and the maximum buying price or consideration will be equal to the quoted price of the treasury shares purchased in an official secondary market on the date of purchase. At no time may the par value of the shares directly or indirectly purchased, added to those already held by the Company and its subsidiaries, exceed 10% of the subscribed share capital or the maximum amount that may be established by law. The types of purchase may include sale and purchase, swap, donation, allocation or payment in kind or any other type of transaction for consideration according to the circumstances. This authorisation is granted for a period of five years. The authorisation granted provides that the shares purchased may be used in whole or in part for allocation or transfer to the directors or employees of the Company or companies in the Company's group, directly or as a result of them exercising option rights, within the scope of the Company's share price-based compensation systems approved appropriately. For this, the Board of Directors is authorised, with express power to substitute the members of the Board as deemed convenient, included the Secretary and the Vice Secretary of the Board, as extensively as necessary to apply for authorisations and adopt as many resolutions as necessary or convenient under the current regulations to execute and successfully deliver this agreement.".

**A.11. Estimated floating capital:**

| Estimated floating capital | % |
|---|---|
| | 39.22 |

**A.12. Give details of any restrictions (statutory, legal or otherwise) on the transfer of securities and/or voting rights. In particular, detail the existence of any kinds of restrictions that could hinder the company takeover through the purchase of its shares in the market, as well as any prior authorisation or communication rules that, with regard to the purchase or transfer of financial instruments in the company, would be applicable under the industry regulations.**

**Yes** ✓ No

**Description of the restrictions**

Renta 4 Banco, S.A., as a credit entity, is subject to Article 17 of the Spanish Law 10/2014, of 26 June on the organisation, supervision and solvency of credit entities and the regulations that develop it, including Royal Decree 84/2015 of 13 February that develops said law and Circular 5/2010 of 28 September issued by the Bank of Spain. In this regard, when a person (natural or legal, alone or jointly with other persons) decides to purchase (directly or indirectly) a significant stake in a credit entity and will thereby acquire a percentage of voting rights or owned share capital equal to or above 20, 30 or 50% or if by virtue of the purchase such person will gain control of the credit entity as described in Article 42 of the Commercial Code, such person will be required to notify this to the Bank of Spain beforehand and will need prior authorisation to purchase/transfer their stake in the share capital of the credit entity.

**A.13. Indicate whether the general meeting has resolved to adopt neutralisation measures to address a takeover bid by virtue of the provisions of Law 6/2007.**

Yes **No** ✓

If applicable, explain the measures approved and the terms under which these restrictions may be non-enforceable:

**A.14. Indicate whether the company has issued securities not traded in a regulated market of the European Union.**

Yes **No** ✓

Where applicable, state the various classes of shares, and the rights and obligations attached to each class:

## B. Shareholders meeting

**B.1. Indicate and state, if any, the differences with respect to the minimums stipulated in the Spanish Limited Liability Companies Law (LSC) with regard to the quorum required for the constitution of the general meeting:**

Yes **No** ✓

**B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Spanish Limited Liability Companies Law (LSC):**

Yes **No** ✓

**B.3. Indicate the rules governing amendments to the company's bylaws. In particular, indicate the majorities required to amend the bylaws and, if applicable, the rules for protecting shareholders' rights when the bylaws are amended.**

Pursuant to Article 21 of the Company Bylaws ("Bylaws"), "any amendments to the Company Bylaws, will require, on first call, the attendance of shareholders, in person or represented, with at least fifty percent (50%) of the subscribed capital with voting rights and, on second call, the attendance of twenty-five percent (25%) of such capital", foreseeing, for the valid adoption of the corresponding resolution, that when on second call the meeting is attended by shareholders who make up twenty-five percent (25%) or more of the subscribed capital with voting rights but less than fifty percent (50%), the resolutions will only be validly adopted with the vote in favour of two thirds of the share capital, present or represented at the General Meeting.

Similar provisons are included in Article 12 of the Regulations of the General Meeting of Shareholders (the "General Meeting Regulations"), in its Article 25.3.c), which provides that the amendment of the Bylaws should be put to vote to the shareholders separately to allow the shareholders to exercise their voting preferences individually, and this should apply to all other matters that are materially independent, including amendments to the Bylaws.

Finally, Article 26 of the Regulations of the General Shareholders' Meeting establishes that, in order to agree on any modification of the Bylaws, if the capital present or represented exceeds fifty percent (50%), it shall be sufficient for the resolution to be adopted by absolute majority, requiring the favourable vote of two thirds of the capital present or represented at the General Shareholders' Meeting when, at second call, shareholders representing twenty-five percent (25%) or more of the subscribed capital with voting rights are present without reaching fifty percent (50%).

**B.4. Indicate the attendance figures for the general meetings held during the year and those of the two previous fiscal years:**

| Date of General Meeting | % of attendance in person | % in represented | % remote voting: Electronic voting | % remote voting: Other | Total |
|---|---|---|---|---|---|
| 04/27/2018 | 42.81 | 28.12 | 0.00 | 0.00 | 70.93 |
| **Of which Floating Capital** | **1.58** | **9.89** | **0.00** | **0.00** | **11.47** |
| 04/29/2019 | 48.13 | 19.61 | 0.00 | 0.00 | 67.74 |
| **Of which Floating Capital** | **1.72** | **6.40** | **0.00** | **31.13** | **8.12** |
| 04/27/2020 | 33.06 | 7.83 | 0.00 | 31.13 | 72.02 |
| **Of which Floating Capital** | **0.04** | **2.64** | **0.00** | **12.89** | **15.57** |
| 10/26/2020 | 33.48 | 16.78 | 0.00 | 24.59 | 74.85 |
| **Of which Floating Capital** | **0.04** | **7.79** | **0.00** | **12.04** | **19.87** |

**B.5. Specify if there have been any items on the agenda at the General Meetings held during the year that, for whichever reason, were not adopted by the shareholders:**

Yes **No** ✓

**B.6. Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend general meetings or to vote remotely:**

Yes **No** ✓

**B.7. Indicate if there is a rule establishing that certain decisions, other than those established by Law, that involve the purchase, disposal, contribution to another company of key assets or other similar corporate operations, should be put to vote at the General Meeting of Shareholders:**

Yes **No** ✓

**B.8. Indicate the address and mode of accessing corporate governance content on the company's website, as well as other information on general meetings which must be made available to shareholders on the Company website:**

Corporate website: https://www.renta4banco.com/es/

Information on corporate governance and other information on the general meetings can be found on the website in the "Corporate Governance" section, located at the top of the corporate website. This section contains all the corporate information on the subject in accordance with current legislation.

## C. Structure of the company's governing body

### C.1. Board of Directors

C.1.1 The maximum and minimum number of directors stipulated in the Company Bylaws and the number stipulated by the General Meeting:

| | |
|---|---|
| **Maximum number of directors** | 15 |
| **Minimum number of directors** | 5 |
| **Number of directors stipulated by the General Meeting** | 12 |

C.1.2 Fill in the following table with the Board members' particulars:

| Name or company name of the director | Representative | Category of the director | Position on the Board | Date of first appointment | Date of last appointment | Appointment procedure |
|---|---|---|---|---|---|---|
| Mr. José Ramón Rubio Laporta | | Independent | Independent lead director | 04/28/2015 | 04/29/2019 | Resolution of the general meeting of shareholders |
| Mrs. Inés Juste Bellosillo | | Independent | Director | 04/28/2017 | 04/28/2017 | Resolution of the general meeting of shareholders |
| Mr. Juan Carlos Ureta Domingo | | Executive | Chairman | 08/20/1999 | 04/28/2017 | Resolution of the general meeting of shareholders |
| Mr. Eduardo Chacón López | | Dominical | Director | 04/28/2017 | 04/28/2017 | Resolution of the general meeting of shareholders |
| Mr. Pedro Ángel Navarro Martínez | | Other External | Vice-President | 08/20/2000 | 04/28/2017 | Resolution of the general meeting of shareholders |
| Mrs. Gemma Aznar Cornejo | | Independent | Director | 04/29/2019 | 04/29/2019 | Resolution of the general meeting of shareholders |
| Mr. Juan Luis López García | | Executive | CEO | 09/27/2011 | 04/28/2017 | Resolution of the general meeting of shareholders |
| Mr. Jesús Sánchez-Quiñones González | | Executive | Director | 05/26/2000 | 04/28/2017 | Resolution of the general meeting of shareholders |
| Mr. Santiago González Enciso | | Executive | Director | 08/28/1999 | 04/28/2017 | Resolution of the general meeting of shareholders |
| Mr. Pedro Ferreras Díez | | Other External | Director | 07/18/2005 | 04/28/2017 | Resolution of the general meeting of shareholders |
| Fundación Obra Social de la Abogacía Española | Mr. Rafael Navas Lanchas | Proprietary | Director | 11/27/2012 | 04/27/2018 | Resolution of the general meeting of shareholders |
| Mrs. Sarah Marie Harmon | | Independent | Director | 04/29/2016 | 04/27/2020 | Resolution of the general meeting of shareholders |
| **Total number of directors** | | | | | | **12** |

Indicate any resignations from the Board of Directors during the reporting period, whether due to resignation or by resolution of the General Shareholders' Meeting:

| Name or company name of the director | Category of the director when they left | Date of last appointment | Date of departure | Special committees the director was a member of | Indicate whether the director left before the end of their office |
|---|---|---|---|---|---|
| No data | | | | | |

C.1.3 Complete the following tables on board members and their respective categories:

**EXECUTIVE DIRECTORS**

| Name or company name of the director | Position in the company organisation chart | Profile |
|---|---|---|
| Mr. Juan Carlos Ureta Domingo | Chairman | Mr Ureta has a degree in Law-Economy (Lawyer specialising in Economics) by Deusto University. As State Attorney (1980 examination), he worked for the Ministry of Economy and Treasury (1980 -1984). He has been a Stockbroker of the Madrid Stock Exchange since 1986 (number 1 in his year). Mr Ureta was the Chairman of the Instituto Español de Analistas Financieros from 2010 to 2016 and of the Fundación de Estudios Financieros from 2010 to 2016. Between 1996 and 2003 he was a member of the Board of Directors of the Servicio de Compensación y Liquidación de Valores (Iberclear) and was the chairman of such service in 2002. He was also a member of the Board of Directors and the Standing Committee of the Sociedad Rectora de la Bolsa de Madrid from 1989 until 2019. Mr Ureta was also a member of the Board of Directors of Bolsas y Mercados Españoles (BME) from 2002 to 2006, and from 2018 to 2020, member of the Board of Directors of Indra Sistemas (1998- 2007) Spanish leading company in information technology; and member of the Advisory Board of Lucent Technologies in Spain (1996 and 2001). He is currently a member of the Board of Directors of Saint Croix Holding Immobilier, Socimi, S.A. In addition to being the author of numerous publications specializing in legal and financial matters, Mr. Ureta is a consultant to several Spanish and foreign business groups. |
| Mr. Juan Luis López García | CEO | Mr. López García holds a degree in Economics and Business Administration from the Complutense University of Madrid. From 1980 to 1986, he worked as a financial analyst at BANIF. After this period, he moved to Banco Hispano Urquijo in London (Risk Department) for 10 months. In 1987 he joined Urquijo Gestión de Patrimonios as a portfolio manager and manager of Collective Investment Institutions. Subsequently (1988 -1991) he worked as a portfolio manager at GESBANZANO, SGIIC (Banco Zaragozano Group), and subsequently developed his activity as an independent professional advising institutions, especially in the non-for-profit sector (1991-1997). In 1997 he joined Renta 4 where he was appointed as General Manager in March 2004. From 2006 until 2007 he was Chairman of Renta 4 Pensiones EGFP S.A. Until March 2011 he was Chairman and CEO of Renta 4 Gestora, SGIIC, S.A. and General Manager of Renta 4 Servicios de Inversión, S.A. where he has taken on different functions. At present, Mr Juan Luis López is a member of the Board of Directors of Renta 4 Pensiones SGFP, S.A. and Renta 4 Banco, S.A. and has also been CEO of the latter since January 2015. |
| Mr. Jesús Sánchez- Quiñones González | General Manager | Mr Sánchez-Quiñones has a degree in Business Management and Administration by ICADE and a Master's degree in Tax and Economic Studies by CECO. He was in charge of the management (and attendance) of all courses and seminars organised by Aula Financiera & Fiscal from 1991 to 2004. Since 2012, Mr. Sánchez-Quiñones has been General Manager at Renta 4 Banco, being the head of the areas of Business, Markets, Asset Management, Online Intermediation, Corporate Finance, Research, Marketing and Private Banking. From 2006 to 2012, he held the position of General Manager at Renta 4 S.V., being the head of the areas of Business, Markets, Asset Management, Online Intermediation, Corporate Finance, Research, Marketing and Private Equity Management. Since 2000, he has been Director at Renta 4 Servicios de Inversión (Holding), where he had a significant degree of involvement in the company's IPO (2007). |

| Name or company name of the director | Position in the company organisation chart | Profile |
|---|---|---|
| | | In 1991 he founded (and was the Administrator of) Aula Financiera & Fiscal, S.L. a company specialising in training professionals from the Private Banking and Equity Management sector in tax and financial matters, most of them inspectors from the General Tax Department. Between 2004-2006 he was Chairman of Renta 4 S.G.I.I.C., S.A. and General Manager at Renta 4 S.V. In 1996 (until 2000) he was Assistant Manager of the Chairman of Renta 4 S.V. and had previously worked as Manager of the analysis department, Operator of the table of derivates and international contracting and Analyst of the Corporate Finance department. Besides being the coauthor of many publications and taking part in different work teams (e.g. CNMV or BME), is a member, among other organizations, of the Economic Advisors Group, the Spanish Institute of Financial Analysts, and a regular speaker at courses and seminars organized by different institutions (e.g. the Economics and Financial Policy Committee of the CEOE). Since April 2019 he is also a Director of KOBUS PARTNERS MANAGEMENT SGEIC, S.A. |
| Mr. Santiago González Enciso | Regional Director | After training as a lawyer, his career has been linked to the business world, taking on management roles and being part of governing bodies in different companies, mainly within the financial and real-estate market. In this field, he joined Manglo, S.A. as Sales Manager in 1982 where he supervised the Finances and HR Department. Mr González was then appointed Director from 1985 until 1996. He was also sole Director of the company Miralpáramo, S.L. He joined Renta 4 in 1991 as Provincial Director of Renta 4 SV in Valladolid and Regional Director of Renta 4 SV in Castilla y León. He is currently Director of Renta 4 Valladolid; Territorial Director of Renta 4 Castilla y León; Board Member of Renta 4 Banco; Board Member of Renta 4 S.V., S.A.; Chairman of the Board of Directors of Auditórium Privatum S.L.; and Managing Director of I.G.E-6,S.L. Mr. González Enciso is also a financial advisor and trustee of several foundations and non-for-profit associations, as well as a Member of the Board of the University of Valladolid. |

| | |
|---|---|
| Total number of executive directors | 4 |
| % out of the total of the board | 33.33% |

**EXTERNAL PROPRIETARY DIRECTORS**

| Name or company name of the director | Name or company name of the significant shareholder they represent or who has proposed their appointment | Profile |
|---|---|---|
| Mr. Eduardo Chacón López | Contratas Y Servicios Extremeños, S.A. | Mr Chacón has a degree in Business and Economics Sciences by the University of Extremadura (1995) having studied the first two years at the University of Valladolid and has a degree in Business Senior Management by the San Telmo Business School, Seville (1997). He also attended a course on Senior Management, PAD (2008) by the Extremadura Business School of which he is founder and owner. Since 1995 he has been CEO of a group of family businesses from Extremadura that specialise in managing different services: street cleaning, maintenance, upkeep and cleaning of property, car parks and signposting, with a workforce of about eight hundred people, of which an approximate ten percent is disabled. Since 1997 he has sat on the Business Advisory Board of Mutua Fremap in Extremadura and is a Director of the Parking, S.L. organisation in Cáceres. Mr Chacón was a member of the Governing Board of Caja Rural de Almendralejo, cooperative credit organisation since December 2013 up until April 2017. He has also taken other courses on different subjects including Environment, Urban Waste Management and Treatment, trained to transport goods by road and other courses on Family business management, Leadership skills and Technical analysis of financial markets. He regularly attends high-level training courses and is especially interested in matters related to business strategy, team management, family businesses and the parallelism between the management of the sports world and the business world. |

| Name or company name of the director | Name or company name of the significant shareholder they represent or who has proposed their appointment | Profile |
|---|---|---|
| Fundación Obra Social de la Abogacía Española | Mutualidad General de la Abogacía | Mr Navas Lanchas (natural person representing the Foundation) has a degree in Economic Sciences (1986) and Insurance Actuary (1986) by the Complutense University. He has also taken several courses on the Liquidation of Insurance Companies in UNESPA (July 1991); insurance and reinsurance in general and other specific courses on life insurance and pension funds; and Internal Control and solvency II of insurance companies. Basic skills in office software, Internet, email and actuary calculation software (ACTUS). Since 2013, he has been the General Manager of Mutualidad General de la Abogacía, having acted as Assistant General Manager the previous year. From 2006 to 2012 he was Deputy General Manager of the Mutualidad General de la Abogacía (from 2008 Deputy General Manager of the Financial Area of the Mutualidad General de la Abogacía in charge of the departments of Financial Investments, Real Estate Investments, Accounting and Actuarial Department; and from 2006 to 2008 Deputy General Manager, as responsible for the coordination of all the departments of the Mutualidad). He was also Head of the Actuarial Technical Department of the Mutualidad General de la Abogacía (1991-2006). Previously Mr Navas had worked at Ernst Young as an auditor (insurance and finance sector, 1990-1991) and at Espacontrol Deloitte where he also worked as an auditor (1987-1990). |

| | |
|---|---|
| Total number of proprietary directors | 2 |
| % out of the total of the board | 16.67 |

**EXTERNAL INDEPENDENT DIRECTORS**

| Name or company name of the director | Profile |
|---|---|
| Mr. Jose Ramón Rubio Laporta | Mr Rubio has held different leading positions during his career. In particular, he started his career working in the headquarters of Marks & Spencer in London. From 1975 until 1982 he was General Secretary and Secretary to the Board of Directors as well as Manager of the Legal Counsel department for a group of family businesses in the building, property development, mining and electric supply sector with over 700 employees. In 1982 he was a founding partner of the law firm "Mateu de Ros, Ramón y Cajal Rubio y asociados", today "Ramón y Cajal Abogados", where he remained until 1994. There, he developed mainly the international business, participating in different transactions of Spanish companies' IPO in London, introduction of international investors to various listed Spanish companies, organized presentations for the Spanish Chamber of Commerce in London, advised different firms such as "BNP Securities", "Ask Securities" and "Map Securities", all of them in London. He has been director of entities such as "Mediterranean Fund" managed by "Lombard Odier y Cia" and Secretary of the Board of Directors of "Ascorp, S.A." listed company of "Grupo Cooperativo Mondragón", as well as different positions of Director in other companies dedicated to strategic management, real estate services and health sector. From 1995 until 1998 he was CEO of the insurance group Previasa. Since 1998 he has been Vice President and CEO of the Grupo Hospitalario Quirón. In June 2012 he was appointed Chairman of the Institute for development and integration of Healthcare (IDIS) and in July 2012 he became Vice President of USP Hospitals. Mr Rubio has a degree in Law by the Complutense University of Madrid (1974) and furthered his studies with different courses on Politics by the Complutense University of Madrid (1975) and on Urban Planning Law. He speaks English and German. |

| | |
|---|---|
| Mrs. Inés Juste Bellosillo | She finished her degree in Business Sciences by the Autónoma University of Madrid in 1997 and her MBA by the Instituto de Empresa in 1998. In 1999 she became exports manager in charge of the European market and of opening new markets, meeting new trade partners and attending international fairs for Perfumería GAL, S.A. From 1999 until 2001 she was external consultant at DPB Consultores and was the Financial Head of the NGO-German Agro Action (Luanda, Angola) from 2003 to 2004. In 2011 (to date) she was appointed Chairwoman of the JUSTE Group which is a Spanish industrial group with family capital and over 90 years' experience in research, development, manufacturing and selling pharmaceutical and chemical-pharmaceutical products. |
| Mrs. Gemma Aznar Cornejo | Ms. Aznar Cornejo holds a degree in Economics and Business Administration from the Abad Oliba University of Barcelona (specializing in Business Economics). Since 2005 Ms. Gemma has held the position of General Manager at Mary Kay Cosmetics Spain, where she has mainly developed management functions through different departments (Finance, Marketing, Sales, Operations and HR), as well as multiple strategies, including: commercial, marketing, internal, cost control and analysis of variables. From the end of 1998 to the end of 2004, he held the position of Senior Analyst in Corporate Banking in the Risk Division of Banco Santander, S.A., where he carried out, among others functions, the financial and operational analysis for large corporations in different sectors. Previously (May 1996 to September 1998) he was a Corporate Banking analyst at Banco Central Hispano in London, where he developed financial and economic analysis functions for multinational groups, and served as a liaison with the client to understand their needs. In addition to speaking Spanish, English and Catalan, Mrs. Aznar has taken various courses and programs that complement her main training, including the "International Business" course (Polytechnic City of London), the "Techniques and Analysis of Stock Market Operations" course (Barcelona Stock Exchange and Abad Oliba), and the "Advance Management Program" (AMP) (ESADE). |
| Mrs. Sarah Marie Harmon | She passed her degree in Journalism by Kansas University in 1990 and a Master's degree in Healthcare Management by the North Carolina University in 1995. From 1995 to 1998 she was Manager of Customer Service at United Healthcare and from 1998 to 2000 she was Senior Manager at Cerner Corporation.<br>She held the position of Practice Manager at EHealth (Entensity Inc.) from 2000 to 2001, when she joined Medem, Inc. as Director of Business Development until 2003. In 2004 she joined Microsoft Ibérica where she held different posts until she became Business Development Manager from 2011 until 2013. During 2013-2019 she has been General Manager at Linkedin Iberia, and since July 2019 she has been General Manager at Habitissimo, S.L. |

| | |
|---|---|
| Total number of independent directors | 4 |
| % out of the total of the board | 33.33 |

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior officer of an entity which maintains or has maintained this relationship.

If applicable, include a statement from the board detailing the reasons why it believes this director may carry out duties as an independent director.

| Name or company name of the director | Description of the relationship | Reasoned statement |
|---|---|---|
| No data | | |

**OTHER EXTERNAL DIRECTORS**

Identify the other external directors and explain why these directors may not be considered proprietary or independent directors, and what their connection is with the Company, its managers or its shareholders:

| Name or company name of the director | Reason | Company, director or shareholders to which this person is linked | Profile |
|---|---|---|---|
| Mr. Pedro Ángel Navarro Martínez | Has exceeded the 12-year limit to hold the position of independent Director. | Renta 4 Banco S.A. | Mr Navarro is an industrial engineer by the Polytechnic University of Barcelona.<br>He also has an MBA by ESADE and a Master's degree in Finances by the Texas Tech University (USA). He began his career by working for two years and a half at Texas Instruments Inc. in Dallas (USA) and Nice (France). Subsequently, he worked for Honeywell Bull for a year.<br>In 1972 he joined Accenture (formerly Arthur Andersen), where he remained until 2001. In Accenture he held the positions of Office Managing Partner in the office in Barcelona, then Chairman for Spain, CEO for Southern Europe and CEO of the Financial Entities sector for Europe, Latin America and Africa. He was a member of the World Board for ten years, from 1990 until 2000. At present, Mr Navarro is an independent Director of Renta 4 Banco, S.A. and Jazztel PLC; Executive Vice President of the Board of Trustees of ESADE and Vice President of CEDE (Spanish Confederation of Managers and Executives). Mr Navarro also belongs to the Círculo de Empresarios and the Instituto de Consejeros-Administradores (ICA). |
| Mr. Pedro Ferreras Díez | Has exceeded the 12-year limit to hold the position of independent Director. | Renta 4 Banco S.A. | Mr Ferreras has a degree in Law by the University of Oviedo (1977). Before joining the State Attorney Office in 1984 he was a lecturer in Administrative Law at the University of León (1978-1982). Mr. Ferreras has been a lawyer since 1985, and has been Chairman of SEPI (1996-2001) as well as Director of several companies, including Repsol, Telefónica, SEPPA, and the European Aeronautic Defence and Space Company.<br>He is also a member of the Governing Council of Spanish Management Progress Association and a member of the Economic and Social Council of the International University of Catalunya. Since September 2001 he has resumed his activity as a lawyer. |

| | |
|---|---|
| Total number of other external directors | 2 |
| % out of the total of the board | 16.67 |

Indicate any changes in the status of each director that may have occurred during the year:

| Name or company name of the director | Date of change | Prior category | Current category |
|---|---|---|---|
| No data | | | |

C.1.4 Complete the following table with the information on the number of female directors over the past 4 years and their category:

| | Number of female board members | | | | % of total directors of each category | | | |
|---|---|---|---|---|---|---|---|---|
| | Fiscal year 2020 | Fiscal year 2019 | Fiscal year 2018 | Fiscal year 2017 | Fiscal year 2020 | Fiscal year 2019 | Fiscal year 2018 | Fiscal year 2017 |
| Executive | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| Proprietary | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| Independent | 3 | 3 | 2 | 2 | 75.00 | 75.00 | 40.00 | 40.00 |
| Other External Female Directors | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 3 | 3 | 2 | 2 | 25.00 | 25.00 | 14.29 | 14.29 |

C.1.5 Indicate whether the company has diversity policies in place for its Board of Directors with regards to age, gender, disability, education or work experience, among other matters. Small and medium businesses, as described by the Auditing Law, should at least report about the policy they have established to ensure gender diversity.

Yes No **Partial policies** ✓

If this is the case, describe the diversity policies, their targets, measures and the way they have been implemented and their outcome in the fiscal year. Also indicate the specific measures taken by the Board of Directors and the Appointments and Remuneration Committee to ensure a balanced and diverse ratio of directors.

Should the company not have a diversity policy in place, explain the reasons for it.

**Description of policies, targets, measures and way they have been implemented, as well as their outcome.**

In accordance with the provisions of Article 33.2 of the Articles of Association, Article 9.3 of the Regulations of the Board of Directors (the "Board Regulations") provides that "the Board of Directors shall ensure that the procedures for the selection of its members favour the diversity in terms of matters related to age, gender, different abilities, knowledge, training or professional experience, and do not suffer from any implicit bias that could imply any discrimination and, in particular, that they facilitate the selection of female directors in such a number that enables a balance representation of men and women in the Company, always in support of the interests of the Company". The Board of Directors has entrusted this function to the Appointments and Remuneration Committee ("ARC") as described in Article 32.3(g) of the Board Regulations, where it indicates, among other functions assigned to the ARC, that it should "Ensure that the director selection procedures do not discriminate in terms of gender, set a representation target for the least represented gender and prepare guidelines on how to reach such target".

Throughout the 2020 fiscal year, the ARC, in application of the diversity policies, has analysed possible candidates for female directors of the Company for the near future. In addition, and in application of these policies, the General Shareholders' Meeting, at the proposal of the ARC and following a report from the ARC and the Board, resolved to re-elect Ms. Sarah Marie Harmon as an independent director of the Company.

C.1.6 Explain any measures that may have been agreed by the appointments committee to prevent any implicit bias in selection procedures to hinder the selection of female board members, and for the company to deliberately strive to include women who meet the professional profile sought among the candidates and that will enable a balanced ratio of men and women. Also indicate whether these measures include encouraging the company to have a significant number of senior female managers:

### Explanation of the measures

Article 9.3 of the Board Regulations provides that the Board must ensure that the procedures for the selection of its members favour diversity with respect to matters such as age, gender, different abilities or knowledge, training and professional experience, and do not suffer from implicit biases that could imply any discrimination and, in particular, that they facilitate the appointment of female Directors in a number that allows a balanced presence of women and men in the Company, all in the best interests of the Company. In this regard, the Board has entrusted the ARC with the responsibility of ensuring that director selection procedures do not discriminate on the basis of age and gender diversity, establishing a representation target for the under-represented sex; and to prepare guidelines on how to achieve this target in accordance with the provisions of article 32.3.g) of the Board Regulations.

In turn, Article 32 of the Board Regulations and, in order to avoid any implicit bias in the procedures for selecting the members of the Board of Directors that might hinder and/or prevent the selection of Female Directors, provides that the ARC shall: (i) Evaluate the skills, knowledge and experience required by the Board of Directors, defining, as a consequence, the functions and skills required by the candidates to fill each vacancy and evaluating the time and dedication required to properly perform their duties. Any Director may request the ARC to consider potential candidates to fill vacancies on the Board of Directors, if they consider them suitable; and (ii) to ensure that the procedures for selecting Directors do not discriminate on the basis of age and gender diversity, establish a representation target for the under-represented gender and prepare guidelines on how to achieve this target.

The ARC has aimed to, by establishing the goals and basic principles applied to the director selection process and a series of conditions that the candidates must meet, in line with the director Selection Policy:

(i) Encourage diversity and integration of knowledge, experience and gender.

(ii) Reach a suitable balance on the Board of Directors that will enrich the decision-making and contribute plural points of view to the debates on the matters under its domain; and

(iii) Proposals for the appointment and re-appointment of directors should be based on a prior analysis of the Board's needs. As a result, the ARC drafted the proposed Policy for the Appointment of Directors based on the principles of diversity and balance in the composition of the Board of Directors, which was approved by the Board of Directors. In application of this policy, the ARC, during the 2020 fiscal year, carried out the evaluation procedure for the renewal of Ms. Sarah Marie Harmon as an independent director of the Company in order to maintain the diversity of the Board of Directors, concluding in the re-election of the aforementioned director in 2020.

When, despite the measures adopted, there are few or no female directors or leadership positions, explain the reasons:

### Explanation of the reasons

In order to continue applying the best corporate governance practices pursued by the Company and, in particular, those relating to gender diversity within the Board of Directors, the ARC has focused, throughout the 2020 fiscal year, on the application of these policies by proceeding to the study and analysis of different female candidates in order to increase the percentage of female representation on the Board, as well as proposing to the General Shareholders' Meeting (and approved by the latter) the renewal of Ms. Sarah Marie Harmon as an independent director of the Company. As it could not be otherwise, the Company will continue working along these lines, promoting diversity on the Board of Directors and prohibiting the existence of discrimination or bias in the selection procedure for directors, especially those related to the gender of the potential candidate. The foregoing only makes it easier for the composition of the Company's Board to be even more in line with the trends, best practices and guidelines of good corporate governance.

Likewise, the Company continues to apply gender diversity policies within its internal structure, increasing the participation of women in the Company's management positions.

C.1.7 Explain the conclusions of the appointments committee on the verification of compliance with the policy aimed at favouring an appropriate composition of the board of directors.

The Appointments and Remuneration Committee established the basic principles and/or guidelines on which the policy for the appointment of directors should be based, contained in the proposed Policy for the Selection of Directors which was approved by the Board of Directors. Said Policy, based on the principles of diversity and balance in the composition of the Company's Board of Directors, is expressly aimed at favouring diversity and integration of knowledge, experience and gender, seeking to facilitate the appointment of female directors in a number that allows a balanced presence of women and men in the Company, all in the best interests of the Company.

The members of the ARC issued a positive report on the Company's corporate governance policy, which expressly foresees that the Committee should ensure that the director selection procedure should foster diversity of gender, experience and knowledge, and be free of any implicit bias that may lead to discrimination and, in particular should facilitate the selection of female directors.

In accordance with the above, the activity of the ARC has focused particularly on the application of these policies, proposing in 2020, the renewal of Ms. Sarah Marie Harmon as an independent director of the Company to the General Shareholders' Meeting, and approved by the latter in April.

C.1.8 Explain any reasons for which proprietary directors have been appointed at the behest of shareholders accounting for less than 3% of share capital:

| Name or company name of the shareholder | Justification |
|---|---|
| No data | |

Provide details of any rejections of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been granted:

Yes **No** ✓

C.1.9 Indicate, if any, the powers delegated by the Board of Directors to directors or to Board committees:

| Name or company name of the director or committee | Brief description |
|---|---|
| Juan Luis López García | All the powers granted to the Board of Directors, except those that cannot be delegated by Law or the Company Bylaws. |

C.1.10 Identify any Board members working as managing directors, representatives of managing directors or executives at other companies that are part of the listed company's group:

| Name or company name of the director | Group company name | Position | Has executive duties? |
|---|---|---|---|
| Mr. Juan Carlos Ureta Domingo | Renta 4 Sociedad Agente de Bolsa S.A. | Chairman of the board | No |
| Mr. Juan Carlos Ureta Domingo | Renta 4 Corredores de Bolsa S.A. | Board member | No |
| Mr. Juan Carlos Ureta Domingo | Renta 4 Global Fiduciaria, S.A. | Member of the governing board | No |
| Mr. Juan Luis López García | Renta 4 Global Fiduciaria, S.A. | Member of the governing board | No |
| Mr. Juan Luis López García | Renta 4 Pensiones S.G.F.P S.A | Director | No |
| Mr. Jesús Sánchez- Quiñones González | Renta 4 Corporate, S.A. | Chairman - CEO | Yes |

| Name or company name of the director | Group company name | Position | Has executive duties? |
|---|---|---|---|
| Mr. Jesús Sánchez- Quiñones González | Renta 4 S.V., S.A. | Director | No |
| Mr. Jesús Sánchez- Quiñones González | Kobus Partners Management Sgeic, S.A. | Director | No |
| Mr. Santiago González Enciso | Renta 4 S.V., S.A. | Director | No |
| Mr. Pedro Ferreras Díez | Renta 4 Corporate, S.A. | Director | No |

C.1.11 Identify any directors, or representatives of directors who are legal entities, at your company who are also members of the Board of Directors, or representatives of directors who are legal entities, in other companies listed on regulated markets other than your group, which have been notified to the company:

| Name or company name of the director | Company name of listed company | Position |
|---|---|---|
| Mr. Juan Carlos Ureta Domingo | Saint Croix Holding Immobilier Socimi S.A. | Director |

C.1.12 Indicate and, explain where appropriate, whether the company has established rules on the maximum amount of company boards the company's directors may sit on, identifying, if any, where these rules are established:

Yes **No** ✓

C.1.13 Specify the amounts of the following items regarding the global remuneration of the Board of Directors:

| | |
|---|---|
| Remuneration accrued by the Board of Directors during the fiscal year (thousands of euros) | 1,706 |
| Amount of pension rights accumulated by the current directors (thousands of euros) | 4 |
| Amount of pension rights accumulated by the former directors (thousands of euros) | |

C.1.14 List any members of the senior management who are not also executive directors and state the total remuneration accrued by them during the year:

| Name or company name | Position(s) |
|---|---|
| Mr. José Ignacio García-Junceda Fernández | Chairman/General Manager of Renta 4 S.V., S.A. |

| | |
|---|---|
| Number of women in senior management | 0.00 |
| Percentage over the total number of members of senior management | 0.00 |
| Total remuneration of senior executives (thousands of euros) | 186 |

C.1.15 Indicate whether any amendments have been made to the Board regulations during the fiscal year:

**Yes** ✓ No

**Description of changes**

At the Board of Directors meeting held on 22 December, it was agreed to amend its Regulations in order to adapt them to the amendments to the good governance recommendations approved by the CNMV in June 2020.

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

The appointment of the Directors corresponds to the Meeting, without prejudice to the right of proportional representation that corresponds to the shareholders in the terms stipulated in the Spanish Corporate Law. In this sense, if vacancies arise during the period for which the Directors were appointed, the Board may, by means of co-option, appoint the persons who are to occupy them until the first Meeting is held, unless the Meeting has already been called, in which case the Board may appoint a Director until the next Meeting after the one called is held.

The proposals to appoint, ratify or re-elect Directors should refer to people who are known for their integrity, solvency, technical skills and experience and will be approved by the Board upon the proposal made by the ARC for Independent Directors or upon the proposal of the Board, based on the ARC's report, for all other Directors. In any case, the proposal or the report made by the ARC should assign the new Director to one of the director classes foreseen in the Company's Board Regulations. Proposals must be accompanied by a supporting report from the Board that assesses the competence, experience and merits of the proposed candidates, which will be attached to the minutes of the General Meeting or the Board meeting. When the Board diverges from the ARC's proposals, it must provide its reasons for the decision and these must be included in the minutes.

Directors may be either natural or legal persons; in the latter case, it will be necessary for the latter to appoint a natural person to permanently exercise the duties inherent to the position of director. The natural person should meet the legal requirements set for the directors and will be subject to the same duties, and will be jointly and severally liable alongside the legal entity Director. The proposed representative will be subject to the ARC's report. Should the legal person director revoke its proxy, this will not come into effect unless a substitute has been assigned.

From the moment the call is announced and until the General Meeting takes place, the Company the following minimum details on the persons proposed to be appointed, ratified or re-elected as members of the Board should remain published on the Company's website: identity, curriculum vitae, and director class they belong to, as well as the proposal and reports mentioned above. In the case of a legal person, the information shall include information on the individual to be appointed to permanently act under the title proposed.

Persons who hold representation or management positions or functions in other credit entities or a significant stake in their share capital may not be appointed as directors unless expressly authorised by the Board.

Once a year, the Board will assess (i) its performance and the quality of its work, (ii) the Chairman's and CEO's performance of their roles based on the ARC's report, (iii) the performance and composition of its Committees, based on their reports, (iv) the diversity in the composition and competences of the Board, based on the ARC's report and (v) the performance and contribution made by the Directors, with special focus on the heads of the different Board Committees, based on the reports produced by the Committees. For such purposes, the Chairman will organise and coordinate the assessment of the Board with the Chairmen/Chairwomen of the Committees.

The Directors will remain in office for four years unless the General Meeting agrees to remove them or they resign from the position and they may be re-elected more than once for four-year terms.

The Directors will leave their position when, at the end of the term they were appointed for, the General Meeting is held or the time set to hold the General Meeting that is to agree the previous year's financial statements has passed, or when so agreed by the General Meeting by virtue of the powers granted by Law or the Company Bylaws.

The ARC may propose the removal of independent Directors before the end of the statutory term for which they were appointed, if the ARC deems that there are reasonable grounds to do so. In particular, there will be reasonable grounds for removal when the Director fails to carry out the duties attached to his/her position or when he/she is under whichever circumstances described in Article 9.2.a of the Board Regulations that prevent his/her appointment as independent Director when the Director takes on a new position or new duties that prevent him/her from devoting the necessary time to carry out his/her role as Director.

The removal of directors may also be proposed as a result of public buy-outs, mergers or other similar corporate transactions implying a change in the structure of the Company's capital, where such changes in the Board structure are due to the proportionality criterion in the Board Regulations.

C.1.17 Explain to what extent the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

**Description of changes**

There have been no changes as the result of the self-assessment was satisfactory.

Describe the assessment procedure and the areas assessed by the Board of Directors with the support, if any, of an external consultant, regarding the performance and composition of the Board and its committees and any other area or aspect that has been assessed.

**Description of the assessment procedure and areas assessed**

The Board of Directors has assessed its composition and competences, the performance and composition of its Committees and the performance of the Chairman, CEO, Independent Lead Director and Secretary of the Company by sending all directors the relevant assessment surveys regarding the Board of Directors, Appointments and Remuneration Committee ("ARC") and the Audit and Control Committee ("ACC").

Once the answers were received, the ARC prepared the related reports assessing the Board of Directors, Chairman, CEO, Independent Lead Director and the Secretary of the Board. In addition, the ARC prepared a report assessing its own composition, competences and performance. The ACC also prepared a report assessing its own composition, competences and performance.

Subsequent to the evaluation, the Board of Directors approved the assessment reports for the Board and its committees, the Chairman, CEO, Independent Lead Director and Secretary, finding that:

(i) The Board of Directors has an appropriate composition and effectively takes on and exercises the powers and competences granted to it by the Articles of Association and the regulations of the Board of Directors, always acting in the Company's interest and to maximise the Company's economic value;

(ii) The ARC and the ACC each have an appropriate composition and effectively take on and exercise the powers granted to them by the current regulations and the Company's different corporate texts; and

(iii) The Chairman, CEO, Independent Lead Director and the Secretary of the Board have effectively and diligently discharged their duties..

C.1.18 Detail, as appropriate, for the years in which the assessment was supported by an external consultant, any business dealings that the consultant or any company in its group have with the Company or any company in its group.

Throughout the fiscal year 2019 and with respect to the previous fiscal year 2018, the Company has been assisted by an external expert, Mr. Salvador Montejo Velilla.

C.1.19 Indicate the cases in which the directors must resign.

Pursuant of Article 12.2 of the Board Regulations, "The Directors shall hand in their resignation in the following cases:

a) At the age of 80.

b) When they leave the job, position or function linked to their appointment as executive directors.

c) In the case of proprietary Directors, when the shareholder who proposed the appointment transfers their entire shake in the Company or reduces it to an extent that entails the reduction of the number of its proprietary Directors.

d) When subject to one of the cases of incompatibility or bans foreseen by Law, the Company Bylaws or herein.

e) When the Board itself so requests by a majority of at least two thirds of its members, for having breached its obligations as a director, following a proposal or report from the Appointments and Remuneration Committee.

f) When, in view of any situation affecting them, whether or not related to their performance in the Company itself, the credit and reputation of the Company may be jeopardised, informing the Board and the Appointments and Remuneration Committee of any criminal proceedings in which they are under investigation, as well as the progress of the proceedings.

In the event that the Board of Directors has been informed, or has otherwise become aware, of any of the situations referred to in the preceding paragraph, the Board shall examine the case as soon as possible and, in view of the specific circumstances, shall decide, following a report from the Appointments and Remuneration Committee, whether or not to adopt any measure. A reasoned account of such circumstances shall be included in the Annual Corporate Governance Report, unless there are special circumstances that justify not to, which must be recorded in the minutes.

g) When the Director has received a serious caution from the Audit and Control Committee.

h) At the end, for whichever reasonable grounds, of the contractual or organic relationship with the Company's shareholder that had given rise to the Director's appointment."

Notwithstanding the foregoing, Section 3 foresees that "Should a natural person representing a legal person Director be the object of the cases foreseen in section 2 above, he/she will be promptly replaced by the legal person Director".

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?:

Yes **No** ✓

If applicable, describe the differences.

C.1.21 State whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors:

Yes **No** ✓

C.1.22 Indicate whether the Bylaws or the board regulations set any age limit for directors:

**Yes** ✓ No

| | Age limit |
|---|---|
| Chairman | 80 |
| CEO | 80 |
| Director | 80 |

C.1.23 Indicate whether the Bylaws or the Board regulations set a limited term of office or other stricter requirements for independent directors other than those established by the regulations:

Yes **No** ✓

C.1.24 Indicate whether the Bylaws or Board regulations stipulate specific rules to delegate votes on the Board of Directors to other directors, the procedures thereof and, in particular, the maximum number of proxy votes a director may hold. Also indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in Law. If so, give brief details.

Proxy voting is described in Article 38.2 of the Company Articles of Association whereby "[...] all Directors may be represented by another Director. Proxy will be granted expressly for the relevant meeting of the Board of Directors and may be notified by whichever means foreseen in section 2 in the article above. Non-executive directors may only be represented by another non-executive director.

As regards the means by which proxies must be communicated, Article 37.2 of the Articles of Association states that "The meetings of the Board of Directors will be called by letter, fax, telegram, e-mail or any other means and will be authorised with the signature of the Chairman or the Secretary or Vice Secretary by order of the Chairman. The meeting will be called in due time to ensure that the Directors receive it at least three days before the meeting date save for emergency meetings that may be called to be held immediately. This will not apply to those cases where the Regulations of the Board of Directors require a specific time to call a meeting. The call must always include, unless reasonably justified, the Agenda for the meeting and will attach, where appropriate, any information deemed necessary," including the procedure to appoint a proxy, that will be in writing and specifically for each meeting.

C.1.25 Indicate the number of board meetings held during the fiscal year. Also state, if applicable, the number of occasions on which the Board met without its Chairman in attendance. Attendance shall also include proxies appointed with specific instructions.

| | |
|---|---|
| Number of board meetings | 12 |
| Number of Board meetings without Chairman's attendance | 0 |

Indicate the number of meetings held by the Independent Lead Director with the other directors without the attendance, in person or by proxy, of an executive Director:

| | |
|---|---|
| Number of meetings | 5 |

Indicate the number of meetings of the various board committees held during the year:

| | |
|---|---|
| Number of meetings of the Audit and Control Committee | 7 |
| Number of meetings of the Appointments and Remuneration Committee | 5 |

C.1.26 Indicate the number of meetings held by the Board of Directors during the fiscal year and the attendance data of its members:

| | |
|---|---|
| Number of meetings where at least 80% of directors attended in person | 12 |
| % of attendance in person out of the total votes during the fiscal year | 100.00 |
| Number of meetings where all the directors attended in person or by proxy with precise instructions | 12 |
| % of votes cast with attendance in person, or by proxy with precise instructions, out of the total votes during the fiscal year | 100.00 |

C.1.27 Indicate whether the consolidated and individual annual financial statements submitted to the Board for their preparation are certified beforehand:

Yes **No** ✓

Identify, where applicable, the person(s) who certified the Company's individual and consolidated annual financial statements to be prepared by the Board:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements that the Board of Directors submits to the General Shareholders' Meeting are drawn up in accordance with accounting regulations.

The Audit and Control Committee analyses the quarterly, half-yearly and yearly financial statements and has regular meetings with the External Auditor reviewing, where necessary, any changes in the accountancy criteria that would affect the financial statements, ensuring that there are no qualifications by the Auditor and that the Board of Directors prepares the statements without qualifications. In compliance with Article 31 and 37 of the Regulations of the Board of Directors, the Audit and Control Committee is in charge of reviewing the Company's financial statements, enforcing compliance with legal requirements and correctly applying the standard accountancy principles, as well as providing information on the proposals made by the management to change accounting principles and criteria.

C.1.29 Is the secretary to the board a director?

Yes **No** ✓

If the secretary is not a director complete the following table:

| Name or company name of the secretary | Representative |
|---|---|
| Mr. Pedro Alberto Ramón y Cajal Agüeras | |

C.1.30 Indicate the specific methods established by the company to protect the independence of the external auditors, as well as the methods, if any, employed to protect the independence of the financial analysis, of investment banks and of credit rating agencies, including how the legal provisions have been effectively implemented.

In accordance with Article 31.3.b) of the Board Regulations, the Audit and Control Committee is the body in charge of ensuring the External Auditors' independence by establishing, inter alia, the duty, as regards the external auditor, to:

(i) Present before the Board of Directors, to then be put forward to the General Meeting of Shareholders, the proposals to select, appoint, re-elect or replace the external auditor, as well as the terms of his/her contract, the scope of the auditor's professional office and the revocation or renewal of his/her appointment;

(ii) Regularly gather information from the external auditor about the audit plan and protect his/her independence -ensuring that the compensation given to the external auditor for his/her work does not compromise the quality of his/her work or his/her independence- and about matters that may threaten his/her independence and the results of the audit, to be examined by the Committee, and any other information related to the accounts audit. It should also receive information and exchange communications with the external auditor as foreseen by the laws on accounts audits and the auditing regulations, and it should check that the senior management takes into account the auditor's suggestions;

(iii) Once a year, the Committee must receive from the external auditors the declaration of their independence in relation to the Company or companies directly or indirectly related to it, and information concerning additional services of any kind that have been provided and the fees received by the external auditor or by persons or companies related to it, in accordance with the provisions of the audit legislation and, for such purposes, ensure that the Company reports any changes of auditor to the CNMV alongside a statement on the possible existence of disagreements with the outgoing auditor and, if any, with the contents. Should the external auditor resign, the Committee will examine the circumstances surrounding this decision;

(iv) Every year issue, prior to the issue of the auditors' report, a report expressing an opinion on the independence of the auditors. Such report should always include the assessment of the provision of the additional services referred to above, considered separately or jointly, other than the legal audit and connected to the independence system or with the audit regulations, ensuring that the Company and the external auditor observe the current regulations on providing non-audit services, the limits on the auditor's business concentration and, in general all other rules on auditor independence;

(v) Encourage the Company's auditor to take on the auditing of the companies that, if any, make up the group; and

(vi) Ensure that the external auditor annually holds a meeting with the full Board of Directors to report on the work done and the evolution of the Company´s accounting and risk situation.

In practice, in 2020, the ACC has performed all the duties foreseen and with the diligence required to keep the external auditor's independence.

C.1.31 Indicate whether the company changed its external auditors during the fiscal year. Where appropriate, identify the incoming and outgoing auditors:

Yes **No** ✓

Explain any disagreements with the outgoing auditor and the reasons for the same:

Yes **No** ✓

C.1.32 Indicate whether the audit firm performs other non-audit work for the company and/or its group, and if so, state the amount of fees received for such work and the percentage the previous amount represent of the auditing fees billed to the company and/or its group:

**Yes** ✓ No

| | Company | Group companies | Total |
|---|---|---|---|
| Amount of non-audit work (thousands of euros) | 50 | 14 | 64 |
| Amount of non-audit work/Amount of audit work (as a %) | 36.76 | 13.46 | 26.67 |

C.1.33 Indicate whether the audit report for the annual financial statements of the previous fiscal year included any qualifications. Indicate the reasons given by the Chairman of the audit committee to the shareholders of the General Meeting to explain the contents and scope of qualifications.

Yes **No** ✓

C.1.34 Indicate the number of consecutive years that the current audit firm has been auditing the Company's individual and/or consolidated annual financial statements. Likewise, indicate for how many years the current firm has been auditing the annual financial statements as a percentage of the total number of years over which the financial statements have been audited:

| | Individual | Consolidated |
|---|---|---|
| Number of consecutive years | 4 | 4 |
| Number of years audited by the current audit firm/number of years the company or its group has been audited (as a %) | 38.70 | 38.70 |

C.1.35 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the management bodies sufficiently in advance, and if so, give details:

**Yes** ✓ No

**Detail of the procedure**

The Directors' right to information regarding the meetings of the Board of Directors is provided for in Article 22 of the Board Regulations. Directors have the duty to request and the right to obtain from the Company any information they need to fulfil their Board responsibilities. In this respect, Directors may obtain information on any aspect of the Company and its subsidiaries and may examine their books, records, documents and any other records of corporate operations and inspect all their facilities. They may also communicate with the Company's senior officers. Likewise, Directors are entitled to receive regular information on the movements in the shareholding and on the opinions that significant shareholders, investors and rating agencies have of the Company and its group.

So as to not disturb the Company's ordinary management, all rights to information will be exercised through the Chairman of the Board of Directors who will address the Directors' requests and will provide them with the information directly or with suitable contacts at the relevant company level.

The Chairman, in collaboration with the Secretary, will ensure that the Directors have all the information required sufficiently in advance to deliberate and adopt resolutions for the matters on the agenda.

Based on Article 37 of the Company Bylaws, the call for the Board of Directors meeting shall attach all information required for such meeting.

C.1.36 Indicate whether the company has established rules that oblige directors to inform and, where appropriate, resign when situations arise that affect them, whether or not related to their actions in the company that could damage the credit and reputation of the company:

**Yes** ✓ No

**Explain**

As described in the Board Regulations, in Article 12, "1. The directors shall leave their position when, at the end of the term they were appointed for, the General Meeting is held or the time set to hold the General Meeting that is to agree the previous year's financial statements has passed, or when so agreed by the General Meeting by virtue of the powers granted by Law or the Company Bylaws," in which case they shall resign.

a) At the age of 80.

b) When they leave the job, position or function linked to their appointment as executive directors.

In the case of proprietary Directors, when the shareholder who proposed the appointment transfers their entire shake in the Company or reduces it to an extent that entails the reduction of the number of its proprietary Directors.

c) When subject to one of the cases of incompatibility or bans foreseen by Law, the Company Bylaws or herein.

d) When the Board itself so requests by a majority of at least two thirds of its members, for having breached its obligations as a director, following a proposal or report from the Appointments and Remuneration Committee.

e) When, in view of any situation affecting them, whether or not related to their performance in the Company itself, the credit and reputation of the Company may be jeopardised, informing, in all cases, the Board and the Appointments and Remuneration Committee of any criminal proceedings in which they are under investigation, as well as the progress of such proceedings [...]

f) When the Director has received a serious caution from the Audit and Control Committee.

g) At the end, for whichever reasonable grounds, of the contractual or organic relationship with the Company's shareholder that had given rise to the Director's appointment.

Likewise, article 21 of the Board Regulations sets forth that directors shall inform the Company: "Of any legal, administrative or other proceedings lodged against the Director that, due to their relevance or nature, could have a serious impact on the Company's reputation. In particular, all Directors should inform the Company, through the Chairman, if they are charged, put on trial or subject to an order to proceed to a hearing for any of the offenses detailed in Article 213 of the revised text of the Spanish Limited Liability Companies Law. In such event, the Board will examine the case as soon as possible and will make the decisions it deems convenient in the Company's interest".

C.1.37 Indicate, unless there have been special circumstances that have been recorded in the minutes, whether the board has been informed or has otherwise become aware of any situation affecting a director, whether or not related to their performance in the company itself, that could damage the credit and reputation of the company:

Yes **No** ✓

C.1.38 Detail any significant agreements entered into by the company which will come into force, are amended or terminated in the event of a change of control of the company following a takeover bid and the effects thereof.

None.

C.1.39 Identify, separately when referring to directors and aggregated when referring to all other cases and provide detailed information on agreements between the company and its officers, executives and employees that provide for indemnities or guarantee or golden parachute clauses when they resign or are wrongfully dismissed or if the contractual relationship ends due to a takeover or another kind of transaction.

| Number of beneficiaries | Type of beneficiary | Description of the agreement |
|---|---|---|
| 5 | Chairman (Mr. Juan Carlos Ureta Domingo), CEO (Mr. Juan Luis López García), the Director and General Manager (Mr Jesús Sánchez-Quiñones Gonzalez), Regional Director (Mr. Santiago Gonzalez Enciso); Member of the Management Committee, Chairman of Renta 4 Gestora SGIIC SA and Renta 4 Pensiones EGFP SA (Mr. Antonio Fernández Vera) | In the event their dismissal is declared to be unfair, the Chairman, the CEO, the Director and General Manager and the Territory Manager would be entitled to receive compensation equivalent to the legal compensation provided for unfair dismissal under the ordinary employment laws. On the other hand, the member of the Management Committee, Chairman of Renta 4 Gestora SGIIC and Renta 4 Pensiones EGFP, S.A, is entitled to, in the event of their dismissal is declared to be unfair, to compensation equivalent to the compensation provided for unfair dismissal under the ordinary employment laws. |

Indicate whether, beyond the assumptions foreseen by the regulations, these agreements must be reported to and/or authorised by the governing bodies of the company or its group. If this is the case, specify the procedures, assumptions foreseen and nature of the bodies in charge of their approval or their communication:

| | Board of Directors | General Meeting |
|---|---|---|
| Body which authorises the clauses | ✓ | |

| | Yes | No |
|---|---|---|
| Is the General Meeting informed of the clauses? | | ✓ |

## C.2. Board Committees

C.2.1 Give details of all board committees, their members and the proportion of executive, proprietary, independent and other external directors that form them:

**Audit and control committee**

| Name | Position | Category |
|---|---|---|
| Mr. José Ramón Rubio Laporta | Chairman | Independent |
| Fundación Obra Social de la Abogacía Española | Member | Proprietary |
| Mrs. Sarah Marie Harmon | Member | Independiente |

| | |
|---|---|
| % of executive directors | 0.00 |
| % of proprietary directors | 33.33 |
| % of independent directors | 66.67 |
| % of other external directors | 0.00 |

Explain the functions, including any added functions that are not legally foreseen, if any, conferred to this Committee and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

A. Composition. It is composed of at least 3 Directors who will be appointed by the Board of Directors at the proposal of its Chairman, chosen from among its non-executive members, and at least two of them should be independent. The Committee will appoint, from among its members, the Chairman, who will always be an Independent Director and will be replaced every 4 years, without prejudice to his/her continuity or re-election as a member of the Committee. Furthermore, the Committee will appoint its Secretary and, where appropriate, a Vice President. Likewise, all members of the Audit and Control Committee should have the necessary knowledge, professional experience and devotion to carry out the functions they are entrusted with.

B. Competences. The Committee's functions are set forth in Article 42 of the Company Bylaws and Article 31 of the Board Regulations.

C. Workings. The Committee will meet at least once every quarter and, in any case, every time it is called by its Chairman or at the request of the Chairman of the Board of Directors. The conclusions drawn from each meeting will be included in the minutes that will be reported at the Board meeting. Any members of the management team, Company employees or auditors requested to do so will be obliged to attend the Committee meetings and to collaborate and provide the information they have.

In 2020, the ACC carried out the following functions inter alia:

• Acted as a communication channel between the Board and the external auditor, assessing the results of each audit.

• Authorised KPMG Abogados, S.L. to provide professional consultancy services in preparing and filing the 1042-S forms for 2019.

• Issued, prior to the auditors' report, a report on whether the independence of the auditors or audit firms was jeopardised.

• Approve the Internal Audit Action Plan.

• Supervise the effectiveness of the Company's internal control, internal audit and risk management systems, having adapted the Company's Operational Risk and Reputational Risk Policy, and discuss with the auditor any significant weaknesses detected in the internal control system.

• Monitored compliance with the rules of the internal codes of conduct and its corporate social responsibility policy.

• Approve, for submission to the Board, the External Expert's Report on the Prevention of Money Laundering, the Annual Report and Report on the degree of effective compliance with the internal control rules and procedures implemented, the half-yearly Report of the CII Depositary Unit, and the reports on conflicts of interest, Prudential Relevance and Capital Self-Assessment, among others.

• Oversaw the reporting and submission of regulatory financial information, in particular the separate and consolidated financial statements.

• Reported on the annual corporate governance report.

• Evaluated its own performance within the framework of the self-assessment of the performance of the Board of Directors and its internal Committees.

Identify the directors who are members of the audit committee appointed with regard to his or her knowledge and experience in accounting, auditing or both, and indicate the date when the Chairman of the committee was appointed as such.

| | |
|---|---|
| Names of directors with experience | Mr. José Ramón Rubio Laporta |
| Date the Chairman was appointed as such | 02/23/2017 |

**Appointments and Remuneration Committee**

| Name | Position | Category |
|---|---|---|
| Mrs. Inés Juste Bellosillo | Member | Independent |
| Mr. Pedro Ángel Navarro Martínez | Member | Other External |
| Mrs. Sarah Marie Harmon | Chairman | Independent |

| | |
|---|---|
| % of executive directors | 0.00 |
| % of proprietary directors | 0.00 |
| % of independent directors | 66.67 |
| % of other external directors | 33.33 |

Explain the functions, including any added functions that are not legally foreseen, if any, conferred to this Committee and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

A. Composition. It is made up of at least 3 members who should all be non-executive Directors -at least a third of them should be independent Directors- who will leave their position once they stop being Directors or when agreed by the Board of Directors. The Board of Directors will appoint its Chairman from among its members, always an independent Director, and its Secretary.

B. Competences. The Committee's functions are set forth in Article 32 of the Regulations of the Board of Directors.

C. Workings. The Committee will meet as frequently as necessary to carry out its functions. It should also meet when called by its Chairman, the Chairman of the Board of Directors and at least once every quarter. The Appointments and Remuneration Committee will be validly called to order when the majority of its members is present. The Committee will have access to all the information and documentation required to perform its duties. The conclusions drawn in each meeting will be registered in the minutes ledger that will be signed by the Chairman and the Secretary.

In 2020, the ARC carried out the following duties, inter alia:

• Ensured that the remuneration policy established by the Company was observed.

• Directed the process of evaluating its own performance, the performance of the board and the discharge of duties by the chairman, secretary, lead independent director and CEO, and reported to the board on the findings reached.

• Proposed the 2019 Remuneration Policy to the Board.

• Proposed the contents of the Annual Report on Directors' Remuneration to the Board.

• To propose to the Board the re-election of Ms. Sarah Marie Harmon.

Likewise, and in accordance with the health crisis situation caused by Covid-19, the ARC was informed of the measures adopted and the means made available to employees by the Company for their safety at work.

C.2.2 Fill in the following table with the information on the number of female directors sitting on the Board Committees at the end of the last four years:

| | Número de consejeras | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fiscal year: 2020 | | Fiscal year: 2019 | | Fiscal year: 2018 | | Fiscal year: 2017 | |
| | Number | % | Number | % | Number | % | Number | % |
| Audit and Control Committee | 1 | 33.33 | 0 | 33.33 | 0 | 0.00 | 0 | 0.00 |
| Appointments and Remuneration Committee | 2 | 66.67 | 2 | 66.67 | 1 | 33.33 | 1 | 33.33 |

C.2.3 Indicate, where applicable, the existence of regulations governing the Board Committees, where they can be accessed, and any amendments thereto during the fiscal year. Also state whether any voluntary annual reports have been produced on the activities of each committee.

APPOINTMENTS AND REMUNERATION COMMITTEE

The ARC is governed by Article 42 bis in the Company Bylaws and by Article 32 of the Board Regulations. Both corporate texts are available on the Company's website.

The Board of Directors, pursuant to its duty as per Article 28 of the Board Regulations that includes Recommendation 36 of the Code of Good Governance of Listed companies after its review of June 2020 passed by the Board of the Spanish Securities Market Commission (CNMV), assesses once a year (i) its own performance and the quality of its work, (ii) the Board Chairman's and Company CEO's performance of their roles based on the ARC's report, (iii) the performance and composition of its Committees, based on their reports, (iv) the diversity in the composition and competences of the Board of Directors, based on the ARC's report and (v) the performance and contribution made by the Directors, with special focus on the heads of the different Board Committees, based on the reports produced by the Audit and Control Committee and the Appointments and Remuneration Committee in each case.

In this respect, each Board Committee has prepared a report on its own performance to help the Board assess their performance during the year.

With regard to the amendments made during the fiscal year, it is worth highlighting those made within the framework of the amendment of the Board Regulations to adapt them to the amendments to the good governance recommendations approved by the CNMV in June 2020, and whose article 32.3, relating to the powers of the ARC, specifies the following aspects in relation to certain functions of said committee. In particular, it is specified that (i) the prior analysis of the competencies required by the Board that are included in the ARC's supporting report shall be published when convening the General Shareholders' Meeting to which the ratification, appointment or re-election of the Director is submitted; and that (ii) the ARC shall annually verify compliance with the procedures for the selection of Directors.

AUDIT AND CONTROL COMMITTEE

The Audit and Control Committee is governed by Article 42 in the Company Bylaws and by Article 31 of the Board Regulations. Both corporate texts are available on the Company's website.

The Board of Directors, pursuant to its duty as per Article 28 of the Board Regulations that includes Recommendation 36 of the Code of Good Governance of Listed companies after its review of June 2020 passed by the Board of the Spanish Securities Market Commission (CNMV), assesses once a year (i) its own performance and the quality of its work, (ii) the Board Chairman's and Company CEO's performance of their roles based on the ARC's report, (iii) the performance and composition of its Committees, based on their reports, (iv) the diversity in the composition and competences of the Board of Directors, based on the ARC's report and (v) the performance and contribution made by the Directors, with special focus on the heads of the different Board Committees, based on the reports produced by the Audit and Control Committee and the Appointments and Remuneration Committee in each case.

In this respect, each Board Committee has prepared a report on its own performance to help the Board assess their performance during the year. Both reports are made available, together with all the documentation relating to the General Meeting, on the Company's corporate website..

In this regard, the Committee has prepared a yearly report on its activities in compliance with the aforementioned provisions.

## D. Related-party transactions and intracompany transactions

**D.1. Explain, where appropriate, the procedure and competent bodies for the approval of related-party transactions and intracompany transactions.**

Pursuant to Article 5 in the Board Regulations, the Board of Directors will be in charge of "adopting agreements on all kinds of matters that are not assigned to the General Meeting by Law or the Company Bylaws, and will have full powers to manage, run and represent the Company in court or otherwise. Notwithstanding this, the Board will fundamentally focus its activity on the supervision and control of the Company's running and ordinary management entrusted to the executive Directors and senior management, and will consider any matters that are especially relevant to the Company or that are necessary for the appropriate performance of the aforementioned general supervisory function."

"2. In any case, the following matters that may not be delegated will be reserved to the Board of Directors meeting: [...] t) The approval, with a prior positive report from the Audit and Control Committee, of the operations that the Company may run with Directors, under the Spanish Limited Liability Companies Law, or with Shareholders who own, individually or jointly with others, a significant stake, including shareholders represented on the Company's Board of Directors or with persons related to them. The Directors affected or representing or related to the affected shareholders should refrain form taking part in the deliberation and vote of the resolution in question. Only the operations that meet all three of the following characteristics will be excluded: i) carried out by virtue of contracts whose conditions are standardised and are applied in mass to a large number of clients; ii) carried out at prices or rates set on a general basis by the supplier of the good or service in question; and iii) when their value does not exceed one percent (1%) of the Company's yearly revenue.

[...]

3. The competences mentioned in the section above may be carried out, in an emergency, by the Executive Committee or, if appropriate, by the CEO, to the extent permitted by Law, to then be ratified at the Board meeting.

4. The Board of Directors will develop its functions with a common purpose and independent judgement, providing the same treatment to all shareholders who are in the same position, in the Company's interest, which will not prevent the consideration of all other legal, public or private interests, that converge in the course of all business operations, and especially the interests of the employees. In this context, it will be understood as a corporate interest, as the achievement of a profitable and sustainable business in the long run that will promote its continuity and maximise the Company's financial value."

**D.2. State any operations which are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and significant shareholders of the company:**

| Name or company name of the significant shareholder | Name or company name of the company or company in its group | Type of relationship | Type of operation | Amount (thousands of euros) |
|---|---|---|---|---|
| Contratas y Servicios Extremeños, S.A. | Contratas y Servicios Extremeños S.A. | Corporate | Services provided | 6 |
| Global Portfolio Investments S.L. | Indumenta Pueri S.L. | Corporate | Services provided | 6 |
| Mutualidad General de la Abogacía | Mutualidad General de la Abogacía | Corporate | Services received | 3 |
| Contratas y Servicios Extremeños, S.A. | Contratas y Servicios Extremeños S.A. | Corporate | Others | 129 |
| Global Portfolio Investments S.L. | Indumenta Pueri S.L. | Corporate | Others | 102 |
| Indumenta Pueri S.L. | Indumenta Pueri S.L. | Contractual | Others | 5 |
| D. Óscar Balcells Curt | Óscar Balcells Curt | Corporate | Others | 35 |
| 98 Futur 2000, S.L. | Óscar Balcells Curt | Corporate | Financing agreements: loans | 800 |
| 98 Futur 2000, S.L. | Óscar Balcells Curt | Corporate | Guarantees and bonds | 1,804 |

| Name or company name of the significant shareholder | Name or company name of the company or company in its group | Type of relationship | Type of operation | Amount (thousands of euros) |
|---|---|---|---|---|
| 98 Futur 2000, S.L. | Óscar Balcells Curt | Corporate | Services provided | 1 |
| 98 Futur 2000, S.L. | Óscar Balcells Curt | Corporate | interests pai | 17 |
| Lora de Inversiones S.L. | Óscar Balcells Curt | Corporate | Others | 4,780 |
| Lora de Inversiones S.L. | Óscar Balcells Curt | Corporate | Guarantees and bonds | 21 |
| Mobel Linea S.L. | Óscar Balcells Curt | Corporate | Services provided | 3 |
| Mobel Linea S.L. | Óscar Balcells Curt | Corporate | Financing agreements: loans | 7,127 |

**D.3. State any operations that are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and company directors or executives:**

| Name or company name of the directors or managers | Name or company name of the company or company in its group | Link | Type of transaction | Amount (thousands of euros) |
|---|---|---|---|---|
| Fundación Obra Social de la Abogacía Española | Renta 4 Banco S.A. | Corporate | Others | 10 |
| Mrs. Inés Juste Bellosillo | Renta 4 Banco S.A. | Corporate | Services provided | 1 |
| Mrs. Gemma Aznar Cornejo | Renta 4 Banco S.A. | Corporate | Services provided | 2 |
| Mr. Santiago González Enciso | Renta 4 Banco S.A. | Contractual | Services provided | 2 |
| Mr. Juan Luis López García | Renta 4 Banco S.A. | Contractual | Services provided | 2 |
| Mr. Pedro Ángel Navarro Martínez | Renta 4 Banco S.A. | Corporate | Services provided | 2 |
| Mr. Juan Carlos Ureta Domingo | Renta 4 Banco S.A. | Contractual | Services provided | 249 |
| Mr. Jose Ramón Rubio Laporta | Renta 4 Banco S.A. | Corporate | Services provided | 18 |
| Mr. Santiago González Enciso | Renta 4 Banco S.A. | Contractual | Interests paid | 11 |
| Mrs. Gemma Aznar Cornejo | Renta 4 Banco S.A. | Corporate | Others | 26 |
| Mr. Eduardo Chacón López | Renta 4 Banco S.A. | Corporate | Others | 2 |
| Mr. Pedro Ferreras Díez | Renta 4 Banco S.A. | Corporate | Others | 2 |
| Mr. José Ignacio García- Junceda Fernández | Renta 4 Banco S.A. | Corporate | Others | 2 |
| Mrs. Inés Juste Bellosillo | Renta 4 Banco S.A. | Corporate | Others | 6 |
| Mr. Juan Luis López García | Renta 4 Banco S.A. | Contractual | Others | 243 |
| Mr. Juan Luis López García | Renta 4 Banco S.A. | Contractual | Guarantees and bonds | 389 |

| Name or company name of the directors or managers | Name or company name of the company or company in its group | Link | Type of transaction | Amount (thousands of euros) |
|---|---|---|---|---|
| Mr. Pedro Ángel Navarro Martínez | Renta 4 Banco S.A. | Corporate | Others | 53 |
| Mr. Jose Ramón Rubio Laporta | Renta 4 Banco S.A. | Corporate | Others | 126 |
| Mr. Jesús Sánchez-Quiñones González | Renta 4 Banco S.A. | Contractual | Others | 26 |
| Mr. Eduardo Trueba Cortés | Renta 4 Banco S.A. | Corporate | Others | 1 |
| Mr. Juan Carlos Ureta Domingo | Renta 4 Banco S.A. | Contractual | Others | 25 |
| Mr. José Ignacio García- Junceda Fernández | Renta 4 Banco S.A. | Corporate | Financing agreements: loans | 288 |
| Mr. José Ignacio García- Junceda Fernández | Renta 4 Banco S.A. | Corporate | Guarantees and bonds | 410 |
| Mr. Santiago González Enciso | Renta 4 Banco S.A. | Contractual | Financing agreements: loans | 419 |
| Mr. Santiago González Enciso | Renta 4 Banco S.A. | Contractual | Guarantees and bonds | 1,151 |

**D.4. Indicate any significant operations carried out by the Company with other companies in the same group, provided that they are not eliminated when reporting the consolidated financial statements and are not part of the Company's usual business in terms of purpose and conditions.**

In any case, all intracompany operations with companies established in countries or jurisdictions considered as a safe haven must be reported:

| Corporate name of the company in the group | Brief description of the transaction | Amount (thousands of euros) |
|---|---|---|
| No data | | N.A. |

**D.5. Detail any significant operations carried out between the company or group companies and other related parties that have not been reported in the previous sections:**

| Company name of the related party | Brief description of the transaction | Amount (thousands of euros) |
|---|---|---|
| Matilde Fernández de Miguel | Others | 41 |
| Matilde Fernández de Miguel | Services provided | 1 |
| Matilde Fernández de Miguel | Interests Paid | 1 |
| Santiago González- Enciso Fernández | Financing agreements: loans | 316 |
| Santiago González- Enciso Fernández | Guarantees and bonds | 640 |
| Maria González- Enciso Fernández | Financing agreements: loans | 316 |
| Maria González- Enciso Fernández | Guarantees and bonds | 640 |
| Cristina González- Enciso Fernández | Financing agreements: loans | 316 |
| Cristina González- Enciso Fernández | Guarantees and bonds | 640 |
| Ignacio González- Enciso Fernández | Others | 39 |

| Company name of the related party | Brief description of the transaction | Amount (thousands of euros) |
|---|---|---|
| Ignacio González- Enciso Fernández | Financing agreements: loans | 329 |
| Ignacio González- Enciso Fernández | Guarantees and bonds | 640 |
| Matilde González- Enciso Fernández | Financing agreements: loans | 316 |
| Matilde González- Enciso Fernández | Guarantees and bonds | 640 |
| Matilde Estades Seco | Financing agreements: loans | 169 |
| Matilde Estades Seco | Guarantees and bonds | 297 |
| Juan Carlos Ureta Estades | Financing agreements: loans | 167 |
| Juan Carlos Ureta Estades | Guarantees and bonds | 331 |
| Inés Asunción Ureta Estades | Financing agreements: loans | 169 |
| Inés Asunción Ureta Estades | Guarantees and bonds | 320 |
| Surikomi S.A. | Services Provided | 17 |
| Cartera de Directivos 2011 S.A. | Services Provided | 50 |
| Cartera de Directivos 2011 S.A. | Interests Paid | 5 |
| Qualified Investor SICAV | Others | 656 |
| Qualified Investor SICAV | Guarantees and bonds | 32 |
| Qualified Investor SICAV | Interests Paid | 1 |
| Qualified Investor SICAV | Services Provided | 27 |
| Invercysex, S.L. | Others | 17 |
| Invercysex, S.L. | Services Received | 24 |
| Invercysex, S.L. | Intereses pagados | 8 |
| Muebles y Asientos de Oficina S.L. | Others | 8 |
| Kursaal 2000, S.L. | Others | 300 |
| Kursaal 2000, S.L. | Services Provided | 18 |
| Avilugam Sl | Services Provided | 568 |
| Avilugam Sl | Interests Paid | 12 |
| Sdad. Vasco Madrileña de Inversiones S.L. | Others | 23 |
| Sdad. Vasco Madrileña de Inversiones S.L. | Services provided | 715 |
| Sdad. Vasco Madrileña de Inversiones S.L. | Interests Paid | 2 |

**D.6. State the methods established to detect, determine and resolve any conflicts of interest between the company and/or the group, directors, executives or significant shareholders.**

The Board Regulations establishes in Article 17 that there is a conflict of interest in situations where the Company's or its Group's interest clashes, directly or indirectly, with the Director's personal interest, when the matter affects him/her or a person related to him/her.

The following are persons related to the individual Director: a) spouse or persons with a marriage-like relationship; b) the ancestors, descendants and siblings of the director or his/her spouse (or person with a marriage-like relationship); c) Spouses of the ancestors, descendants or siblings; d) Companies in which, itself or through a third party, fall into one of the situations described in Article 42.1 of the Spanish Commercial Code.

In connection to a legal entity Director: a) partners who fall, with regard to the legal entity Director, into one of the situations described in Article 42.1 of the Spanish Commercial Code; b) companies in the same group and their partners; c) individual representative, directors, in law or in fact, liquidators and general proxies of the legal entity Director; d) persons who, in connection with the Director, are considered related persons in accordance with the aforementioned paragraphs a) and d).

Situations of conflict of interest will be governed by the following rules: a) Disclosure: the Director will inform all other Directors and, if appropriate, the Board, through the Chairman or the Secretary, of any conflict of interest pertaining the Director or his/her related persons; b) Abstention: the Director may not carry out any professional or commercial transactions, whether directly or indirectly, with the Company unless he/she has first disclosed the conflict of interest and the Board has approved the transaction. The Director will refrain from attending and taking part in the deliberation and vote for such matters. Regarding proprietary Directors, these must refrain from taking part in the vote for matters that could entail a conflict of interest between the shareholders they represent and the Company; c) Transparency: Disclose in the annual report and in the Annual Corporate Governance Report of any conflicts of interest.

The Internal Conduct Regulations (ICR) governs conflicts of interest in Articles 21, 22 and 23. In this regard, there will be a conflict of interest between the Company and one of its clients or between two of the Company's clients when, in a given situation, the Company may gain a benefit, provided that there is also a potential correlative damage to the client, or when the client could gain a profit or avoid a loss and there is the chance that another client will suffer a loss as a result.

To identify these situations, it will be determined whether the Company, a person subject to the ICR ("Person subject to ICR") or another person directly or indirectly related to such person through a position of control, falls into any of the following situations: a) The Company or the relevant person may gain a financial benefit or avoid a financial loss at the client's expense; b) Has an interest in the outcome of the service provided or the operation executed at the client's expense, other than the client's own interest; c) Has financial or other incentives to favour the interests of third-party clients, to the detriment of the interests of the client in question; d) The professional activity is identical to the client's; e) Receives or will receive from a third party an incentive based on the service provided to the client, in cash, kind or services, other than the usual fee or compensation for the service in question.

The Company may determine other conflicts of interest in which the Persons subject to ICR may be involved on account of family, financial, professional or other links. All employees and Persons subject to ICR should inform the Company, through the Body monitoring compliance with the ICR, of any personal, family, financial or other situation that may entail a conflict of interest between such person and a Company's client or the Company itself.

There will be a conflict of interest when the Person subject to ICR, or a person or entity who is a relative or is closely related to such person, falls into one of the following cases: a) Is a member of the Board of Directors or senior management of a company whose business purpose is the same as the Company's; b) Significant stake in companies whose business purpose is the same as the Company's; c) Significant stake or another type of personal interest in a client of the Company.

Persons subject to ICR will refrain from taking part in preparations and in the decision or vote, and will inform the people who will be taking the relevant decision. Furthermore, they will inform portfolio management clients of any conflicts that may arise in the course of their activity. When in doubt on the existence of a conflict of interests, Persons subject to ICR are required to inform about this to the Body in charge of ensuring compliance with the ICR, as well as the specific circumstances of the operation to allow the Body to determine the appropriate steps.

The resolution of conflicts shall always be carried out under the following principles: 1. The legitimate interests of clients shall in all cases be the priority to consider, without prejudice to the due respect for the integrity of the market. Efforts shall be made to minimise conflicts between clients and between the Company and its clients. 3. The interests of the Company shall not take precedence over those of the clients in transactions with identical characteristics. 4. No client should be privileged when there is a conflict between several clients. 5. They will not multiply transactions unnecessarily and without benefit to the client.

**D.7. Indicate whether the company is controlled by another entity within the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or engages in activities related to those of any of them**

Yes **No** ✓

# E. Risk management and control systems

**E.1. Describe the Risk Management and Control System in place at the company, including tax risks:**

The different risks involved in the operations conducted by the Renta 4 Group are managed under the principle of prudence to preserve its solvency level, profitability, efficiency and appropriate liquidity. Renta 4 Group has an ongoing management and control system for the risks taken in its business, expanding to all the companies in the Group, as well as all the areas or business units, with special focus on those that are more sensitive to the risks inherent in the business.

**E.2. Identify the bodies responsible for preparing and implementing the Risk Management and Control System, including tax risks:**

BOARD OF DIRECTORS

Description of its functions:

• Approval of the risk control and management policy, including tax risks, identifying the main risks faced by the Company and implementing, supervising and monitoring the internal information and control systems.

AUDIT AND CONTROL COMMITTEE

Description of its functions:

• Supervise the efficiency of the Company's internal control, the risk management systems, including tax risks, the management of internal audit services that ensure the good performance of the internal information and control systems, especially related to the reporting processes in terms of accuracy and filing the regulated financial information on the Company and its group, check compliance with the regulatory requirements, the appropriate limits on the scope of consolidation and the right use of the accounting criteria, reporting this to the Board of Directors. The person in charge of the internal audit is required to present before the Committee his/her guidance and work planning for their approval and make sure that the activity is fundamentally focused on the material risks faced by the Company and directly inform the Committee of any incidents that may arise in its course, as well as present the Committee with a report on its activities at the end of each fiscal year. Furthermore, the Audit and Control Committee will discuss with the Auditor any material weaknesses identified in the internal control system during the audit.

• Supervise the procedure followed to prepare and file the regulatory financial and non-financial information and the internal risk management and control systems related to the Company's significant risks for them to be identified (operational, technological, financial, legal or reputational), managed and reported appropriately, setting the risk level tolerated by the Company, the measures needed to minimise the impact of the risks identified, and determine the control and information systems to be used to control and manage them, ensure the independence and efficiency of the internal auditing unit, propose the selection, appointment, re-election and removal of the head of the internal audit service, and the budget of such service, receive regular information on its activities and check that the senior management takes into account the conclusions and recommendations in the reports.

• Supervise the development of the functions assigned to the area in charge of preventing money laundering and know the reports and proposals presented in this regard.

INTERNAL AUDIT

Description of its functions:

• Revise the procedures and systems established for risk control.

RISK DEPARTMENT

Description of its functions:

• This body reports to the Board of Directors.

• The Risk department carries out its functions on all the entities included in the scope of consolidation of the Renta 4 Group and is in charge of monitoring the established risk control systems.

REGULATORY COMPLIANCE DEPARTMENT.

Description of its functions:

• This body reports to the Board of Directors.

• The regulatory compliance department regularly identifies and appraises the risks of regulatory incompliance in the different business areas and helps manage this efficiently.

**E.3. Specify the main risks, including tax ones and, when significant, those derived from corruption (as described in the Spanish Royal Decree 18/2017) that may jeopardise the business targets:**

The Renta 4 Group consists of a group of companies devoted to providing special services for savings and investments and is independent of any other financial or industrial group. For this reason, it is particularly exposed to the progress of the financial industry as it can have a significant impact on its results.

In accordance with the above, the basic risks that may affect the Renta 4 Group are as follows:

1. Credit risk: Credit risk is defined as the possibility of experiencing losses when a debtor violates its contractual duties, including the counterparty risk.

2. Market risk: Market risk is the possibility of experiencing losses on account of adverse fluctuations in the price of the assets that make up the trading portfolio of the Renta 4 Group.

3. Operational risk: Operational risk refers to potential loss arising from inadequate or failed procedures, employee mistakes and internal system errors or due to external events, in particular, natural catastrophes, mistakes made by price and information suppliers or hacking into technological systems that could jeopardise the infrastructure of the Renta 4 Group.

4. Liquidity risk: Liquidity risk refers to, as its name indicates, a shortage of cash, usually resulting from an imbalance in cash inflows and outflows.

5. Regulatory risk: This risk refers to the likelihood of experiencing loss as a result of failing to adjust Renta 4 Group's policies to the regulations governing its operations, of poorly documented operations or of claims and actions against the Group.

6. Reputational risk: Reputational risk arises from Renta 4 Group's actions that could lead to negative publicity regarding its business practices and connections. This could entail the loss of trust in the Group and therefore impact its solvency.

7. Tax risk: Tax risk is the threat of a negative impact on the financial statements and/or the Renta 4 Group's reputation as a result of tax-related decisions made by the entity or the legal or tax authorities.

**E.4. State whether the company has risk tolerance levels, including tax risks:**

Renta 4 Group's risk management strategy is based on implementing measures that will minimise or dilute the risks defined, setting specific limits for each business line, market and product.

The purpose of this system is to protect the Group's solvency and liquidity ensuring that the exposure to the risk is within the predefined limits and has a balanced profile.

The Renta 4 Group has a Risk Appetite Framework that establishes limits for the main risks attached to its operations.

**E.5. Identify any risks, including tax risks, which have occurred during the fiscal year:**

No risks materialised during the fiscal year.

**E.6. Explain any response and supervision plans in place for the company's main risks, including tax risks, as well the procedures followed by the company to ensure that the Board of Directors can respond to coming challenges:**

The measures taken to minimise the impact of the basic risks that may affect Renta 4 Group, should they materialise, are as follows:

1. Credit risk: To minimise this risk, there are procedures and specific limits in place that try to avoid a shortage of cash and/or certificates in brokerage and the settlement of operations with clients. Nevertheless, there may be certain situations where this shortage is allowed when duly authorised. In any event, these situations are limited based on the client's collateral and are monitored by the Risk Department and the Audits Unit.

Renta 4 provides financing to clients by the execution of a credit agreement with a guaranty in the form of securities, so that, by pledging the financial instruments and continuously monitoring their performance, the risk assumed in the transactions granted to the clients is covered.

Exposure to the credit risk in balance-sheet exposure is largely focused on cash investments (current accounts, deposits and Spanish short-term sovereign debt) all this in line with the limits on portfolio concentration set forth in the current regulations.

The assessment of the counterpart risk against credit entity institutions is based on the credit ratings given by the main agencies that supply this information and choosing those with the highest solvency, experience and reputation in the markets.

2. Market risk: In order to contain this risk, limits are set to ensure that, despite market price fluctuations, losses are limited to the predefined maximum levels. The limits are set depending on the conditions of the different assets and the relevance of the risk attached to each market. Within this type of risk, the VaR (Value at Risk or maximum loss that a portfolio may experience under the current market conditions) is especially relevant and is factored into the risk detection systems. The Risk Department and Audits Unit supervise that the limits set are adequately observed.

3. Operational risk: In order to minimise this risk, the Company has implemented a series of minimum requirements in employee qualifications as well as basic checks on the different jobs to integrate control routines into each role. The improvements made to computer systems contribute to tighten the control and cut down manual processes which in turn reduces the likelihood of human error.

The Risk Department and the Audits Unit are constantly monitoring and assessing the materialisation of risks derived from possible mistakes, mainly arising from brokerage operations for clients, checking that the control system works as expected. Likewise, a governance model has been defined and implemented that covers the main areas of technological risk management, and includes a control framework that allows them to be monitored for internal and external management and reporting.

4. Liquidity risk: In order to control this risk and ensure compliance with all the requirements set by Law in terms of legal ratios and payments due to third parties, we check the maturity dates of the assets and liabilities.

The monitoring and control of the liquidity risk is undertaken by the Cash and Banks Department on a daily basis working with the Finances Department and supervised by the Risk Department in the Renta 4 Group. In any case, the policy to minimise this risk focuses on the current policy for the investment in short-term and liquid assets that may be available in the event of difficulties.

5. Regulatory risk: The Renta 4 Group has a Regulatory Compliance Unit that is in charge of adjusting the procedures to the regulations and monitoring and checking their adequate implementation.

6. Reputational risk: The Renta 4 Group has established a series of regulatory compliance policies used to carry out a direct follow-up of the most significant aspects that may cause the materialisation of this risk, including but not limited to:

Prevention of money laundering • Code of conduct in the securities market (Internal Code of Conduct) • Marketing of products and MIFID [II], MIFIR and PRIIPs regulations • Market abuse in intermediation operations in capital markets • Client complaints • Criminal risk management model • Personal data protection (RGPD).

7. Tax risk: The impact of this risk is minimised by resorting to independent experts within the framework of financial audits, asking for tax opinions regarding relevant operations and, ultimately, by interacting with the Tax Agency.

## F. Internal risk management and control systems in relation to internal control over financial reporting (ICFR)

Describe the mechanisms that comprise the risk control and management systems in relation to internal control over financial reporting (ICFR) at your company.

### F.1. The company's control environment.

Provide information, stating the main features, on at least the following:

F.1.1 Which bodies and/or units are responsible for (i) the existence and maintenance of a proper ICFR system; (ii) its implementation; and (iii) its supervision.

BOARD OF DIRECTORS.

The Board of Directors of Renta 4 Banco is ultimately in charge of the implementation and maintenance of an appropriate and effective ICFR which, in line with its Regulations, it entrusts to the Audit and Control Committee.

AUDIT AND CONTROL COMMITTEE.

The Regulations of the Board of Directors of Renta 4 Banco, in their Article 31, foresee that the basic duties of the Audit and Control Committee in connection with the internal information and control systems are as follows:

1. Supervise the effectiveness and the management of the internal auditing services in the Company that will ensure the good performance of the internal information and control systems, especially related to the preparation processes in terms of accuracy and filing the regulated financial information on the Company and its group, checking compliance with regulatory requirements, the appropriate limits on the scope of consolidation and the right use of the accounting criteria, and reporting this to the Board of Directors. The person in charge of the internal audit is required to present before the Committee his/her yearly work planning and directly inform the Committee of any incidents that may arise in its course, as well as report to the Committee on its activities at the end of each fiscal year.

2. Supervise the procedure followed to prepare and file the regulatory financial information and the internal risk management and control systems related to the Company's significant risks for them to be identified (operational, technological, financial, legal or reputational), managed and reported appropriately, setting the risk level tolerated by the Company, the measures needed to minimise the impact of the risks identified, and determine the control and information systems to be used to control and manage them, ensure the independence and efficiency of the internal auditing unit, propose the selection, appointment, re-election and removal of the head of the internal audit service, and the budget of such service, receive regular information on its activities and check that the senior management takes into account the conclusions and recommendations in the reports.

3. Check the Company's accounts, ensure compliance with the legal requirements and the right use of the standard accounting principles, and inform about the proposals to change the accounting principles and criteria suggested by the management.

4. Previously review and report to the Board of Directors about: (i) financial information that, being listed, the Company is to disclose on a regular basis, making sure that the interim statements are prepared following the same accounting criteria as the yearly statements and, for such purposes, consider if it is convenient to request a limited review from the Company's external auditor; (ii) the issue or purchase of shares in entities with a special purpose or based in countries or jurisdictions that are considered tax havens, as well as any other transaction or operation of a similar nature that, due to its complexity, could hinder the transparency of the Company's group; (iii) and of linked operations.

5. Receive from employees, confidentially but not anonymously, written communications on possible irregularities with a potential relevance, especially financial or accounting ones, that they may detect in the Company or its group companies.

6. Ensure compliance with the internal codes of conduct and the rules of corporate governance as well as the regulations on markets in the industry.

7. Supervise the development of the functions assigned to the area in charge of preventing money laundering and know the reports and proposals presented in this regard. Members of the Audit and Control Committee are appointed taking into account their knowledge and experience in accountancy, auditors and risk management. All its members will be external Directors and are duly kept abreast of any regulatory changes that may take place in those areas. From among its members, the Board of Directors appoints a Chairman who will be an independent Director and will remain in office for no longer than four years without prejudice to his/her continuity or re-election as a member of the Committee.

INTERNAL AUDIT.

The Group has an Internal Audit area that is subject to the control and supervision of the Audit and Control Committee. Below are some of the functions undertaken by the Internal Audit area:

1. Supervise compliance and the effectiveness of the internal control systems and procedures, as well as supporting the organisation in improving such systems and procedures as well as the control activities.

2. Ensure that all financial and management information is sufficient, accurate and reliable.

3. Examine the established systems to ensure compliance with the internal rules and external regulations in force, assessing their suitability and effectiveness.

So as to meet its goals, this area combines in-person audits with remote audits. MANAGEMENT COMMITTEE.

The functions of the Management Committee are the management, control and monitoring of the Bank and the Group; the monitoring, control and evaluation of the business areas; the establishment of the commercial strategy and monitoring of its activity; the implementation of objectives and the

common commercial policy; the evaluation of investments, operations on the securities markets and financing structure; the analysis of prices and proposals for intra-group rates and prices; the evolution of the Group's technological needs and proposals for improving the system; the coordination between the Bank and the different areas within the Group; and, lastly, the implementation of policies for the management of subsidiaries and the monitoring of results.

REGULATORY COMPLIANCE UNIT.

The Renta 4 Gropu has an independent unit in charge of the regulatory compliance that, through the right policies and procedures, detects and handles the risk of non-compliance with the organization's duties, whether internal or external, in this respect. Furthermore, the unit reports and advises the management and employees about, and monitors compliance with, the internal rules across the organisation. The risk of non-compliance with the regulations could have an impact on the financial information.

Furthermore, the Renta 4 Group provides its clients with a Customer Service to learn, study and solve any complaints and claims they may have regarding the operations, agreements and financial services and, generally, their experience with the different entities making up the Renta 4 Group. This Customer Service is an extra control tool to detect any possible errors in the financial information after analysing the claims received.

ADMINISTRATION AND ACCOUNTANCY AREA.

The Administration and Accountancy Area of Renta 4 Banco is the area in charge of preparing and directly controlling the financial information, reporting directly to the senior management and the Board of Directors.

This area is in charge of the following tasks for the financial reporting:

1. Accountancy: in charge of the Bank's accountancy and ensuring compliance with the procedures set to control the quality and reliability of the information produced by the different areas in the Group.

2. Consolidation: in charge of consolidating and following up the information on subsidiaries and affiliates.

F.1.2 If any, especially in connection with the financial reporting process, the following elements:

· Departments and/or mechanisms tasked with: (i) devising and reviewing the organisational structure; (ii) clearly defining the boundaries of responsibility and authority, with proper distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place to spread awareness of this across the company:

The devising and reviewing of the organisational structure as well as the drawing up of responsibilities and authority is undertaken by the Board of Directors by means of the CEO and the Appointments and Remuneration Committee (body made up of external members of the Board of Directors) with the support of the Management Committee.

The CEO and the Appointments and Remuneration Committee determine the assignment of tasks and functions, ensuring a suitable distribution of functions and a series of coordination systems between the different departments that will guarantee the efficiency of the operations.

· Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record-keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:

The Renta 4 Group has an Internal Code of Conduct adopted by the Board of Directors. This applies to all employees, proxies, executives, directors and representatives of the Group and it sets forth the principles and values that should govern the Group's actions. This Internal Code of Conduct sets a framework for action in the event of breach by the people subject to the Code.

Renta 4 Banco delivers this Internal Code of Conduct to all people affected by it, who in turn acknowledge its receipt and personally accept that they know, understand and accept the ICC as well as all the commitments contained therein.

The Regulatory Compliance unit is the body in charge of ensuring the appropriate distribution of this Code and its compliance. It will report to the Audit and Control Committee any non-compliances or bad practices detected and will propose the relevant disciplinary actions that should be then ratified by the appropriate governing body.

· Whistleblowing channel to report any financial and accounting irregularities to the audit committee, in addition to any breaches of the code of conduct and irregular activities within the organisation, reporting whether this is confidential, as the case may be:

Any financial or accounting irregularities are reported to the Audit Committee through the Internal Auditor who attends all the Committee meetings and informs the Committee Chairman of such irregularities for them to be studied and remedied.

Furthermore, the Group has a whistleblowing channel where customers, employees and suppliers can inform of any alleged irregular conduct, non-compliance or illegal act committed in the course of the operations run by the companies making up the Renta 4 Group that could entail a criminal offence. This whistleblowing channel is confidential.

The Compliance Unit (made up of the Head of Internal Audit, the Head of Risks and the Head of Regulatory Compliance) is the body that reports to the Audit and Control Committee and receives and analyses all the complaints. It has independent power to investigate and solve each case. The Compliance Unit reports its activity in handling the claims to the Board's Audit and Control Committee.

· Training programmes and regular refresher courses for personnel involved in the preparation and review of financial information and the assessment of ICFR, covering at least accounting standards, auditing, internal control and risk management:

The Group develops training schemes for the entire staff, including employees who are directly involved in the financial reporting.

These schemes include permanent updates on regulatory changes in the operations conducted by the different companies in the Group, including the knowledge of the International Rules on Financial information and the applicable regulations enforced by the Bank of Spain, CNMV and the General Directorate of Insurance.

## F.2. Assessment of risks related to financial information.

Report, at least, on:

F.2.1 The main characteristics of the process for identification of risks, including the risk of error or fraud, as follows:

· Whether the process exists and is documented:

The Management of Renta 4 Bank is in charge of keeping an adequate internal control on the financial reporting. This internal control on the financial information is overseen by the Chairman of the Board and of the Audit and Control Committee so as to provide a reasonable level of assurance regarding the reliability of the financial information and the preparation of the disclosed consolidated financial statements of the Group that are reported under the rules in force at the time.

The main risks in the financial reporting process are:

- Errors from misapplying the accounting principles.

- Fraudulent financial information.

- Deficiencies in breaking down the information.

In order to minimise these risks in the financial reporting, the Renta 4 Group has automated practically all the accounting of the operations with clients.

With regard to the processes with a manual element in financial reporting, we have identified the risks and controls or the minimising factors related to them so as to assess, supervise and conclude, for each of these and for the financial information as a whole, that they are reasonably free of material errors.

In addition to this, we run a series of conciliations to guarantee that the accounting information matches the information provided by third parties.

The Audit and Control Committee supervises the process followed to identify the risks pertaining the financial information as part of its duties to supervise and control the financial information.

· Whether the process covers all financial reporting objectives (existence and occurrence, completeness, measurement, presentation, disclosure and comparability, and rights and obligations), whether it is updated and how often:

This process covers all financial information and especially focuses on identifying risks of material error based on the complexity of the transactions, the quantitative and qualitative relevance, the complexity of the calculations and the application of judgements and estimates. This process is updated depending on the change in the level of exposure to the risks inherent in the operations run by the Renta 4 Group.

· The existence of a process to identify the scope of the consolidated group, considering aspects such as the possibility of complex corporate structures or special-purpose vehicles:

The scope of consolidation of the Renta 4 Group is determined by the Administration and Accounting Area in line with the criteria foreseen by the relevant regulations.

The scope of consolidation is also supervised by the internal audit unit and by the external auditors.

· Whether the process takes into account other types of risks (operational, technology, financial, legal, tax, reputational, environmental risk etc.), which may affect the financial statements:

The process takes into account the main risks affecting the Renta 4 Group, including operational, technological, financial, legal, reputational and other risks.

· Which of the entity's governing bodies supervises the process:

This internal control on the financial information is overseen by the Chairman of the Board and of the Audit and Control Committee so as to provide a reasonable level of assurance regarding the reliability of the financial information and the preparation of the disclosed consolidated financial statements of the Group that are reported under the rules in force at the time.

### F.3. Control activities.

Specify, indicating any salient features, if it has at least:

F.3.1 Procedures to review and authorise the financial reporting and description of the ICFR to be disclosed in the securities markets, indicating the people in charge and the documents describing the work flows and controls (including those related to fraud risk) of the different types of transactions that may have a material impact on the financial statements, including the procedure for the year-end closing and the special reviewing of the relevant judgements, estimates, assessments and forecasts.

There are a series of checks in place for the transactions that could have a material impact on the financial statements.

These checks are fundamentally based on the following aspects:

• Confirmation of transactions: checks to ensure the completeness and accuracy of the transactions recorded.

• Checks based on the conciliation of relevant transactions, positions and parameters.

• Assessment: running checks on the assessment methods, hypothesis and inputs used to estimate the fair value of the financial instruments.

• Taxes: internal checks to ensure that the tax calculations are appropriate and the balances are duly posted in the financial statements with the help of the Group's external tax consultancy firm.

• Adjustments based on estimates: checks to ensure that the techniques used to prepare the estimates are based on previously disclosed and authorised judgements.

• Checks on the consolidation and other processes in the year-end closing: The checks on the consolidation include, among other measures, verifying the accounting entries posted to eliminate inter and intra-group operations and the review of the adjustments made after the year-end closing.

• Filing and breaking down the financial statements: final review of the financial statements by the Group's senior management, especially by the financial area with prior checks run by the Administration and Accounting area and the Audits Unit.

F.3.2 Internal control policies and procedures for IT systems (including access security, control of changes, system operation, continuity and separation of duties) giving support to key Company processes involved in the preparation and publication of financial information.

The Renta 4 Group keeps different levels of access security on the IT systems that support the preparation and disclosure of the financial information to guarantee the right segregation of the functions within the accounting process, and to avoid intrusions in this regard.

The IT systems are exposed to the business continuity risk that arises from possible contingencies due to failed communications, power cuts, faulty hardware or software and other unexpected events or disasters.

The Renta 4 Group has a business continuity plan in accordance with the applicable regulations and it translates into different plans to tackle the aforementioned risks.

F.3.3 Internal control policies and procedures designed to supervise the management of third-party subcontracted activities, in addition to any evaluation, calculation or appraisal tasks entrusted to independent experts that may have a material impact on the financial statements.

The Renta 4 Group does not outsource any relevant activities that would have a material impact on the Group's financial statements.

## F.4. Information and reporting.

Specify, indicating any salient features, if it has at least:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and resolving queries or settling disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

The Administration and Accounting Area is responsible for the appropriate application of the accounting rules in financial reporting. Along with preparing the accounting records, their functions are:

- Defining the Group's accounting policies and procedures.

- Analysing any given operations and/or transactions to be posted accordingly.

- Assessing the potential impacts of plans to change regulations.

- Solve any in-house doubts..

The Administration and Accounting Area is in contact with the external auditors for any doubts about the posting of operations and/or transactions.

F.4.2 Mechanisms to capture and prepare the financial information with consistent formats, to be implemented and used by all units in the Company or group, which support the main financial statements and the notes, in addition to any information provided on the ICFR.

The main computer systems used for the financial reporting by the Renta 4 Group are centralised and linked.

There are procedures and checks in place to ensure the adequate development and maintenance of such systems and their correct operation, continuity and security.

When consolidating and preparing the financial information the company uses the financial statements reported by the Group's subsidiaries as input with the predefined formats as well as any other financial information required for the accounting reconciliation and to meet the information requirements.

## F.5. Supervision of system operation.

Provide information, stating the main features, on at least:

F.5.1 ICFR supervisory activities conducted by the audit committee and whether the entity has an internal audit department whose competences include supporting the committee in its oversight of the internal control system, including ICFR. Likewise, specify the scope of the ICFR assessment conducted during the year and the procedure followed by the person in charge of the assessment to report the findings, whether the entity has an action plan detailing the corrective measures, and whether their impact on the financial information has been taken into account.

The Audit and Control Committee oversees that the financial reporting runs smoothly by directly supervising the internal audit unit and the work performed by the external auditors.

In parallel, the Audit and Control Committee may ask for help from the employees in the different areas in the Group to gather information on the existence of weaknesses that may have a significant impact on the financial information.

The Group's senior management, based on the information received from the audit areas, both internal and external, and the information on inspection procedures followed by regulatory bodies, will assess the effectiveness of the ICFR.

F.5.2 Whether the company has a discussion procedure whereby the accounts auditor (in accordance with what is set forth in the NTAs), the internal audit staff and other experts are able to inform senior management and the audit committee or company directors of any significant weaknesses in internal control identified during the processes of review of annual financial statements or any others entrusted to them. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Internal Audit unit informs the senior management and the Audit and Control Committee of any relevant weaknesses in the internal control identified during the year's reviews.

Furthermore, the Group's accounts auditor is in direct contact with the Group's senior management and holds regular meetings with them to obtain the information needed for his/her work and to report any weaknesses in the control detected in the course of his/her duties. Regarding the weaknesses, the external auditors provide the senior management with yearly and half-yearly reports detailing the weaknesses in the internal control found in the course of his/her duties.

The accounts auditor will also inform the Audit and Control Committee of the findings of his/her review of the Group's financial statements including any aspects that he/she may deem relevant.

The Internal Audit area regularly follows up the action plans resulting from the external auditor's recommendations and informs the Audit and Control Committee of their progress at least once a year depending on the relevance of the situation.

## F.6. Other significant information.

No additional issues to be disclosed have been identified.

**F.7. External auditor's report.**

Report:

F.7.1 If the ICFR information supplied to the market has been reviewed by the external auditor, the corresponding report should be attached. If this is not the case, it should explain why.

The Renta 4 Group deemed that a report from the external auditor on the ICFR would be redundant, mainly because the external auditors conduct, on a half-yearly basis, an audit on the consolidated financial statements or a limited review of the summarised interim consolidated financial statements within the framework of the auditing regulations, and discusses with the Audit and Control Committee any relevant aspects or incidents.

## G. Extent to which the corporate governance recommendations are followed

Please indicate the extent to which the company has followed the recommendations of the Code of Good Governance of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. **The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by acquiring shares on the market.**

**Complies** ✓ Explain

2. **That, when the listed company is controlled, within the meaning of Article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it should publicly disclose precisely the following:**

   a) The respective areas of activity and any business relationships between, on the one hand, the listed company or its subsidiaries and, on the other hand, the parent company or its subsidiaries.

   b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies Partially complies Explain **Non applicable** ✓

3. **During the ordinary general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report, and in particular:**

   a) Of the changes that have occurred since the last ordinary general meeting.

   b) Of the specific reasons why the company is not following certain recommendations of the Code of Corporate Governance and, if any, the alternative rules applied to this matter.

**Complies** ✓ Partially complies Explain

4. **The company will define and promote a policy of communication and contact with shareholders and institutional investors within the framework of their participation at the company, as well as with the proxy advisors, respecting the rules on market abuse and treating shareholders who are in the same position equally. And the company should make this policy public via its website, including information on the way it has been put into practice and identifying the interlocutors or persons responsible for carrying this out.**

And, without prejudice to legal obligations regarding the dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) that helps to maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies **Partially complies** ✓ Explain

The Board remains committed to updating, analysing and reviewing the Company's internal policies in order to adapt them, if necessary, to the amendments to the good governance recommendations approved by the CNMV in June 2020. In particular, it is in the process of reviewing the update of the policy relating to communication and contacts with shareholders and institutional investors in order to update it, in the terms that may be necessary.

5. **That the Board of Directors does not submit to the general meeting a proposal of delegation of powers to issue shares or convertible securities excluding the right to preferential purchase, for an amount above 20% of the share capital at the time of delegation.**

And that when the Board of Directors approves any issue of shares or convertible securities excluding the right to preferential purchase, the Company should immediately publish on its website the reports on this exclusion as laid down in the companies' laws.

**Complies** ✓ Partially complies Explain

6. **The listed companies which produce the reports listed below, either in mandatory or voluntary form, publish them on their website with sufficient notice before the ordinary general meeting is held, although their dissemination is not mandatory:**

   a) Report on the external auditor's independence.

   b) Reports of proceedings of the audit committees and the appointments and remuneration committee.

   c) Audit committee report on related-party transactions.

**Complies** ✓ Partially complies Explain

7. **The Company broadcasts live, via its website, the holding of general meetings of shareholders.**

   And that the company has mechanisms that allow the delegation and exercise of votes by telematic means and even, in the case of highly-capitalised companies and to the extent proportionate, attendance and active participation in the General Shareholders' Meeting.

Complies **Partially complies** ✓ Explain

Throughout 2020, the Company, due to technical issues, has not been able to fully comply with the recommendation regarding telematic attendance and voting. Notwithstanding the foregoing, in the 2021 fiscal year the necessary means are already in place to ensure compliance with these recommendations.

8. **The audit committee should ensure that the financial statements that the board of directors submits to the general meeting of shareholders are drawn up in accordance with accounting regulations. And in those cases in which the auditor has included a qualification in its audit report, the chairman of the audit committee should clearly explain the audit committee's opinion on its content and scope at the general meeting, making a summary of said opinion available to shareholders at the time of publication of the call of the meeting, together with the rest of the proposals and reports of the board, a summary of said opinion.**

**Complies** ✓ Partially complies Explain

9. **The Company should make public on its website, permanently, the requirements and procedures it will accept to prove ownership of shares, the right to attend the general meeting of shareholders and the exercise or delegation of voting rights.**

And such requirements and procedures facilitate the shareholders' attendance and the exercise of their rights and are applied in a non-discriminatory manner.

**Complies** ✓ Partially complies Explain

10. **Where any legitimate shareholder has exercised, prior to the holding of the general meeting of shareholders, the right to complete the agenda or to submit new resolution proposals, the Company:**

a) Immediately disseminates such additional items and new resolution proposals.

b) Makes public the attendance card model or form of proxy or remote voting with the changes required so that the new items on the agenda and alternative resolution proposals can be voted on, in the terms proposed by the board of directors.

c) Submits all these items or alternative proposals to vote and the same voting rules are applied to them as those made by the board of directors, including, in particular, presumptions or inferences about the direction of the vote.

d) Announces, after the general meeting of shareholders, the breakdown of the vote on such additional points or alternative proposals.

**Complies** ✓ Partially complies Explain Non applicable

11. **Que, en el caso de que la sociedad tenga previsto pagar primas de asistencia a la junta general de accionistas, establezca, con anterioridad, una política general sobre tales primas y que dicha política sea estable.**

Complies Partially complies Explain **Non applicable** ✓

12. **The Board of Directors will perform its duties with unity of purpose and independent judgment, and it will treat all shareholders who are in the same position equally and guide itself by the Company's interests which are understood as achieving a profitable and sustainable long-term business, to promote the Company's continuity and maximise its economic value.**

In pursuing the Company's interests, in addition to complying with laws and regulations and acting in good faith, ethically and respecting the commonly accepted uses and good practices, the Board of Directors will endeavour to reconcile the Company's interests with, where applicable, the legitimate interests of its employees, its suppliers, its customers and those of other stakeholders that may be affected, as well as the impact of the Company's activities on the community as a whole and in the environment.

**Complies** ✓ Partially complies Explain

**13. The board of directors has enough members in order to implement efficient and participative proceedings, which makes it advisable that the board should have between five and fifteen members.**

**Complies** ✓ Explain

**14. That the board of directors approves a policy aimed at encouraging an appropriate composition of the board of directors and that:**

a) Is specific and verifiable.

b) ensure that proposals for appointment or reappointment are based on a prior analysis of the competencies required by the board; and

c) promotes the diversity of knowledge, experience, age and gender. For these purposes, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

The result of the previous analysis of the competencies required by the board of directors is registered in the committee's report justifying the appointments to be published when the general meeting of shareholders is called, in which the ratification, appointment or re-election of each director is submitted.

The appointments committee will annually verify compliance with this policy and inform thereof in the annual corporate governance report.

**Complies** ✓ Partially complies Explain

**15. The proprietary directors and independent directors constitute a significant majority of the Board of Directors and the number of executive directors is kept to the minimum necessary, having regard to the complexity of the corporate group and the percentage shareholding of the executive directors in the Company's share capital.**

And that the number of female directors should account for at least 40% of the members of the board of directors by the end of 2022 and thereafter, and not be less than 30% prior to that date

Complies **Partially complies** ✓ Explain

At the end of the fiscal year this report refers to, the number of proprietary (2) and independent (4) directors represented half the number of members of the Board of Directors (12). Notwithstanding the foregoing, it should be borne in mind that during the 2019 fiscal year, the category of 2 directors was changed from independent to other external directors simply because they had exceeded the maximum term of 12 years since their appointment, a category they have maintained all throughout fiscal year 2020, so that during this fiscal year, non-executive directors represented an ample majority over executive directors.

Likewise, there are currently 3 female directors on the Board, and throughout the 2020 fiscal year, actions have been carried out, including evaluation processes of possible candidates for directors, in order to maintain and, as far as possible, increase the number of female directors. A commitment the Company plans to maintain as well in the years to come.

**16. The percentage of proprietary directors over the total of non-executive directors is not higher than the proportion between the capital represented by such directors and the remainder of the Company's share capital.**

This criterion may be reduced:

a) In large-cap companies where the shareholdings legally considered significant are low.

b) In companies where there is a diversity of shareholders represented on the board of directors and there are no links between them.

**Complies** ✓ Explain

**17. The number of independent directors represents at least half of all directors.**

However, where the Company is not highly capitalised or where, being highly capitalised, it has a shareholder or several shareholders acting together, who control more than 30% of the share capital, the number of independent Directors should represent at least one third of the total members.

**Complies** ✓ Explain

**18. Companies should post the following director particulars on their websites, and keep them permanently updated:**

a) Professional and biographical profile.

b) Other boards of directors on which they sit, whether or not these belong to listed companies, as well as other remunerated activities in which they may be involved.

c) The category to which the director belongs, where applicable, stating, in the case of proprietary directors, the shareholder they represent or to whom they have links.

d) Date when they were first appointed as a director of the company, as well as the dates of any subsequent reappointments.

e) Their holdings of company shares and their stock options.

**Complies** ✓ Partially complies Explain

**19. The Annual Corporate Governance Report, with prior verification by the Appointments Committee, explains the reasons for the appointment of proprietary directors at the request of shareholders whose shareholding is less than 3% of the share capital; and reasons are given why formal requests for a seat on the board from shareholders with a stake equal to or greater than that of others, at whose request proprietary directors were appointed, have not been respected.**

**Complies** ✓ Partially complies Explain Non applicable

**20. Proprietary directors tender their resignation when the shareholders they represent sell their entire shareholding. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.**

**Complies** ✓ Partially complies Explain Non applicable

**21. The Board of Directors shall not propose the removal of any independent Director before the statutory period for which they were appointed, except where just cause is found by the Board of Directors following a report from the Appointments Committee. It shall be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the**

**director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her independent status in accordance with the provisions of the legislation applicable.**

The removal of independent directors from office may also be proposed as a result of public buy-outs, mergers or other similar enterprise-level transactions implying a change in the structure of the Company's capital, where such changes in the Board are due to the proportionality criterion in Recommendation 16.

**Complies** ✓ Explain

22. **Companies should establish rules obliging directors to report and, where appropriate, to resign when situations arise that affect them, whether or not related to their performance in the company itself, that could damage the credit and reputation of the company and, in particular, obliging them to inform the board of any criminal proceedings in which they are under investigation, as well as the progress of any such proceedings.**

And, having been informed or having otherwise become aware of any of the situations mentioned in the preceding paragraph, the board should examine the case as soon as possible and, in view of the particular circumstances, decide, following a report from the appointments and remuneration committee, whether or not to adopt any measure, such as opening an internal investigation, requesting the resignation of the director or proposing his or her removal. And to report thereon in the annual corporate governance report, unless there are particular circumstances that justify it, which shall be recorded in the minutes. This is without prejudice to the information that the company may be required to disseminate, if appropriate, when the corresponding measures are adopted.

**Complies** ✓ Partially complies Explain

23. **All directors clearly express their opposition when they consider that a proposal submitted to the Board for Directors for decision could be contrary to the Company's interests. Moreover, independent directors and other directors in particular, who are not affected by potential conflict of interest, should do the same in the case of decisions that could be detrimental to shareholders not directly represented on the Board of Directors.**

And when the Board of Directors adopts significant or repeated decisions on matters with regard to which the director has expressed serious reservations and subsequently opts to resign, the ensuing conclusions drawn and reasons for the resignation must be explained in the letter referred to in the following recommendation.

This recommendation also extends to the secretary to the board of directors, even if the secretary is not a director.

**Complies** ✓ Partially complies Explain Non applicable

24. **When, either by resignation or by resolution of the general meeting, a director resigns before the end of their term of office, they should sufficiently explain the reasons for their resignation or, in the case of non-executive directors, their opinion on the reasons for the removal by the board, in a letter to be sent to all members of the board of directors.**

Notwithstanding the fact that all of the above is disclosed in the annual corporate governance report, to the extent that it is relevant for investors, the company should publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

**Complies** ✓ Partially complies Explain Non applicable

25. **In addition, the Appointments Committee will ensure that non-executive directors have sufficient time to properly perform their duties..**

And that the Board regulations sets the maximum number of boards of which the directors may form part.

Complies **Partially complies** ✓ Explain

The Company's Board Regulations do not specify a maximum number of boards on which the Company's directors may sit but such limit is set forth in the regulations applied to the Company as a credit entity. For this reason, the principle given by the recommendation is met. In other words, the directors should devote sufficient time to efficiently perform their duties and to know the Company's business and the governance rules that govern it and they meet its purpose despite not fully observing the recommendation and all the directors are aware of the limits set in the regulations in this regard.

26. **The Board of Directors holds meetings as frequently as required in order to carry out its role effectively, at least eight times a year, following the programme and agenda established at the start of the year, with each director able to propose for inclusion alternative items not originally on the agenda.**

**Complies** ✓ Partially complies Explain

27. **Directors' absences should be limited to the bare minimum and quantified in the Annual Corporate Governance Report. And, when they must occur, instructions are given to proxies.**

**Complies** ✓ Partially complies Explain

28. **When the directors or the secretary express concerns about a particular proposal or, in the case of the directors, about the Company's progress and such concerns are not resolved within the Board of Directors, this is recorded in the minutes at the request of whoever expressed such concerns.**

**Complies** ✓ Partially complies Explain Non applicable

29. **The Company will establish suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.**

**Complies** ✓ Partially complies Explain

30. **In addition, regardless of the knowledge required of the Directors to perform their duties, the Company will also offer Directors refresher programmes when circumstances so warrant.**

**Complies** ✓ Partially complies Explain

31. **The agenda of the sessions clearly indicates the points on which the Board of Directors will adopt a decision or agreement so that directors can study or seek, in advance, the information required for its adoption.**

When exceptionally, for reasons of urgency, the Chairman wishes to submit for the approval of the Board of Directors any decisions or agreements not included in the agenda, this will require the express prior consent of the majority of the directors present, which will be duly recorded in the minutes.

**Complies** ✓ Partially complies Explain

32. **Directors should be regularly informed of the movements in shareholdings and of the opinions that significant shareholders, investors and rating agencies have of the Company and its group.**

**Complies** ✓ Partially complies Explain

**33. The chairman, as the person responsible for the proper functioning of the board of directors, in addition to exercising the functions assigned to him by law and the bylaws, should prepare and submit to the board a schedule of dates and items to be discussed; organise and coordinate regular assessment of the board and, where applicable, assessment of the company's chief executive; take responsibility for management of the board and of the effectiveness of its functioning; ensure that sufficient time is allocated to discuss strategic issues, and agree and review programmes to update knowledge for each director, when circumstances so advise.**

**Complies** ✓ Partially complies Explain

**34. When there is an independent lead director, the Bylaws or regulations of the Board of Directors, in addition to the powers legally entitled, attribute him/her the following: chairing the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any; echoing the concerns of non-executive directors; maintaining contacts with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the Company; and coordinate the Chair´s plan of succession.**

**Complies** ✓ Partially complies Explain Non applicable

**35. The Secretary to the Board of Directors shall also ensure that the Board of Directors is aware of recommendations on good governance that apply to the Company and that are part of the Code of Good Governance for listed companies.**

**Complies** ✓ Explain

**36. The complete Board of Directors should evaluate, once a year, and adopt, where applicable, an action plan to correct deficiencies identified with respect to:**

a) The quality and efficiency of operation of the board of directors.

b) The operations and the composition of its committees.

c) The diversity of Board membership and competences.

d) The performance of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.

e) The performance and contribution of each Director, paying particular attention to those who are in charge of the various board committees.

The evaluation of the various committees will be based on the reports they submit to the Board of Directors, and for the latter, evaluation will be based on the one submitted by the Appointments Committee.

Every three years, the Board of Directors will be assisted to carry out the evaluation by an external consultant, whose independence will be verified by the Appointments Committee.

Business relationships that the consultant or any Company in its group have with the Company or any Company of its group should be detailed in the annual corporate governance report.

The process and the evaluated areas will be further described in the annual corporate governance reporto.

**Complies** ✓ Partially complies Explain

**37. When there is an executive committee, at least two non-executive directors should sit on it, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.**

Complies Partially complies Explain **Non applicable** ✓

**38. The Board of Directors is always aware of matters dealt with and decisions adopted by the Executive Committee and all the members of the board receive a copy of the minutes of the meetings of the Executive Committee.**

Complies Partially complies Explain **Non applicable** ✓

**39. The members of the audit committee as a whole, and especially its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.**

**Complies** ✓ Partially complies Explain

**40. Under the supervision of the audit committee, there should be a unit that assumes the internal audit function to ensure the proper functioning of the information and internal control systems, which are functionally dependent on the non-executive Chairman of the Board or the Audit Committee.**

**Complies** ✓ Partially complies Explain

**41. The head of the unit that assumes the internal audit function should present its annual work plan to the audit committee for approval by the latter or by the board, report to it directly on its execution, including any incidents and limitations on scope that may arise in its development, the results and follow-up of its recommendations, and submit an activities report at the end of each fiscal year.**

**Complies** ✓ Partially complies Explain Non applicable

**42. In addition to those as legally established, the Audit Committee is responsible for the following:**

1. With regard to information systems and internal control:

a) Supervise and evaluate the preparation process and the integrity of financial and non-financial information, as well as the control and management systems for financial and non-financial risks relating to the company and, where appropriate, the group - including operational, technological, legal, social, environmental, political, reputational and corruption-related risks - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensure the independence and effectiveness of the internal audit processes, proposing the election, appointment, re-election and removal of the head of the internal audit division in addition to proposing the budget for this service, approving or propose the approval of both orientation and operating plans of the internal audit, ensuring that their activity is focused mainly on the risks that are relevant to the Company (including those related to reputation), receiving regular information on their activities and verifying that senior management is taking into account the conclusions and recommendations of the Committee's reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report potentially significant irregularities, including financial and accounting irregularities, or any other type of irregularity they may notice within the company or its group. This mechanism should guarantee confidentiality and, in any case, provide for cases in which communications can be made anonymously, respecting the rights of the complainant and the accused.

d) To generally ensure that established internal control policies and systems are effectively implemented in practice.

2. With regard to the external auditor:

a) Examine the circumstances behind the resignation of the external auditor, should this occur.

b) Ensure that the remuneration for the external auditor for his or her work does not compromise his or her integrity or independence.

c) Ensure that the Company notifies the change of auditor to the CNMV and that this notification is accompanied by a statement citing any disagreements the Company may have had with the outgoing auditor and, if there were such disagreements, to discuss them.

d) Ensure that the external auditor annually holds a meeting with the full Board of Directors to report on the work done and the evolution of the Company´s accounting and risk situation.

e) Ensure that the Company and the external auditor adhere to current regulations regarding the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, the other rules on auditor independence.

**Complies** ✓ Partially complies Explain

**43. The Audit Committee may summon any employee or executive of the Company; this includes appearances without the presence of any other executive.**

**Complies** ✓ Partially complies Explain

**44. The Audit Committee should be informed of the operations of structural and corporate changes that the Company plans to carry out, for analysis and preliminary report to the Board of Directors on their economic conditions and their accounting impact, and especially, if any, on the proposed swap equationa.**

**Complies** ✓ Partially complies Explain Non applicable

**45. The control and risk management policy should specify or determine at least:**

a) The different types of financial and non-financial risks (including operational, technological, legal, business, environmental, political and reputational, as well as those related to corruption) that the Company faces, including financial and economic risks, contingent liabilities and other off-balance sheet risks.

b) A risk control and management model based on different levels, of which a specialised risk committee shall form part when the sector regulations so provide or when the company deems it appropriate.

c) The level of risk that the company considers acceptable.

d) The measures planned to mitigate the impact of identified risks, should they materialise.

e) The information and internal control systems to be used to control and manage the abovementioned risks, including contingent liabilities or off-balance sheet risks.

**Complies** ✓ Partially complies Explain

**46. Under the direct supervision of the Audit Committee or, if any, of a specialised committee of the Board of Directors, there is an internal function of risk control and management exercised by a unit or internal department of the Company that has expressly attributed the following functions:**

a) Ensure the proper functioning of the control and risk management systems and, in particular, that all the important risks affecting the Company are adequately identified, managed and quantified.

b) Actively participate in the development of a risk strategy and take part in the important decisions concerning risk management.

c) Ensure that the control and risk management systems in place adequately mitigate the risks within the framework of the policy defined by the Board of Directors.

**Complies** ✓ Partially complies Explain

**47. Members of the Appointments and Remuneration Committee – or both Committees if they were separate – are designated by ensuring that they have the knowledge, skills and experience appropriate to the duties that they are to perform and that most of these members are independent directors.**

**Complies** ✓ Partially complies Explain

**48. Highly-capitalized companies have an Appointments Committee and a separate Remuneration Committee.**

Complies Explain **Non applicable** ✓

**49. The Appointments Committee should consult with the company's Chairman of the Board of Directors and chief executive, especially on matters relating to executive directors.**

Any Director may request that the Appointments Committee take into consideration potential candidates to fill director vacancies if he/she feels that they are suitable.

**Complies** ✓ Partially complies Explain

**50. The duties of the remuneration committee must be exercised with independence and include, in addition to those indicated by law, the following:**

a) Propose to the Board of Directors the standard conditions for senior officers' employment contracts.

b) Check compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy applied to directors and senior officers, as well as the remuneration systems that include shares and how they are implemented, in addition to guaranteeing that their individual remuneration is proportional to that which is paid to other directors and senior officers of the Company.

d) Ensure that any conflicts of interest do not interfere with the independence of the external advice given to the committee.

e) Verify the information on directors' and senior officers' remuneration found in various corporate documents, including the annual report on directors' remuneration.

**Complies** ✓ Partially complies Explain

**51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.**

**Complies** ✓ Partially complies Explain

**52.** **The rules regarding the composition and proceedings of the supervisory and control committees should be listed in the Board Regulations and be consistent with those applicable to the legally mandatory committees under the foregoing recommendations, including the following:**

a) They should be composed exclusively of non-executive directors, with a majority of independent directors.

b) The chairmen should be independent directors.

c) The board of directors should appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the responsibilities of each committee; deliberate on its proposals and reports; and, at the first plenary session of the board after their meetings, receive an account of their activity and a report on the work carried out.

d) The committees should seek external advice when they deem it necessary to perform their duties.

e) Minutes of meetings should be taken, and copies sent to all directors.

**Complies** ✓ Partially complies Explain Non applicable

**53.** **The supervision of compliance with the company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, should be assigned to one or more committees of the board of directors, which may be the audit committee, the appointments committee, a committee specialising in sustainability or corporate social responsibility or any other specialised committee that the board of directors, in exercise of its powers of self-organisation, has decided to create. This committee should only be made up of non-executive directors, the majority of whom should be independent, and should be specifically assigned the minimum functions indicated in the following recommendation.**

**Complies** ✓ Partially complies Explain

**54.** **The minimum functions referred to in the above recommendation are as follows:**

a) Supervision of compliance with corporate governance rules and the company's internal codes of conduct, also ensuring that the corporate culture is aligned with its purpose and values.

b) The supervision of the application of the general policy relating to the communication of economic-financial, non-financial and corporate information as well as communication with shareholders and investors, proxy advisors and other stakeholders. The way in which the entity communicates and relates to small and medium-sized shareholders will also be monitored.

c) Regular assessment and review of the adequacy of the Company's corporate governance system and environmental and social policy, so that it may fulfil its mission of promoting its social activities and keep the legitimate interests of other stakeholders in mind.

d) Monitoring that the company's environmental and social practices are in line with the strategy and policy established.

e) Supervising and evaluating relations with different stakeholders.

**Complies** ✓ Partially complies Explain

**55. That sustainability policies in environmental and social matters identify and include at least:**

a) The principles, commitments, objectives and strategy with regard to shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conduct.

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) Non-financial risk supervision mechanisms, including those related to ethical and business conduct issues.

d) The channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Complies **Partially complies ✓** Explain

Although there are certain aspects already included in the current Corporate Social Responsibility policy, in accordance with the commitment assumed by the Board of Directors in 2020, it is being analysed for adaptation to the new modifications of the good governance recommendations approved by the CNMV in June 2020.

**56. Directors' remuneration is what is necessary to attract and retain directors with a desirable profile, to compensate them for the dedication, qualifications and responsibility that the position entails, and to ensure that the amount does not interfere with the independence of non-executive directors' decisions.**

**Complies ✓** Explain

**57. Executive directors are restricted to variable remuneration linked to the performance of the Company and to their personal performance, as is the remuneration in the form of shares, stock options or rights to shares or instruments that are referenced to the value of the stock and long-term savings systems such as pension plans, retirement schemes or other social security systems.**

Delivery of shares as remuneration can be contemplated for non-executive directors on condition that they hold them until they cease to be directors. The foregoing will not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

**Complies ✓** Partially complies Explain

**58. In the case of variable remuneration, remuneration policies should include precise limits and technical safeguards to ensure they reflect the professional performance of the recipients and not only the general progress of the markets or the company's activity sector or circumstances of this kind.**

And in particular, the variable components of remunerations:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should consider the risk taken to obtain a result.

b) Should promote the sustainability of the Company and include non-financial criteria that are suitable for creating long-term value, such as compliance with internal rules and procedures of the Company and its policies for control and risk management.

c) Should be configured on the basis of a balance between compliance with short-term, medium-term and long-term objectives, to remunerate output for continuous performance over a period of time that is sufficient to appreciate the contribution to the sustainable creation of value, in such a way that the items measuring this performance do not focus only on sporadic, occasional or extraordinary facts.

**Complies** ✓ Partially complies Explain Non applicable

**59. The payment of variable components of remuneration should be subject to sufficient verification that the performance or other conditions set out above have been effectively met. The entities shall include in the annual directors' remuneration report the criteria regarding the time required and methods for such verification depending on the nature and characteristics of each variable component.**

In addition, institutions should consider the establishment of a malus clause based on the deferral for a sufficient period of time of the payment of a portion of the variable components that entails their total or partial loss in the event that some event occurs prior to the time of payment that makes it advisable to do so.

Complies **Partially complies** ✓ Explain Non applicable

The directors' remuneration policy for 2020 was approved at the Ordinary General Shareholders' Meeting held on 27 April 2020, i.e. prior to the publication of the amendments to the recommendations of the Code of Good Governance. Therefore, the policy for 2020 complies with the content of the first paragraph of this recommendation.

**60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.**

**Complies** ✓ Partially complies Explain Non applicable

**61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments referenced to their value.**

**Complies** ✓ Partially complies Explain Non applicable

**62. That once the shares, options or financial instruments corresponding to the remuneration systems have been attributed, executive directors may not transfer ownership or exercise them until at least three years have elapsed.**

An exception is made in the case where the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice their annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director needs to dispose of in order to meet the costs related to their acquisition or, subject to the favourable opinion of the Appointments and Remuneration Committee, in order to deal with extraordinary situations that so require.

Complies **Partially complies ✓** Explain Non applicable

The Company's internal policy establishes a time limit so that, once the shares, options or financial instruments corresponding to the remuneration systems have been attributed, the executive directors may not transfer ownership or exercise them.

It should be noted that the 2020 directors' remuneration policy, which contained the internal limit for the transfer of shares corresponding to remuneration systems, was approved at the Ordinary General Shareholders' Meeting held on 27 April 2020, i.e. prior to the publication of the amendments to the recommendations of the Code of Good Governance.

To date, none of the executive directors has transferred ownership or exercised the shares, options or financial instruments corresponding to the remuneration systems in a period of less than 3 years.

**63. Contractual agreements include a clause that allows the Company to claim reimbursement of variable components of remuneration when payment has not been adjusted to the return conditions or when they have been paid based on data that are subsequently credited with inaccuracy.**

Complies Partially complies **Explain ✓** Non applicable

The remuneration policy for 2020 does not establish any mechanisms in this respect other than those set out in the applicable commercial regulations.

It should be noted that the 2020 directors' remuneration policy was approved at the Ordinary General Shareholders' Meeting held on 27 April 2020, i.e. prior to the publication of the amendments to the recommendations of the Code of Good Governance.

**64. Payments for contract resolution or termination do not exceed the established amount equivalent to two years of total annual remuneration and they are not paid until the Company has been able to verify that the director has met the criteria or requirements previously established to qualify for it.**

For the purposes of this recommendation, termination or contractual termination payments shall include any payments whose accrual or payment obligation arises as a result of or in connection with the termination of the contractual relationship between the director and the company, including amounts not previously vested in long-term savings schemes and amounts paid under post-contractual non-competition agreements.

Complies **Partially complies ✓** Explain Non applicable

Severance payments for contract termination will be an amount equal to the accrued and vested part of the annual variable remuneration, as appropriate, and regarding the deferred part, the total amount of the deferred payment, and in the event of a resignation, the accrued and vested part of the annual variable remuneration, as appropriate, in accordance with the regulations, until the date of contract termination.

It should be noted that the remuneration policy for directors for 2020 was approved at the Ordinary General Shareholders' Meeting held on 27 April 2020, therefore prior to the publication of the amendments to the recommendations of the Code of Good Governance.

## H. Other Information Of Interest

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. Any other information, clarification or observation related to the above sections of this report may be included in this section insofar as they are relevant and not repetitive.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the code and date of adoption. In particular, it will be specified whether the Company has adhered to the Code of Good Tax Practice of 20 June 2010:

B.5. As indicated in the communication sent to the CNMV on 15 April 2020 (registration number 1560), the Ordinary General Meeting held on 27 April 2020 did not vote on the second item on the agenda relating to the proposed application of the profit following the Recommendation made by the European Central Bank to all credit institutions under its supervision on 27 March 2020, and extended on the same date by the Bank of Spain to credit institutions under its direct supervision and considering COVID-19, as well as the provisions of articles 40.6.bis and 41.3 of Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19.

However, this item was voted on and approved at the Ordinary and Supplementary General Meeting held on 26 October as the first item on the agenda.

C.1.1. At the General Shareholders' Meeting held on 29 April 2019, it was agreed, under item 4.1 of the agenda, to set the number of members of the Board of Directors at 15. Notwithstanding the above, during the months of October and November 2019, three directors resigned, in accordance with the provisions of section C above, giving rise to a Board of Directors with 12 members, with three vacancies on the Board at 31 December 2020.

C.1.12. The Company's Board Regulations do not specify a maximum number of boards on which the Company's directors may sit but such limit is set forth in the regulations applied to the Company as a credit entity. For this reason, the principle given by the recommendation is met. In other words, the directors should devote sufficient time to efficiently perform their duties and to know the Company's business and the governance rules that govern it and they meet its purpose despite not fully observing the recommendation and all the directors are aware of the limits set in the regulations in this regard.

This annual corporate governance report was approved by the Company's Board of Directors at its meeting held:

02/23/2021

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes **No** ✓

5

# Non-Financial Information

Renta 4 Group

2020

# 5.1

## Guidelines for the elaboration of the non-financial information statement

In accordance with Law 11/2018, dated December 28, on non-financial information and diversity, the Board of Directors of Renta 4 Banco, S.A. (the Parent Company) and its group subsidiary companies, hereinafter Renta 4, issues this Non-Financial Information Statement (NFIS) for the 2020 financial year as an annex to the Consolidated Management Report presented with the consolidated financial statements.

This report is public and can be consulted on the corporate website https://www.renta4banco.com/es

Renta 4 has analysed the requirements of Law 11/2018, taking into account the opinion of its main stakeholders. For this purpose, the Group has identified the following stakeholders: clients, professionals, shareholders, the environment, and suppliers.

The Renta 4 Group's business model, based on proximity and relationship with society, allows for continuous access to these stakeholders by all operating lines, control areas (risks, regulatory compliance, and internal audit), and, especially, senior management and members of the Board of Directors, who are fully aware of the most relevant aspects in the economic, social, and environmental fields.

This continuous interrelationship leads to knowing each stakeholder's needs to establish lines of action and respond to them in a timely manner.

The Board of Directors of Renta 4 Banco, S.A. is ultimately responsible for all aspects arising from the management and control of the risks inherent to the activity carried out by the Renta 4 Group. Thus, at the request of the Board of Directors, a Risk Appetite Framework, different risk management policies, and risk control structures have been set up to ensure their correct application.

The Risk Appetite Framework is a statement of the aggregate level of risk types that the Renta 4 Group is willing to accept or avoid to achieve its business purposes. The Risk Appetite Framework is also a tool that monitors all risks by means of metrics, establishing different policies for adequate management.

Therefore, the Risk Appetite Framework includes a commitment to economic and social sustainability, especially emphasising on compliance with policies for the prevention of money laundering and terrorism financing, regulations, the code of conduct in the securities markets (Internal Code of Conduct), and the handling of clients' complaints.

As shown in Annex I, "Index of contents required by Law 11/2018 dated December 28," the NFIS was elaborated in accordance with the Global Reporting Initiative (GRI) selected standards for those requirements considered essential to the business.

The scope of the information reported includes Renta 4 Banco, S.A. (the Parent Company) and its Group subsidiary companies for the 2020 financial year, both in Spain and abroad.

# 5.2

## General Information

Renta 4 is composed of a number of companies dedicated to the provision of investment and asset management services, and Renta 4 Banco S.A. is the parent company. The most representative companies in terms of income and services offered within the Group are the following ones:

- Renta 4 Banco S.A.
- Renta 4 Gestora SGIIC S.A.
- Renta 4 Pensiones SGFP S.A.
- Renta 4 S.V S.A.
- Renta 4 Corporate S.A.

Renta 4 operates mainly in the national territory, although a non-significant part of its activity is carried out in Chile, Colombia, Peru, and Luxembourg with similar clients and products offered in all the countries.

The Group's main business lines are the following ones:

- Financial intermediation.
- Portfolio management.
- Management and marketing of investment funds and other collective investment institutions.
- Management of pension funds.
- Advisory and Corporate Finance.

## Group Structure

The activity of Renta 4 Banco, S.A. focuses mainly on the provision of investment and asset management services. The entity has a network of 66 offices located in the main Spanish provincial capitals and one office in each of the countries mentioned above with an average staff of 541 employees.

The distribution network is complemented by sales agents and partners.

In addition, the Group has a website, www.r4.comand an APP, which offers clients the possibility of operating in national and international markets.

In addition, it offers several support services for clients, such as permanent access to market news, access to databases of analysts on companies from all the major stock exchanges, alert services, access to technical comments, and graphic tools.

The Group has also established offices in Peru and Chile, although clients in these two regions have the possibility of acquiring Renta 4 products through the website. Complementarily, a representative office and an entity dedicated to the trust business are established in Colombia. The international business of Renta 4 is completed by the management company of CIIs in Luxembourg.

## History of the entity

Renta 4 started in 1986 as an investment services company. In the beginning, it was dedicated to the purchase/sale of Public Debts. In 1989, it became a Securities and Exchange Company registered before the Spanish National Securities Market Commission (CNMV) under number 1, extending the range of investments beyond public debt and financial intermediation. In 1987, Renta 4 Gestora SGIIC, S.A. was incorporated, but it was not until 1991 that it began to manage collective investment schemes, establishing the first investment fund. Renta 4 Pensiones S.G.F.P. was established in 1997.

In the nineties, new offices were opened throughout the country until the current distribution network was formed. Between 1990 and 1995, 11 new offices were opened, starting with only three in 1990.

In 1999, the strategy of territorial expansion and the multi-channel philosophy led to the development of the online platform www.renta4.com, which allowed the outsourcing of products and services through the network.

In 1999, a holding company was set up under the name of Renta 4 Servicios Financieros, S.L., which aligned the businesses of CII management and pension funds. In 2000, the intermediation business was integrated into the holding company.

From 2002 to 2004, Renta 4 began a process to rationalise the network through the acquisition and subsequent merger of several companies in which agents of the Renta 4 Group participated, giving rise to a fully integrated commercial structure.

In 2004, as part of the company's growth policy, Renta 4 Corporate was established while Gesdinco and Padinco were acquired in 2006.

On September 29, 2007, it became the first investment services company to float on the stock exchange.

In 2012, Renta 4 began to function as a bank by acquiring bank records from Banco Alicantino de Comercio, S.A. and establishing the company Renta 4 Banco, S.A. As a result, Renta 4 Sociedad de Valores, S.A. was partially spun off in favour of Renta 4 Banco, S.A.

On June 25, 2015, the Spanish National Securities Market Commission appointed Renta 4 Gestora, SGIIC, S.A. as the provisional management company for the CIIs that had hitherto been managed by Banco Madrid Gestión de Activos, SGIIC, S.A.

In addition, a CII management company was established in Luxembourg in 2015.

At the beginning of 2020 Renta 4 Gestora adhered to the United Nations Sustainable Investment Programme, the so-called PRI (Principles for Responsible Investment), whereby it undertakes to incorporate environmental, social and governance factors (ESG) in investment decision-making.

## Purpose, mission, and vision of the company

The purpose of Renta 4 Banco is to democratise investment so that every person, family, company, or institution can benefit equally from a high-quality service to operate in financial markets and manage savings and investments. In other words, to offer an exclusive service with an inclusive approach to help clients protect and make the most of their savings and investments while managing risk.

Everything that is happening and what we believe is going to happen in the sector is aligned with our mission as a Bank and as an investment company, which is to encourage investment to improve people's lives. We are moving towards a world of investors in which investment can and must play an essential role in moving towards a more sustainable and efficient world, and contribute to the progress of society. The Entity wants to play an important role in this new financial system that will finance innovation and the positive transformation of the economy. And it will do so as it has always done, by allocating resources well and managing risks well, helping clients invest well and helping companies find the best financial solutions for their growth.

This vision is translated into a slogan that is communicated and disseminated internally (employees) and externally (society): "*PROMOTING INVESTMENT FOR THE PROGRESS OF PEOPLE AND SOCIETY*".

To successfully accomplish its corporate purpose, Renta 4 has established a consistent business model that coordinates strategies, structures, developments, and activities. This model can be summarised in the following two core values:

(1) A specialised bank (in savings, investment, equity, and corporate services): because it is necessary to fully focus on an activity to offer good quality and excellent services in a scalable way. To be the best at an activity and create scalable structures around it.

(2) A bank devoted to its clients: To establish a long-term relationship of trust based on an expert, efficient and personalised service for every investor. A premise that is expressed as "*A BANK WHERE EVERY INVESTOR IS A GREAT CLIENT*".

Unique value proposition: This approach offers the opportunity for the Renta 4 brand to be distinguishable among bank entities and private banking.

Renta 4 is a "marketplace" for investments, but with a full banking license, that is its differential value. It differs from the large universal banks in that it specialises in wealth management and capital markets. Versus smaller, boutique investment houses, it differs in that it offers the client a more complete range of solutions to their financial needs. This makes it possible to target a very broad segment of savers, from high net worth individuals to more modest investors or millennials. In short, it is a Bank with all the advantages of being a Bank, but it operates as a specialised investment firm. That's why we are a marketplace that aggregates investment solutions for a wide range of clients. There is no other bank specialised in investment listed on the Spanish stock exchange.

The business model must reinforce this differentiation as a key to its consistency and competitiveness. A model that, when it comes to people's savings and investments, bases its success and condition of permanence on building TRUST.

Renta 4 has a maxim that conveys this very idea: "At Renta 4, we are not investment managers, but investor managers". An investor needs to trust that there will always be someone to help when problems arise, to trust that the investment is the most appropriate, to trust that the advisor is knowledgeable, to trust the reputation of Renta 4, to trust that the amounts charged are right for the client and not for the Entity (we are not product placement agents), and this TRUST is transmitted through:

(1) **Caring:** The best way to transmit confidence is through true caring, a personal treatment, empathy, and a clear and transparent communication: to REALLY know your clients.

(2) **Experience:** The experience that comes from being specialised and being dedicated exclusively to this every day, for 35 years.

(3) **Quality of service:** Because when it comes to money, every client wants to see that things are well done, with professionalism and experience, but also with caring and humanity. You have to be and look like one.

And, finally, these values must be surrounded by other aspects that are complementary in the current context, but fundamental for adapting to today's society: habits and expectations.

(1) **Technology:** a high-quality service requires a high level of efficiency, which can only be achieved through technology to obtain a profitable and viable model. Besides, technology is necessary to offer users the comfortable, agile and ubiquitous experiences they demand. Growth can only happen if integration between physical and digital channels is achieved.

(2) **Proactivity:** Renta 4 believes in anticipating clients' needs. The greatest satisfaction is felt when you notice that we provide solutions and ideas and that we talk to clients to better understand their needs, making investment decisions easier.

(3) **Pedagogy:** the financial education and training of our clients are social responsibilities and we transfer this to every point of contact in the relational flow. From the first communications to answer inquiries and provide information to in-person commercial processes at the offices.

## Effects of the COVID-19 pandemic on the Company's activities and its foreseeable evolution.

The appearance of the Coronavirus, COVID-19, in China and its global expansion to a large number of countries has led to the classification of the situation as a global pandemic by the World Health Organisation on 11 March 2020. The evolution of events, both at national and international level, has led to an unprecedented health crisis impacting the macroeconomic environment and businesses. In Spain, among other measures, the Government declared a state of alarm through the publication of Royal Decree 463/2020 of 14 March, which was lifted on 1 July 2020, and also passed a series of extraordinary urgent measures to address the economic and social impact of COVID-19, through Royal Decree-Law 8/2020 of 17 March, among others.

Faced with this pandemic situation, Renta 4 has focused its attention on guaranteeing the continuity of the business' operational security, closely monitoring the pandemic's impact on the Group's business and risks (such as the impact on human capital, earnings, capital and liquidity). In this regard, the Group's long-term objectives remain unchanged and have even been reinforced with a commitment to technology and digitalisation.

It should be noted that during the State of Alarm, Renta 4's activity was not affected at any time and has been able to continue providing its services without incidents, while complying at all times with the usual processes and services.

All national and international decisions aimed at making the accounting and prudential frameworks more flexible have been taken into consideration in preparing Renta 4 Group's consolidated financial statements. In this regard, in the financial year 2020, Renta 4 Group has limited the distribution of dividends in accordance with the recommendation issued by the European Central Bank and the Bank of Spain. In addition, the information on the decline of goodwill takes into account the impact of COVID-19 in the update of the macroeconomic scenario and the expected evolution of interest rates.

During 2020, as a consequence of the exceptional situation caused by the COVID-19 pandemic, Renta 4 has implemented various temporary and ad hoc internal measures aimed at adapting the Entity's organisation to this situation, as described in detail below in the section 'HEALTH AND SAFETY'.

As at the date of preparation of these financial statements, the state of alarm declared by the Spanish Government through Royal Decree 926/2020 of 25 October, which was initially approved on 9 November 2020, was in force and extended until 9 May 2021 by Royal Decree 956/2020 of 3 November.

As at the date of presentation of these financial statements, there have been no significant effects on the Company's activities and, based on the Administrator's current estimations, no significant effects are expected in the financial year 2021. Renta 4's aim is to continue transforming the Bank towards the future, maintaining a high solvency and liquidity ratios that enable it to continue with a policy of satisfactory shareholder remuneration.

# 5.3

## Materiality analysis

Renta 4 has carried out a materiality analysis in order to identify the most relevant issues for the company and thus, define its strategic priorities to make progress in the Corporate Social Responsibility area.

This analysis has been carried out from both internal and external points of view. For the internal analysis, Renta 4 conducted interviews with the heads of the most relevant areas of the Entity, and for the external analysis, the most relevant stakeholders for the bank were considered.

The findings of this analysis are reflected in the following chart on Materiality:

# 5.4

# Environmental management and environmental protection

Throughout these years, Renta 4 Banco has implemented an environmental policy aimed at reducing its carbon footprint and improving the quality of its medium and that of its employees.

Although it does not carry out intrinsically contaminating activities, it has focused on those pollutants whose impact can be reduced, mainly related to energy consumption.

This document presents national and international information on Renta 4 Banco, including its headquarters, its national branches and its branches in South America.

Continuing with the environmental commitment acquired by Renta 4 Banco over recent years, it continues to maintain a comprehensive strategy covering the following areas of action:

1. Reduction of energy consumption.
2. Water use efficiency.
3. Digital Office - Reducing Paper, Toner and, Storage Space Use
4. Environmental management of waste by seeking alternatives to those generated within the context of the circular economy.
5. Promotion of respect for the environment and a transition to a low-carbon economy.

## Reduction of energy consumption

In 2020, the total electricity consumption of national offices stood at 1,854,188.36 Kwh, of which 33% (624,325.67 Kwh) came from renewable energy sources. On an international level, consumption was 1,888,623.36 Kwh.[1 2]. This consumption implied the emission of 128.76 tons of $CO_2$ and 142.4 g of radioactive waste.[3]

Seeking intelligent management of the energy used in each of its work centres, Renta4 Banco carried out a series of improvements at its headquarters in subsequent years. After observing the correct functioning of these strategies, the current goal has been established to implement these strategies at each of its branches.

To this end, existing lighting has been replaced by LED lighting for greater energy efficiency, air conditioning installations have been improved, blinds have been installed and design modifications have been made to improve natural lighting and thermal comfort at the following branches:

- Renta 4 Zaragoza (Calle León XIII 5, Zaragoza)
- Renta 4 Castellón (Carrer Gasset 9, Castellón)
- Renta 4 Bilbao (Elcano Kalea 14, Bilbao)

A decrease in consumption has been observed at Renta 4 Banco's headquarters. Electricity consumption in 2018 was around 276.71 kWh/m2. This consumption in 2019 stood at 232.33 kWh/$m^2$ and in 2020, despite no major renovations having been carried out at the headquarters compared to 2019, consumption was 222.39 kWh/$m^2$, although this figure may have been affected due to lockdown during the pandemic.

As in subsequent years, the headquarters has a diesel generator that works in the event of a power shortage, but it has not been activated in recent years. Besides, the company does not own vehicles. Thus, diesel consumption in 2019 has been zero.

In order to reduce consumption, in 2018 and 2019, the conventional air conditioning system was replaced by a Variable Refrigerant Flow system (VRF systems) at the following offices of the Network:

- Renta 4 Tarragona (Rambla Nova 115, Tarragona)
- Renta 4 Lleida (Avinguda Alcalde Rovira Roure 19, Lleida)
- Renta 4 Las Palmas de Gran Canaria ( Calle Venegas 2, Las Palmas)

In this way, the performance of the systems has been significantly optimised with consequent energy savings that are believed to be between 25% and 30% less than the previous centralised ON/OFF systems.

## Water use efficiency

As part of its commitment to sustainability and the environment, Renta 4 continues to develop a water management strategy.

Total water consumption during 2019 on an international level was 3,065 m3. In 2020, despite an increase in m2 at its branches, consumption has been reduced by 0.75%, standing at 3,115 m3. Internationally, consumption was 3,343 m3. Among other measures undertaken, strategies applied at Renta 4's headquarters have been implemented at its branches, installing time flow taps and dual-flush urinals.

On the other hand, at its headquarters, these measures have continued to be emphasized, in accordance with the hygienic measures taken due to the recent pandemic (time flow taps, automatic hydroalcoholic gel dispensers or hand dryers). Thanks to these measures, it was possible to reduce the building's water consumption at Paseo de la Habana 74 by 14% from 2018 to the present, from 413 l/m2 in 2018 to 359 l/m2 in 2019, and 363 l/m2 in 2020.

## Digital Office - Reducing Paper, Toner, and Storage Space Use

In line with the strategy established by Renta 4 in recent years, there has been a drastic reduction in paper consumption.

Paper consumption in all Renta 4 offices nationwide in 2019 stood at 2,492,281 A4 sheets, a total of 12,461 kg. In 2020, this figure was drastically reduced, down to 869,677 A4 sheets, a total of 4,348 kg, which represents a reduction of 65%. With regard to toner consumption on an international level it should be noted that in 2020 this figure stood at 284 units4.

It should be pointed out that part of this reduction has been brought about by the existing pandemic, but on the other hand it has provided an important boost and indicates that the strategy taken in this regard is the right one.

## Environmental management of waste by seeking alternatives to those generated within the context of the circular economy.

Renta 4 continues to apply the so-called 'Three R Rules', seeking to 'Reduce' the amount of waste generated, 'Reuse' existing products as far as possible, and 'Recycle' those that no longer provide a service or are useful.

In this regard, Renta 4 continues to reuse most of the existing furniture, while the furniture that is no longer useful for the required purposes is donated to non-profit associations.

Finally, we continue to use certified materials that ensure that their procurement, manufacture and recycling are subject to a series of environmental requirements, seeking to reduce the carbon footprint they generate and valuing environmentally friendly and social aspects in the execution of the products and services contracted

[1] Data from the Renta4 Chile office could not be included.
[2] Scope 2 emissions are accounted for as there is only electricity consumption. These have been calculated based on the emission factors provided by the Ministry. (Source CNMC (National Commission for Markets and Competition), http://gdo.cnmc.es/CNE/resumenGdo.do
[3] It should be noted that, due to the strict confinement established in Spain during the months of March, April, and May, consumption during these months was significantly altered in their work centres.
[4] It has not been possible to include data from the offices of Renta 4 Luxembourg, Renta 4 Chile and Renta 4 Peru.

## Promotion of respect for the environment and a transition to a low-carbon economy.

Since June 2019, Renta 4 guarantees, through a contract with one of its main electricity suppliers, that part of the energy consumed comes from 100% renewable energy sources. In that year, 16.93% of the energy consumed by the headquarters at Paseo de la Habana 74 (88,359.13 kWh) came from 100% renewable energies, taking into account the 8 months of the contract with that supplier, and 22.97 tons of CO2 and 45.06 grams of high-level radioactive waste were not emitted into the atmosphere. In 2020, the first full year with this supplier, this percentage has increased to 55.80% of the energy consumed at the headquarters (86629.57 Kwh) and 116.91 tons of CO2 and 296 grams of high-level radioactive waste were no longer emitted. In this matter, the main purpose of Renta 4 is to increase this percentage substantially every year until reaching 100% reduction of emissions.

## Circular economy and waste prevention and management

The management of computer waste relating to the IT Department continues to be carried out through the agreement that Renta 4 has with the company INTELSYNET, which is dedicated to the recycling of computer disks and resources.

During the 2020 financial year, due to the low number of obsolete computer equipment that has been replaced, the recycling of said equipment and their disks is being kept in the IT department warehouse, adopting the pertinent security measures, until there is a larger and sufficient number to proceed to their deletion and recycling.

In addition, since 2021 Renta 4 has an inventory of equipment in which the status of each piece is recorded (In use or Withdrawn), as well as the date of withdrawal and destruction by INTELSYNET.

# 5.5

# Social and personnel management

## Introduction on HR principles and values

Renta 4, an entity specialised in providing high-quality investment services, management and advice on assets, intermediation in capital markets, and corporate advice to companies, has among its values, specialisation, client focus, and proximity in a technological and digital environment.

For this reason, Renta 4's HR policies are aimed at retaining and attracting talent, in order to have highly qualified professionals with extensive experience in the industry, considering human capital as a guarantee of good quality services and business excellence.

## Employment - Recruitment and Talent Management

The recruitment procedures of Renta 4 are based on the selection of professionals with a high level of training and enough experience to fit each position. Thus, candidates are assessed by training and professional merits to ensure their qualification to provide specialised and high-quality investment services.

In this regard, it should be noted that Renta 4 seeks to maintain employment stability, as reflected in the fact that as of 31 December 2020, 99.5% of the workforce had an indefinite employment contract in force, maintaining the trend of recent years, and the breakdown of the roster by type of contract, gender, age and professional classification is detailed below, including both the number of contracts at the end of each period, as well as the average number of contracts:

### N° Contracts end of Period 2020-2019

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| Type of contract by gender | Men | Women | Total | % Total | Men | Women | Total | % Total |
| Indefinite Contract FT | 364 | 181 | 545 | 97.3% | 338 | 171 | 509 | 97.5% |
| Indefinite Contract PT | 2 | 10 | 12 | 2.2% | 1 | 10 | 11 | 2.1% |
| Temporary Contract FT | | 3 | 3 | 0.5% | | 2 | 2 | 0.4% |
| **Total** | **366** | **194** | **560** | **100%** | **339** | **183** | **522** | **100%** |

### Type of contract by category

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Management | Technical | Administrative | Total | Management | Technical | Administrative | Total |
| Indefinite Contract FT | 13 | 456 | 76 | 545 | 13 | 421 | 75 | 509 |
| Indefinite Contract PT | | 4 | 8 | 12 | | 3 | 8 | 11 |
| Temporary Contract FT | | | 3 | 3 | | | 2 | 2 |
| **Total** | **13** | **460** | **87** | **560** | **13** | **424** | **85** | **522** |

### Type of contract by age range

| | 2020 | | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | <30 | 30-40 | 40-50 | >50 | Total | <30 | 30-40 | 40-50 | >50 | Total |
| Indefinite Contract FT | 86 | 161 | 194 | 104 | 545 | 76 | 174 | 177 | 82 | 509 |
| Indefinite Contract PT | 4 | 2 | 4 | 2 | 12 | 3 | 3 | 3 | 2 | 11 |
| Temporary Contract FT | 2 | | | 1 | 3 | 1 | 1 | | | 2 |
| **Total** | **92** | **163** | **198** | **107** | **560** | **80** | **178** | **180** | **84** | **522** |

### Avg. type of contract by gender

| | Gender | | | |
|---|---|---|---|---|
| | Men | Women | Total | % Total |
| Indefinite Contract FT | 349.92 | 176.25 | 526.17 | 97.5% |
| Indefinite Contract PT | 1.33 | 10.00 | 11.33 | 2.1% |
| Temporary Contract FT | | 2.25 | 2.25 | 0.4% |
| **Total** | **351.25** | **188.50** | **539.75** | **100%** |

### Avg. type of contract by category

| | Categories | | | |
|---|---|---|---|---|
| | Management | Technical | Administrative | Total |
| Indefinite Contract FT | 13.00 | 438.17 | 75.00 | 526.17 |
| Indefinite Contract PT | | 3.33 | 8.00 | 11.33 |
| Temporary Contract FT | | | 2.25 | 2.25 |
| **Total** | **13.00** | **441.50** | **85.25** | **539.75** |

## Avg. type of contract by age range

| | Age range | | | | |
|---|---|---|---|---|---|
| | <30 | 30-40 | 40-50 | >50 | Total |
| Indefinite Contract FT | 75.50 | 160.67 | 190.50 | 99.50 | 526.17 |
| Indefinite Contract PT | 3.33 | 2.00 | 4.00 | 2.00 | 11.33 |
| Temporary Contract FT | 0.92 | 1.00 | - | 0.33 | 2.25 |
| **Total** | **79.75** | **163.67** | **194.50** | **101.83** | **539.75** |

*The annual average number of contracts has been calculated as an average of number of contracts at the end of each month.

Another sign of stability is the average seniority of employees at Renta 4, which currently remains at 9.7 years, as shown in the following table:

## Avg. Seniority 2019 (years)

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| Headquarters | 9.3 | 8.2 | 8.8 | 9.7 | 8.5 | 9.2 |
| Netwroks | 11.7 | 15.6 | 12.9 | 11.2 | 14.4 | 12.2 |
| International | 3.5 | 2.3 | 3.2 | 3.2 | 2.4 | 3.0 |
| **General Avg. Seniority (years)** | **9.5** | **10.2** | **9.7** | **9.5** | **10.2** | **9.7** |

With regards terminations in 2020, there were a total of 14, out of which 5 were non-voluntary, representing a reduction of 62% compared to 2019.

There follows a breakdown of such terminations by category, gender and age:

## Dismissals 2020-2019

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| Management | 0 | 0 | 0 | 3 | 0 | 3 |
| Technical | 4 | 0 | 4 | 5 | 3 | 8 |
| Administrative | 0 | 1 | 1 | 1 | 1 | 2 |
| **Total** | **4** | **1** | **5** | **9** | **4** | **13** |

## Dismissals 2020

| | <30 | | 30-40 | | 40-50 | | >50 | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Technical | 1 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 4 | 0 |
| Administrative | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **Total** | **1** | **0** | **3** | **1** | **0** | **0** | **3** | **0** | **4** | **1** |

## Dismissals 2019

| | <30 | | 30-40 | | 40-50 | | >50 | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| Management | 0 | 0 | 0 | 0 | 1 | 0 | 2 | 0 | 3 | 0 |
| Technical | 1 | 0 | 1 | 3 | 2 | 0 | 1 | 0 | 5 | 3 |
| Administrative | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 1 |
| **Total** | **1** | **0** | **2** | **4** | **3** | **0** | **3** | **0** | **9** | **4** |

During the 2020 financial year, it should be noted that Renta 4 has not carried out any temporary lay-offs (ERTE/ERE) despite the current trend in the labour market as a result of COVID-19. On the other hand, in recent years Renta 4's annual net headcount has increased by 5% in 2020, 4% in 2019 and 6.5% in 2018, and the level of staff turnover in 2020 was 2.59%.

## Equality and Non-Discrimination

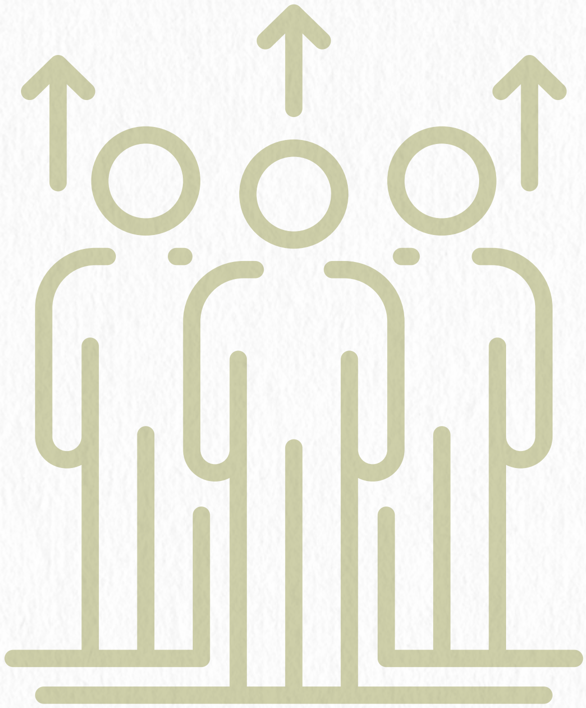
The Entity has an Equality Plan, according to the applicable Spanish law, to achieve equal treatment and opportunities for women and men, adopting and implementing different policies aimed at this purpose, such as the promotion and guarantee of equal opportunities for selection and professional development at all levels of the company, policies adapted to different social changes, and equity in the remuneration policy.

As well, Renta 4 has a Protocol for the Prevention, Treatment, and Elimination of Sexual Harassment on the Grounds of Gender and Discrimination.

In addition, as of December 31, 2020, Renta 4 has 3 employees with proven disabilities.

In terms of accessibility, Renta 4's digital channels are developed to facilitate browsing, consultation and use through all types of devices, maximising mobile capabilities and accessibility, respecting best practices and continuously evolving to adapt to technological changes in its communication channels.

On a recurring basis, improvements are implemented to optimise data consumption, ease of use of information and accessibility for users with disabilities, seeking quality standards in line with Renta 4's commitment to its clients on a universal basis.



## Remuneration

The aim of Renta 4's remuneration policy is to attract and retain talent, hiring highly qualified professionals, and establishing remunerations according to type of job to be performed, level of responsibility, performance, and professional category and seniority, always on the basis of equality and non-discrimination.

In this sense, Renta 4 establishes remuneration levels that combine internal equity within the company and external equity, with the aim of being competitive and attractive in terms of salaries in the market and with an annual performance evaluation system, all with the aim of having the best professionals in the sector, in order to offer a service of quality and excellence.

Besides, it's important to highlight that Renta 4 complies and applies at all times with the legal regulations in force in each country in which it operates, as well as with the different national collective agreements, highlighting that, in general terms, Renta 4 employees' salaries are higher than those established in such applicable agreements or regulations.

The following tables show the employees' average remuneration and its evolution according to age, gender, and job classification:

### Avg. remuneration - by Age range - Location

| | National | | | International | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | Deltan % Period | 2020 | 2019 | Deltan % Period |
| <30 | 30,150 | 27,278 | 11% | 32,663 | 17,128 | 91% |
| 30-40 | 41,255 | 39,941 | 3% | 40,854 | 37,921 | 8% |
| 40-50 | 59,742 | 57,310 | 4% | 46,430 | 41,121 | 13% |
| >50 | 86,263 | 86,000 | 0 | 29,480 | 24,397 | 21% |
| **Total Avg remuneration** | **55,229** | **52,075** | **6%** | **39,234** | **32,127** | **22%** |

## Avg. remuneration - Category-Area

| | 2020 | | 2019 | | Delta % Period | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| **International** | **44,391** | **24,673** | **35,131** | **22,471** | **26%** | **10%** |
| Management | 123,465 | | 81,923 | | 51% | |
| Technical | 40,857 | 25,701 | 33,180 | 23,489 | 23% | 9% |
| Administrative | 21,308 | 8,226 | 18,572 | 9,227 | 15% | -11% |
| **National** | **61,394** | **44,154** | **58,060** | **41,663** | **6%** | **6%** |
| Management | 280,139 | 197,550 | 258,145 | 165,375 | 9% | 19% |
| Technical | 58,081 | 48,109 | 54,530 | 45,431 | 7% | 6% |
| Administrative | 30,279 | 30,271 | 29,905 | 29,777 | 1% | 2% |
| **Grand total** | **59,164** | **42,447** | **55,017** | **40,195** | **8%** | **6%** |

## Avg. remuneration - Category-Area

| | 2020 | 2019 | Delta % Period |
|---|---|---|---|
| **International** | **39,234** | **32,127** | **22%** |
| Management | 123,465 | 81,923 | 51% |
| Technical | 36,603 | 30,710 | 19% |
| Administrative | 18,692 | 16,703 | 12% |
| **National** | **55,229** | **52,075** | **6%** |
| Management | 263,621 | 239,591 | 10% |
| Technical | 55,136 | 51,822 | 6% |
| Administrative | 30,274 | 29,815 | 2% |
| **Total general** | **53,373** | **49,820** | **7%** |

On the other hand, the average remuneration of the members of the Board of Directors in 2020 is shown below in thousands of euros and classified by gender.

## Avg. remuneration - Board of Directors - Delta 2020/2019

*Remuneration in thousand euros

| | 2020 | | | | 2019 | | | | Avg. Remuneration - Delta 2020/2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Legal | Total | Men | Women | Legal | Total | Men | Women | Legal | Total |
| Executive Board Members | 304 | - | - | 304 | 271 | - | - | 271 | 12% | - | - | 12% |
| Non-executive Board Members | 60 | 60 | 71 | 61 | 60 | 45 | 71 | 58 | 0% | 33% | 0% | 5% |
| **Total Avg. remuneration** | **182** | **60** | **71** | **142** | **145** | **45** | **71** | **115** | **26%** | **33%** | **0%** | **23%** |

It should be noted that non-executive directors receive remunerations as members of the Board, while executive directors receive remunerations in relation to their executive duties at Renta 4 and not due to their position as directors.

Renta 4 has calculated the salary gap (the difference in % between the average salary of men and that of women) according to the average remuneration for different professional categories, differentiating between national and international levels, the results of which are shown in the following tables.

## Total remuneration (fixed salary-variable remuneration) 2020-2019

| | MEDIAN 2020 | | | MEDIAN 2019 | | |
|---|---|---|---|---|---|---|
| **International** | Men | Women | Gender Pay Gap | Men | Women | Gender Pay Gap |
| Management | 113,335 | * | * | 73,819 | - | **100%** |
| Technical | 38,044 | 24,408 | **35.8%** | 24,715 | 22,951 | **7.1%** |
| Administrative | 17,214 | 8,226 | **52.2%** | 12,685 | 9,227 | **27.3%** |
| **National** | | | | | | |
| Management | 303,831 | 197,550 | **35.0%** | 270,704 | 165,375 | **38.9%** |
| Technical | 45,825 | 43,500 | **5.1%** | 43,000 | 40,500 | **5.8%** |
| Administrative | 29,750 | 29,850 | **-0.3%** | 29,000 | 28,500 | **1.7%** |

*The gender pay gap is not calculated because there are no female managers in the workforce at interntaional level.

## SOCIAL RELATIONS

Currently, Renta 4 does not have employees' legal representation. However, the entity keeps all its employees duly informed about the different policies and measures that the company applies in the different areas, using the available communication channels, including the Employees' Portal, the company's intranet, and emails.

As stated above, the Renta 4 group is formed by the following companies:

- RENTA 4 BANCO, S.A. (Group Parent Company).
- RENTA 4 GESTORA SGIIC, S.A.
- RENTA 4 PENSIONES SGFP, S.A.
- RENTA 4 CORPORATE, S.A.
- RENTA 4 S.A. S.V.

Renta 4 has established companies in Chile, Peru, Colombia, and Luxembourg. The distribution of employees in each of these companies is as follows:

| Company | Nº Employeess 12-31-2020 | Nº Employeess 12-31-2019 |
|---|---|---|
| RENTA 4 S.A. S.V. | 3 | 3 |
| RENTA 4 BANCO, S.A. | 405 | 378 |
| RENTA 4 GESTORA SGIIC,S.A. | 65 | 63 |
| RENTA 4 PENSIONES SGFP, S.A. | 12 | 10 |
| RENTA 4 CORPORATE, S.A. | 12 | 11 |
| Chile | 30 | 26 |
| Peru | 11 | 12 |
| Colombia | 19 | 16 |
| Luxembourg | 3 | 3 |
| **Total** | **560** | **522** |

Although Renta 4 does not have a collective bargaining agreement at a company level, the entity applies to each of the companies and workers, at a national level, the corresponding collective agreement according to the activity's sector. The following agreements are applicable:

| Company | Collective Agreement |
|---|---|
| RENTA 4 BANCO, S.A. | Banking Agreement |
| RENTA 4 GESTORA SGIIC,S.A. | Madrid Offices Agreement |
| RENTA 4 PENSIONES SGFP, S.A. | Madrid Offices Agreement |
| RENTA 4 CORPORATE, S.A. | Madrid Offices Agreement |
| RENTA 4 S.A. S.V. | Stock Market Agreement |

As of 31 December 2020, 88.75% of Renta 4's employees were covered by one of the aforementioned national collective bargaining agreements, while the remaining 11.25% of the workforce is not covered by such agreements, as they provide their services in the Entity's companies abroad. In this regard, it should be noted that Renta 4 complies and applies at all times with the regulations in force in each of these countries: Chile, Peru, Colombia and Luxembourg.

Despite the heterogeneous nature of the applicable collective agreements, an attempt is made to apply homogeneous criteria and measures regarding work organisation, always seeking the benefit of Renta 4's employees based on internal and external equity in the country and abroad.

## TRAINING

Renta 4 considers the training of its employees to be a fundamental and strategic value in an environment of digital transformation, being necessary for the provision of specialised and quality investment services, as well as a differentiating factor in the banking and financial sector.

In this regard, it is worth noting that at the end of 2020, 86.7% of Renta 4's employees providing information and advisory services to clients in Spain had the EFA (European Financial Advisor) certification or any other qualification that the CNMV (Spanish Securities Market Commission) considers valid in accordance with the MiFID II regulations. Therefore, Renta 4 complies with applicable regulations.

Besides, Renta 4 has a Permanent Training Plan, which includes different training actions designed to provide employees with knowledge, skills, and competences across every area and department of the company, depending on the training needs of a particular moment.

The following training actions and number of hours have been carried out during the 2020 financial year:

| Trainings | Total Hours |
|---|---|
| OTC´S Interes types | 50.0 |
| REACT+REDUX course | 25.0 |
| The company from the economic and financial point of view (2nd ed.) | 833.0 |
| The company from the economic and financial point of view (3nd ed.) | 657.0 |
| English Pre-Intermediate Step 3 | 24.0 |
| EXCEL for finances | 132.0 |
| EXCEL 2016 Intermediate | 75.0 |
| MOOC Python | 6.0 |
| MOOC. Introduction to a Machine Learning con Python | 96.0 |
| Online Community Manager course | 130.0 |
| **Total** | **2,028.0** |

| Category | Total Trainings Hours |
|---|---|
| Administrative | 257.0 |
| Management | 36.0 |
| Technical | 1.735.0 |
| **Total** | **2,028.0** |

During 2020, the number of training hours carried out at Renta 4 was reduced compared to the previous year, mainly due to the exceptional situation resulting from COVID-19. Despite this, Renta 4 has promoted and organised telematic training in all those training actions possible, thus adapting to the new scenario and covering all training needs as required throughout the year.

Likewise, during 2020, Renta 4 continued to hold conferences through online platforms as usual, on matters relating to the markets and financial products, taxation and any other content that the Entity considered necessary to keep its employees trained and informed.

## WORK PLANNING

In view of the exceptional situation caused by the COVID-19 pandemic, as of the end of February 2020 Renta 4 began to adopt measures aimed at adapting the organisation of the Entity to the situation that was occurring.

Initially, in the weeks before the State of Alarm was declared in Spain and the consequent home confinement, Renta 4 established teleworking in all those positions where it was possible, mainly in the central services of the Entity, providing all staff with computer equipment with remote connection as necessary to carry out their work. However, at Renta 4's bank branches throughout the country, the service continued to be provided in person.

During the home confinement established by the State of Alarm, 99% of the employees involved in Renta 4's core services were able to carry out their work telematically (teleworking), while Renta 4's network of branches, as banking activity is considered an essential service, remained open to the public, with only the strictly necessary staff, with the rest of the employees of these branches continuing to attend to customers telematically as normal.

All of this has allowed Renta 4 to provide its services during the State of Alarm without any incidents and to comply at all times with the usual processes and services, without affecting Renta 4's activity at any time.

Since May 2020, once the first State of Alarm has ended, all Renta 4 office staff have been providing services in person, having implemented various measures aimed at preventing both employees and clients and from potential COVID-19 contagion.

However, as regards Renta 4's core services, those employees who have requested it have progressively return to providing services in person. And since September 2020, Renta 4 has established, as a general rule, rotating shifts in which employees work in person one week and telework the following two.

On the other hand, Renta 4 has adopted additional protection measures concerning core services, as those are the ones provided in areas where there is a greater concentration of staff and the space is more limited. COVID-19 diagnostic tests have been carried out since May in order to detect possible cases and thus avoid contagion and the spread of the disease in the workplace.

With regards to the organisation of working hours at Renta 4, the Entity has always considered personal, family and work-life balance for all its employees a priority, striving to improve the working environment and increasing productivity, all in line with the provisions of the applicable agreements. For this purpose, different measures have been implemented in recent years, such as:

- Working hours (annual calculation) that does not exceed the amount established in applicable collective agreements.
- Flexibility measures in clocking in/out and in break or food times, whenever the characteristics of the position and work centre allow it.
- Adaptation of the working day duration and distribution, including teleworking duly justified and reasoned.
- All workers shall have the right to suspend their employment contract in case of birth, adoption, and fostering within the terms and means established by the Law, allowing the worker to enjoy such permits on a part-time basis, subject to agreement with the Company.
- Employees may take one hour of breastfeeding leave per day until their child reaches 9 months of age, which may be split into two periods, one at the beginning and one at the end of the working day. Similarly, they may replace the breastfeeding leave for a period of 15 working days. This permission may be extended until the child reaches 12 months of age, provided that it is enjoyed simultaneously, with a proportional reduction in salary.
- Workers shall have the right to reduce working hours to a maximum of half of the working day and a minimum of one-eighth of the working day for legal guardianship and/or direct care of a family member, and a proportional reduction in salary shall be considered following the specifications established in applicable collective agreements and regulations.
- Employees will be entitled to request leaves of absence for several reasons, including the care of children and direct family members, preserving their job or the same professional group, and the exercise of a public position that is incompatible with their job, following the regulations established in applicable collective agreements and regulations.
- Employees may request unpaid leaves in case of, for example, duly accredited family needs, care of relatives up to the first degree of consanguinity or affinity, and the completion of higher education or PhDs.
- Renta 4 has a Digital Disconnection Policy

However, during the year 2020, as a consequence of the exceptional situation caused by the COVID-19pandemic, Renta 4 has implemented various provisional and one-off measures aimed at adapting the organisation of the Entity to the situation that is occurring, including the following:

- Remote work has been established in all those positions in which it has been possible, maintaining face-to-face work in those in which it has been considered convenient and necessary due to the nature of the positions.
- Progressive return to in person services, as described above.
- In addition, the Entity has allowed its employees to implement flexible working hours in all those positions in which that was possible, thus enabling work-life balance, all according to the needs of each employee and those of the Entity.
- On the other hand, due to quarantine periods as a consequence of close contact with positive COVID-19 positive cases, Renta 4 has been open to allow remote work in cases where it was necessary to care for a family member.

As a result of all the measures adopted by Renta 4, during 2020 the level of COVID-19 contagion among its employees, both in its offices and in core services, has been low, with positive cases only mild in severity, with no significant health incidents, and many of them have not required medical leave. In addition, we can highlight that there have been no outbreaks in the work centres.

With regard to the absenteeism figures relating to suspensions for childbirth and childcare (maternity and paternity), as well as those relating to occupational accidents, the data on the number of absence hours during 2020 and 2019 are shown below:

| Absence hours due to parental leaves | 2020 | 2019 |
|---|---|---|
| Type of leave | Total absence hours* | Total absence hours* |
| Paternity | 4,465.94 | 2,666.48 |
| Maternity | 3,642.50 | 7,827.50 |
| **Total** | **8,108.44** | **10,493.98** |

* Absence hours have been calculated considering effective working hours per day (7.75 hours per day, full time, or its equivalent on a part-time basis) by the number of working days of absence

In this regard, during the 2020 financial year, there were no occupational accidents involving medical leave. However, there were seventeen (17) leaves of absence as due to diagnosed COVID-19, which, according to current regulation, are considered a Temporary Disability recognised as a sick leave due to an Occupational Accident, which is why they are included in this classification.

The following tables show the number of occupational accidents according to their classification, seriousness and frequency, as well as the number of absence hours that these accidents have meant, distributed by gender and in which the type of accident has been included under COVID-19.

| Type of occupational accident | 2020 | 2019 |
|---|---|---|
| **In itinere** | **-** | **465,00** |
| Men | - | 465,00 |
| Women | - | - |
| **Other** | **-** | **364,25** |
| Men | - | 186,00 |
| Women | - | 178,25 |
| **COVID-19** | **1,730,67** | **-** |
| Men | 992,00 | - |
| Women | 738,67 | - |
| **Total** | **1,730,67** | **829,25** |

* Absence hours have been calculated considering effective working hours per day (7.75 hours per day, full time, or its equivalent on a part-time basis) by the number of working days of absence..

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| Type of occupational accident | Occupational Accidents (q) | Seriousness Index | Frequency Index | Occupational Accidents (q) | Seriousness Index | Frequency Index |
| **In-itinere** | **0** | **0.000** | **0.000** | **2** | **2.284** | **0.069** |
| Men | 0 | 0.000 | 0.000 | 2 | 2.284 | 0.069 |
| Women | 0 | 0.000 | 0.000 | 0 | 0.000 | 0.000 |
| **Other** | **0** | **0.000** | **0.000** | **2** | **2.284** | **0.054** |
| Men | 0 | 0.000 | 0.000 | 1 | 1.142 | 0.027 |
| Women | 0 | 0.000 | 0.000 | 1 | 1.142 | 0.026 |
| **COVID-19** | **17** | **18.484** | **0.262** | **0** | **0.000** | **0.000** |
| Men | 9 | 9.786 | 0.139 | 0 | 0.000 | 0.000 |
| Women | 8 | 8.698 | 0.123 | 0 | 0.000 | 0.000 |
| **Total** | **17** | **18.48** | **0.26** | **4** | **4.569** | **0.122** |

Seriousness index= (Days of absence*1,000)/(No. of hours worked in the period*average number of employees)
Frequency index= (No. of occupational accidents with absence from work*1,000,000)/(No. of hours worked in the period*average number of employees)

In 2020, no occupational disease has occurred in Renta 4, same as last year.

## HEALTH AND SECURITY

For Health and Safety at work, Renta 4 has hired an External Occupational Risk Prevention Service at national level, from the entity VALORA PREVENCIÓN, that includes the provision of services for preventive activities in health and occupational risks.

Thus, Renta 4 complies with the regulations on prevention, carrying out the risk assessment in the facilities of the 62 offices it has nationwide, as well as the risk assessment of the different job positions that exist in the company. Regarding health control, Renta 4 offers all its employees the possibility of having a complete medical examination on an annual basis. The purpose of these voluntary medical examinations is to provide employees with information on their state of health, as well as to carry out preventive tests to detect possible pathologies and illnesses that may occur.

Renta 4 has in place the corresponding Risk Prevention Plan, Annual Report of activities, and Emergency Plan, and it carries out training courses for employees on risks and first-aid measures, among other activities.

On the other hand, in relation to Occupational Accidents and Occupational Diseases, in 2020 the Insurance Company for Occupational Accidents that provides services to Renta 4 Banco, S.A. and Renta 4 Gestora SGIIC, S.A. has changed from Fraternidad - Muprespa (0275) to MAZ (0011), and for Renta 4 Corporate, S.A., Renta 4 Pensiones, S.A. and Renta 4 S.V., S.A., the services is provided, as usual, by Umivale (0015).

The above mentioned insurance companies are responsible, for example, for the management of contingencies arising from occupational accidents and diseases, the execution of benefits derived from them, coverage and health care, management of occupational accident reports and preventive activities, as well as the management, control, and monitoring of economic benefits and temporary disability arising from common contingencies.

During financial year 2020, as a result of COVID-19 Renta 4 has prepared an Action Plan and Measures for Prevention and Protection against COVID-19 by means of which all the measures and recommendations that employees are obliged to comply with and implement to protect, prevent and avoid the spread and contagion of COVID-19, all in accordance with the recommendations made by the Spanish Government and the Health and Labour Auth.

Among the measures adopted by Renta 4, the following stand out:

- Thorough cleaning of offices and facilities, as well as sensitive and high contact areas (keyboards, mice, telephones, doorknobs, switches, etc.) all with specific and recommended products.
- Provide all Renta 4 offices and facilities with hydroalcohols and soap dispensers.
- Installation of posters and communications on proper handwashing.
- Provision of approved face masks for all employees and clients.
- Taking employees', external personnel' and clients' temperatures before entering Renta 4's offices and facilities.
- Installation of methacrylate screens in customer service workstations and in those where the safety distance is less than 2 metres.
- Informative posters on the different preventive measures in all offices and facilities.
- Periodic internal communications on the measures adopted as appropriate.
- Preventive screening testing for possible COVID-19 contagion, such as: serological tests, antigens and PCR.

# 5.6

## Human rights

The corporate culture of the Renta 4 Group is based on the creation of business and social value. This principle is included as the group's mission in the Code of Conduct, which is the main rule that gives rise to the entire internal legal framework and which is applicable to all directors, managers, employees, trainees, subcontracted personnel, and agents.

In accordance with this principle, the Renta 4 Group has based its business vision on (i) a commitment to specialisation, transparency, and security; (ii) economic and social development; (iii) ongoing training, and (iv) ethics.

Due to the type of activity it carries out (provision of investment services), in the analysis prepared internally for the identification of criminal risks that the Group may face ("Model of organisation and criminal risk management"), all crimes related to the violation of rights have been qualified as not relevant.

However, to contribute to economic and social improvement, the Renta 4 Group considers that it is vitally important to focus its proceeding with the different stakeholders (employees, clients, suppliers, government agencies, or official bodies) on patterns of behaviour that reinforce and extend human, social, and labour rights.

In fact, domestic regulations are consistent with international treaties, conventions, and agreements, such as the United Nations Global Compact, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Among the reinforcement measures that the Renta 4 Group has incorporated to expand economic and social development, the following ones are mentioned:

- **Relations with providers:** Human Rights are one the pillars of both the request for proposal ("RFP") procedures and the cross-sectional analysis carried out by the Technology, Business, and Regulatory Compliance areas**.**

  The 2019 Report highlighted that one of the goals for 2020 was to carry out a review and update of supplier relations. In this sense, during 2020, a project was carried out for monitoring this field.

  The Board of Directors has approved the Outsourcing Policy that establishes, as a condition, "that the provider must have a responsible management policy in terms of environmental care, compliance with social rights, and good governance". This overall principle has been embodied in the supplier questionnaire.

  A questionnaire has been prepared to assess the different risks associated with the service provided by each provider of Renta 4 Group. The matters for assessment include: (i) whether the provider complies with all regulations on environmental protection and has the relevant environmental certificates and (ii) whether the provider has corporate social responsibility principles aligned with those promoted by Renta 4 Group.

- **Relations with clients:** During this year, Renta 4 Group has assessed the impact of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of information about sustainability in the industry of financial services. This regulation requires, among other things, the provision of transparent information to clients on the environmental, social, and corporate governance risks of products. In 2021, the necessary developments for compliance will be carried out.

- **Relations between employee / Renta 4 Group – clients:** Renta 4 Group - employee and Renta 4 Group/employee - official bodies and Government Agencies: Renta 4 Group has an Internal Code of Conduct ("ICC") that lays the foundations for employee behaviour in the performance of their duties.

  The ICC allows for greater transparency by regulating the prevention of conflicts of interest and market abuse or by regulating the regime for personal transactions of employees and related transactions.

  The Compliance Unit, the body responsible for directing and supervising effective compliance with the provisions of these regulations, has not detected any cases of violation of the law by employees.

  Finally, regarding the Confidential Complaint Channel defined above, the following should be stated:

  - The procedure emphasises the rights of the complainant and the respondent and indicates the procedure for receiving and processing complaints.
  - The information recorded in the Confidential Complaint Channel will be analysed and assessed by the Compliance Unit to improve the measures aimed at preventing and discovering crimes and infringement that may be committed by the media or under the cover of the Renta 4 Group.

# 5.7 Corruption and bribery

The Renta 4 Group has internal procedures, in line with best practices, which enable it to (i) identify activities that should be prevented; (ii) implement the necessary protocols to avoid behaviour that could lead to criminal offences and (iii) ensure compliance with current and internal regulations.

Over the years, it has also demonstrated intolerance towards crime by taking all necessary measures to transfer this commitment and the obligation to prevent, detect, and prosecute any form of crime to its ultimate consequences to the entire structure of the entity.

In accordance with this principle, the Renta 4 Group considers that compliance with current regulations at all levels is essential to protect the Entity from inappropriate actions by directors, staff, or any related third party. Respect for the law is the starting point for building a far-reaching ethical project.

In line with the above statement, the Renta 4 Group has implemented the following policies and procedures:

- The Code of Conduct defines the corporate culture and aspires to become the essential rule that guides the behaviour of all those who are part of the Group. Therefore, the Code aims to guide the internal relations and the relations of the Entity with its stakeholders: employees, clients, suppliers, government offices, and official bodies.

The internal standards of behaviour set out in the Code of Conduct are the following ones:

- Ethical commitment: impeccable behaviour, impartial, and honest conduct in accordance with the Group's principles and values.
- Equality and non-discrimination: (i) development of work in the best possible conditions of remuneration; (ii) prohibition of harassment, discrimination, intimidation, or offence; (iii) promotion of equality, and (iv) selection and promotion of employees in an objective manner and on the basis of professional merit.
- Balance between professional and family life: promoting the collaboration of employees with their dependents as well as personal and family responsibilities.
- Use of information technology in accordance with security measures.
- Confidentiality of Group and third parties information.
- Regarding the intellectual property of the Group and third parties.
- Prevention of occupational risks: ensure health and safety conditions at work.
- Environmental care: contribute to the improvement of sustainability purposes.
- Responsibility: (i) to act with prudence; (ii) to promote training efforts for individual and collective growth; (iii) to respect the rules of unfair competition and accounting; and (iv) to comply with the regulations on the prevention of money laundering and terrorism financing.
- Responsible use of resources: the use of technical and material resources with due diligence.
- Best practices in public bidding: practices that are contrary to regulations are not allowed.

These general guidelines are complemented by specific principles for dealing with clients, suppliers, and official bodies.

- An Organisation and Criminal Risk Management Model that reflects the internal system of organisation, supervision, and control required by criminal legislation, which includes a criminal risk map, controls associated with Renta 4 Group and with the Compliance Unit in charge of monitoring and controlling this procedure. This model is also made up of the following elements:
- A protocol for action in the event of non-compliance with the Organisation and Criminal Risks Management Model with the aim of ensuring the effectiveness of the Code of Conduct together with other internal rules and procedures for supervision, monitoring, and controls designed to prevent the risk of criminal offences and breaches of the Model, in accordance with the provisions of the Spanish Criminal Code and other applicable laws and regulations.
- This protocol, together with the implementation of a disciplinary system that complements the system of legal regulation of misdemeanours and sanctions established in the applicable legal and/or conventional regulations, is integrated into the above-mentioned Organisation and Criminal Risk Management Model.

- Regulatory Complaint Channel Procedure: Renta 4 Group has a confidential and anonymous Complaint Channel that complements the Code of Ethics and Conduct as well as the policies and procedures detailed in the previous points, facilitating the internal flow of information and the internal detection of poor practices through its own digital platform by means of a questionnaire, e-mail, or letter. Available to interest groups on the Renta 4 corporate web.

  The channel has regulations approved by the Board of Directors and establishes the mechanisms for receiving, filtering, classifying, and solving complaints received in accordance with the criteria of the Spanish Data Protection Agency. The management of the channel is the responsibility of the Compliance Unit, which ensures that all complaints received are analysed independently and that the information is passed on only to those persons strictly necessary in the investigation and resolution process.

  The communication procedure is totally confidential and guarantees the anonymity of the complainant, except for those persons directly involved in the response or acting in the verification of the facts. Similarly, no retaliation is allowed against bona fide complainants.

- The Conflict of Interest Policy defines those situations that may give rise to a potential conflict of interest, in which it is not only necessary to produce a benefit for the affected person but also possible internal damage or damage to any of the interest groups. In this regard, when impartiality may be compromised in the opinion of a neutral observer, resulting in undermined interests of a client, the institution, or any interest group, due diligence measures shall be taken to avoid any situation that may lead to the commission of a criminal offence.
- Updated Prevention of Money Laundering Procedure containing complete information on the internal control measures taken by the Group, as well as details of the policies on due diligence, information, documents retention, money laundering risk management and evaluation, communication, and clients' admission. Measures that transpose the obligations established for the Group in compliance with national and international regulations in this matter.
- Prevention of market abuse, which involves the creation of market manipulation indicators, abusive practices notification, suspicious orders or transactions, accepted market practices, market prospecting, managers transactions, insider lists, buyback and stabilisation programmes, investment recommendations, special interests, and conflicts of interest.

Therefore, advanced technologies for the prevention of market abuse have been implemented to have a global and unified vision that allows for behaviour analysis and an increase in the culture of compliance around the detection and prevention of suspicious market abuse activities, favouring transparency and the regular performance of markets.

In the 2020 financial year, the company collaborated actively with the supervisor by reporting transactions with suspicious signs, performing mandatory reports, and responding to any requests received by several entities of the Renta 4 Group.

All these policies and procedures are applicable to directors, senior executives, employees of the Bank, and, in general terms, to every person that provides services to the Bank. Likewise, they are applicable to trainees during their stay at the Renta 4 Group if necessary.

Therefore, the Renta 4 Group is constantly working on the development of complementary improvement measures, seeking to be at the forefront of the development of national and international practices and recommendations aimed at strengthening the fight against corruption and bribery and considering its commitment in the financial field of action.

## Measures to prevent money laundering

Measures to prevent money laundering and terrorism financing are based on three basic pillars: the highest international standards, their adaptation and compliance through global policies, and the technological systems that allow for such compliance.

The 2020 financial year was characterised by the reinforcement of the control framework, both in the area of client knowledge and with regard to the controls applicable to international financial sanctions and monitoring of operations, as a sign of its commitment to compliance with the law on Anti-Money Laundering/Combating the Financing of Terrorism. This has resulted in the optimisation and efficiency of AML/CFT management, incorporating:

- a new customer risk stratification methodology based on weighting, with the assignment of different scores and weights to different risk factors associated with clients, such as equity, business activity, reputation, countries and geographical areas, distribution channel, age, among others. This process is also reinforced by the development of alerts that analyse client behaviour patterns and identify possible profile breaks.
- a new system of alerts, developed on the basis of Renta 4's activity and risk, with defined thresholds and the establishment of warnings for transactions with dangerous countries, as well as taking into account non-operational accounts or large-volume transactions, also including other relevant factors that may affect ML/FT risk.

  This system also enables the incorporation of new risk variables at any time, if necessary and according to the practical experience of the Entity. The rule configuration workshop also enables the analysis of these suspicious transaction alerts both individually and fractioned.

In addition, Renta 4 has procedures, policies and manuals on Anti-Money Laundering/Combating the Financing of Terrorism, which it makes available to SEPBLAC and its employees. These manuals contain complete information on the internal control measures taken by the Group, as well as details of the policies on due diligence, information, document conservation, evaluation and management of money laundering risks, communication, and admission of clients.

On the other hand, the policies and manuals implemented by the entity are reviewed annually by an independent external auditor who issues a full report on the activity of the AML area every three years. In the two years following the issuance of the report, the implementation of the recommendations and rectifications issued by this external expert is monitored. Renta 4 is advised by Informa Consulting, S.L. on this task.

In accordance with the provisions of the Manual, the organisational structure that Renta 4 has established for Anti-Money Laundering/Combating the Financing of Terrorism is as follows:

- An Internal Control Body (ICB) for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), centralised at Group level, that establishes policies on the prevention of money laundering and the financing of terrorism, in accordance with Law 10/2010 and its regulatory development, and ensures compliance with these policies. In addition, the different business units of the entity are represented in the ICB.
- An Anti-Money Laundering Technical Unit, centralised at Group level, with specialised staff, exclusive dedication and appropriate training in analysis. The main objective of this unit is to define and supervise the processes within the business, as well as to ensure compliance with the policy for the prevention of money laundering and the financing of terrorism.
- A representative before the SEPBLAC in charge of administration and appointed in turn by the Board of Directors, who is ultimately responsible for compliance with the reporting obligations established in Law 10/2010, of 28 April.

This organisational structure makes it possible to adequately manage the risk of non-compliance with regulations, which entails a significant reputational risk, with a potential negative impact on relations with clients, markets, employees and the authorities. In particular, non-compliance with regulations may result in penalties, damages or cancellation of contracts, with the consequent damage to the image projected by the entity.

In 2020, the Group continued to work actively on reviewing its internal manuals and strengthening management policies, as well as actively supervising subsidiaries, with emphasis on effective collaboration among them and communication between them and the Group. It also placed special emphasis on optimising systems, improving their efficiency and considering and implementing new technologies available to minimise fraud.

In addition, it has adopted the necessary measures to ensure that employees are aware of the internal policies, procedures and controls established in the Anti-Money Laundering & Countering Financing of Terrorism Manual. Consequently, the Group’s employees must know and put into practice the prevention measures contemplated by internal regulations and examine those transactions which, due to their nature or the circumstances and characteristics of the clients, present indications of possible links with money laundering or terrorist financing activities, in order to adopt the additional prevention and communication measures defined from time to time. To this end, the Manual is permanently accessible and updated on the intranet, and during 2020, internal training notes were distributed to all employees to ensure that they understand certain concepts and are more aware of their obligations with respect to the regulations.

Senior management is also responsible for the AML/CFT policies and measures in place to manage ML/FT risk. This implies that it should be aware of the ML/FT risks to which it is exposed and take the necessary measures to effectively mitigate those risks. To this end, in 2020 the board of directors of the group companies, which are also considered obliged subjects according to the regulations on the prevention of money laundering, CII and Pension Plan management companies, were fully trained.

## Contributions to industry associations

Renta 4 establishes alliances with associations from different sectors in the communities in which it operates, relying on them in order to identify and try to respond to the needs of the local ecosystem. The total contribution of the Renta 4 Group to non-profit sector associations during 2020 amounted to € 72,838.68.

Renta 4 Gestora SGIIC SA and Renta 4 Planes de Pensiones are common members of INVERCO, the Association of Collective Investment Institutions and Pension Funds, the Spanish employers' association that groups together collective investment institutions. Its members are Spanish entities that manage investment funds and retirement plans, as well as foreign entities that are duly registered and controlled by the Spanish Securities Market Commission (CNMV). The fees paid in 2020 amounted to 13,300 euros and 23,200 euros, respectively.

## Human rights

The corporate culture of the Renta 4 Group is based on the creation of business and social value. This principle is included as the group's mission in the Code of Conduct, which is the main rule that gives rise to the entire internal legal framework and which is applicable to all directors, managers, employees, trainees, subcontracted personnel, and agents.

In accordance with this principle, the Renta 4 Group has based its business vision on (i) a commitment to specialisation, transparency, and security; (ii) economic and social development; (iii) ongoing training, and (iv) ethics.

Due to the type of activity it carries out (provision of investment services), in the analysis prepared internally for the identification of criminal risks that the Group may face ("Model of organisation and criminal risk management"), all crimes related to the violation of rights have been qualified as not relevant.

However, to contribute to economic and social improvement, the Renta 4 Group considers that it is vitally important to focus its proceeding with the different stakeholders (employees, clients, suppliers, government agencies, or official bodies) on patterns of behaviour that reinforce and extend human, social, and labour rights.

In fact, domestic regulations are consistent with international treaties, conventions, and agreements, such as the United Nations Global Compact, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Among the reinforcement measures that the Renta 4 Group has incorporated to expand economic and social development, the following ones are mentioned:

- **Relationship with providers:** Human Rights are part of the pillars of both the request for proposals ("RFP") procedures and the cross-sectional analysis carried out by the Technology, Business, and Compliance areas.

  The 2019 Report highlighted that one of the goals for 2020 was to carry out a review and update of supplier relations. In this sense, during 2020, a project was carried out for monitoring this field. The Board of Directors has approved the Outsourcing Policy that establishes, as a condition, "that the provider must have a responsible management policy in terms of environmental care, compliance with social rights, and good governance". This overall principle has been embodied in the supplier questionnaire.

  A questionnaire has been prepared to assess the different risks associated with the service provided by each provider of Renta 4 Group. The matters for assessment include: (i) whether the provider complies with all regulations on environmental protection and has the relevant environmental certificates and (ii) whether the provider has corporate social responsibility principles aligned with those promoted by Renta 4 Group.

- **Relations with clients:** During this year, Renta 4 Group has assessed the impact of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27

November 2019 on the disclosure of information about sustainability in the industry of financial services. This regulation requires, among other things, the provision of transparent information to clients on the environmental, social, and corporate governance risks of products. In 2021, the necessary developments for compliance will be carried out.

- **Relationship between employee**/ Renta 4 Group - clients; Renta 4 Group - employee and Renta 4 Group / employee - official bodies and Government Agencies: Renta 4 Group has an Internal Code of Conduct ("ICC") that lays the foundations for the conduct of employees in the performance of their duties.

  The ICC allows for greater transparency by regulating the prevention of conflicts of interest and market abuse or by regulating the regime for personal transactions of employees and related transactions.

  The Compliance Unit, the body responsible for directing and supervising effective compliance with the provisions of these regulations, has not detected any cases of violation of the law by employees.

  Finally, regarding the Confidential Complaint Channel defined above, the following should be stated:

  - The procedure emphasises the rights of the complainant and the respondent and indicates the procedure for receiving and processing complaints.
  - The information recorded in the Confidential Complaint Channel will be analysed and assessed by the Compliance Unit to improve the measures aimed at preventing and discovering crimes and infringement that may be committed by the media or under the cover of the Renta 4 Group.

As of the current date, no complaints have been received, although the Group continues to believe in the importance of this corporate tool.

# 5.8

## Company

The correct development of Renta 4 activities through its processes depends to a large extent on suppliers, so their correct management has a direct effect on operations, projects, and, ultimately, on the non-financial and financial impact on society. A significant percentage of Renta 4's activities are carried out with third party suppliers, as reflected in the percentage of expenditure and investment that these represent.

The main risks affecting the organisation in terms of commitment to subcontractors and suppliers are the following ones:

- **Quality and compliance risks:** they occur when the provider does not comply with the quality levels required by Renta 4.
- **Reputational risks:** they occur if the provider is involved in bad practices or illegal activities in the public domain, affecting Renta 4's brand image.
- **Financial risks:** they occur if the relationship with the supplier generates a financial impact on the group that is not aligned with the service or product outsourced, either due to incorrect compliance or an inadequate definition of the contractual relationship in other elements (contract term, cancellation clauses, etc.).
- **Operational risks:** resulting from an inadequacy or eventual failure of processes, personnel and internal systems, or due to external events, in particular errors made by providers in information and pricing, intrusions into technological systems that could jeopardise the Group's infrastructure security.

### Information on partnership or sponsorship activities

In the solidarity field, the entity's activities are mainly canalised through the actions carried out by Fundación Renta 4 (Renta 4 Foundation).

Fundación Renta 4 contributes annually to projects that promote education in the most vulnerable populations of Spain, Africa, and Latin America in order to ensure that high quality education reaches the greatest number of young people following transparency values.

Fundación Renta 4 involves the entity's employees in the project proposals and makes associations participate in the selection process. The foundation's board of trustees analyses every aspiring project/association and checks if they meet the established requirements. Then, some projects and associations are validated and all employees vote for the best of them.

Currently, the foundation makes annual contributions of €8,075 euros to 7 projects. These allocations must be revalidated on an annual basis.

In addition, Renta 4 participates directly in specific actions, ensuring that they are always within the charity action area that the entity has set itself: education and culture, as a means of social inclusion and the development of disadvantaged groups. Examples of these actions include the sponsorship of the Festival de Música y Danza de Granada (€7,260) and the sponsorship of the Teatro Real (€66,216.60); among others.

Specifically, in the 2020 financial year Renta 4 donated the following amounts:

- €122,000 to the Fundación Renta 4.
- €10,000 to the Fundación Obra Social Abogacía Española.
- €100 to the University of Granada.
- €600 to the Fundación AMPAO.
- €11,250 to the Asociación Cultural Avanza NGO.
- €325 to the Jesús Niza penitent brotherhood.
- €5,000 to the Foundation for Applied Medical Research.
- €20,000 to Ayuda en Acción.
- €82,644.31 to Wottoline..

## Special COVID-19-related sponsorship and collaboration actions

In addition, the outbreak of the COVID-19 pandemic and the full lockdown that was ordered under the State of Emergency caused a situation of financial uncertainty in the investment community, to which Renta 4 responded by offering, both to its clients and non-clients, free investment portfolio review services, under the premise that proper information could help them to make the right decisions.

To this end, Renta 4 Banco launched the 'THREE C's AGAINST THE CORONAVIRUS' initiative for which it deployed its entire specialised network of branches and advisors, comprising more than 220 people, to make them available to society and to investors so that they could 'CONVERSE with a specialist, SHARE their information and therefore KNOW their assets; to make better decisions'.

This initiative was added to others carried out by Renta 4 to collaborate in different actions, fields and geographical areas, and to offset the effects of the pandemic. Among others, Renta 4 Banco, together with BME, Banca March, BBVA and Iberdrola, made financial donations for the purchase of protective equipment (face masks, gloves and PPE) for the different battalions of the Military Emergency Unit (UME) working in the Operation Balmis framework.

In November and December, the company made a charitable donation of €11,250 to the AVANZA NGO association in order to purchase food and to assemble and distribute 260 Christmas hampers that this association distributed among needy families who were especially affected by the crisis caused by the pandemic. This action was reinforced with a call for volunteers among employees and clients who, together with their families, came to the AVANZA NGO facilities for four days to carry out the necessary handling and distribution of the hampers. During the volunteering period, 260 Renta 4 Banco hampers were filled and Renta 4 Banco collaborated with many others, reaching a total of 600 hampers or families attended to.

With the same premise of offsetting the effects of the Coronavirus, Renta 4 worked in Latin American countries where it has operations, Chile, Peru and Colombia, to join NGOs and foundations that provide direct help to the most disadvantaged groups in this crisis.

In Peru, the collaboration was channelled through the Ayuda en Acción NGO, to distribute hygiene kits to vulnerable and/or locked down populations in areas with scarce resources. In Colombia, on the other hand, Renta 4's aid focused on the poor and extremely poor in the most vulnerable neighbourhoods of Bogota, for which Renta 4 collaborated with the Fundación Gotas de Amor. In Chile, Renta 4 focused on helping the population group most at risk in this pandemic, namely the elderly, collaborating directly with the Fundación Las Rosas.

Likewise, the Renta 4 Foundation, standing firm in its commitment to education and aware of the crisis that the world was experiencing, launched study grants aimed at university students. These grants were intended for those young people who had been directly affected by the Covid-19 crisis and whose economic situation prevented them from meeting the costs associated with their studies.

The donation has allowed 11 scholarship students to receive up to a maximum of €5,000 each, which will be used to pay the course registration fees either in public or private schools; and if justified, to receive an income and even accommodation, necessary for the completion of their studies.

The scholarships are open to students from Span or from a European Union member state, or from Chile, Peru or Colombia.

The initiative was devise to give the opportunity to those young people who might find themselves in economic difficulties, derived from the effects of the recent health crisis, and to prevent them from losing the possibility of continuing their education. The total amount finally distributed in scholarships, according to the criteria indicated, was €37,698.19.

## Company's commitment to sustainable development

Due to Renta 4's activity as a bank specialized in capital markets, an activity of a global nature and with a wide technological scope, the impact on suppliers and employment is usually broad.

However, the establishment of Renta 4 in the country through its wide network of offices (62 offices spread in all provincial capitals) generates an economic impact on employment and the outsourcing of suppliers for maintenance and several other service activities to sustain the branches that function locally.

In addition to the effects described above, the activity of Renta 4 consists in democratising intermediation and asset management, which has a positive effect on the financial situation, providing a value-added service with impact on the citizens' finances and savings.

Renta 4 Gestora has adhered to the United Nations Sustainable Investment Programme, the so-called PRI (Principles for Responsible Investment), whereby it undertakes to incorporate environmental, social and good corporate governance factors (ESG) in investment decision-making.

Under this agreement, Renta 4 Gestora will explicitly integrate ESG factors into all its investment decisions in order to better manage risks and enhance the returns of the funds it manages.

Renta 4 continues with the gradual incorporation of environmental, social and corporate governance factors in both the company's activity and in investment decision-making, fully convinced that these are already necessary actions to comply consistently with the company's purpose towards its clients and society.

COVID-19 has meant a change in the work model and in the relationship with stakeholders, which was transformed into a more telematic model, in which remote work has turned into the new way of working during the year 2020. Remote work has had as a direct consequence the reduction of commuting, which has meant a reduction in $CO_2$ emissions from vehicles, as well as in the consumption of electricity, gas, water, paper, etc. in work centres.

## Description of the relationships maintained with local communities

Renta 4's activities and events are advertised through the web, social networks, and local media (radio, newspapers, etc). Special emphasis is placed on offering specialised information in collaborative formats through local newspapers.

In addition, Renta 4 Banco has an ongoing project to provide society with the necessary tools to carry out investment activities considering sustainability factors. The purpose is to enter data and elements to filter and select the assets and agents that fit your SRI criteria.

The Corporate activity of Renta 4 includes the analysis and access to financing for small companies to support their growth and eventual IPO. This activity is combined with local offices to offer SMEs these possibilities, so we consider that it has a very positive impact on local territories.

The entity, with the collaboration of some of its employees, participates in the initiative for financial education for young people "Tus Finanzas, Tu futuro" (Your Finances, Your Future). We have been actively involved in this initiative since its inception. In 2020, it had to be moved to a more digital version.

In addition, a multitude of training activities are carried out in financial matters in order to bring these aspects of financial culture closer to the local community. During the 2020 financial year, due to the COVID-19 impact, these training activities were mainly carried out through digital channels.

## Outsourcing and suppliers

Renta 4 has a firm commitment to carry out supplier selection, outsourcing, and contractor selection following the principles of contributing to society and its sustainability. It carries out supplier selection based on financial due diligence, policy asymmetry, as well as adaptability to future service needs.

To this end, a policy and procedure for outsourcing services and functions has been developed, initiated in 2020 with continuity in 2021, which contemplates the set of analysis, monitoring and review activities that must be carried out in order to ensure that suppliers comply with the minimum conditions and requirements to mitigate or reduce the risks inherent to the function or activity to be performed by the third party.

In addition to the policy, a methodology has been developed that will begin to be applied in 2021, indicating how to proceed with third parties in each phase of their life cycle (selection, provision and end of service). Complementing the methodology, a tool has been defined for the evaluation of outsourcing. This tool makes it possible both to assess the inherent risks of the services to be outsourced and to evaluate the suitability of the supplier from the point of view of risk minimisation and taking into account environmental, social and human rights protection criteria.

## Description of supplier monitoring and audit systems

Although Renta 4 Group does not have specific supervision systems or audits in environmental matters due to the reduced materiality of this impact on the entity's financial activity, suppliers are periodically supervised and audited both by the different areas, on a discretionary basis, and in accordance with Renta 4's transversal supervision systems. Given the growing importance of monitoring the security of suppliers, an outsourcing policy has been established that includes a review and approval of suppliers prior to outsourcing, taking into account matters related to certifications, security, continuity, data protection, cloud resources, human resources, equality, among others. In this regard, it is estimated that the approval of suppliers will be reviewed periodically, preferably annually, taking into account human rights and sustainability criteria, and being able to certify or audit compliance with them.

With regard to the protection of client assets, Renta 4's own processes and those of third-party suppliers are audited by external auditors on an annual basis, in order to demonstrate the correct safeguarding and protection of client funds and assets. Likewise, in accordance with regulations, Renta 4 has a person responsible for the asset protection function, who is in charge of monitoring the activity of third parties.

The main supplier oversight systems identified are the project or activity committees, which involve various areas and are ultimately overseen by the General Management, and other formally established committees, including the Security Committee, the IT Committee and the area of Risks.

## Cybersecurity

Cybersecurity is one of the most relevant concerns of the Renta 4 Group due to the fact that, currently, there is constant interconnection through telecommunications, which results in more vulnerabilities within the information systems of the Entity.

Renta 4 is working to raise awareness, improving its practices on a daily basis by developing Policies and Procedures applicable to the Entity's Cybersecurity, including the following actions performed in 2020 and the beginning of 2021.

- Creation of the Information Security Committee.
- Information security policy.
- Development of an information security code of conduct.
- Reinforcement of employee training in cybersecurity.
- Updating of access control rules and procedures.
- Report on the status and renovation process of the DC facilities.
- Updating of the safety and environmental standard.
- Review of the Incident Logging procedure.
- Information Assets Classification Standard.
- Updating of equipment inventory.
- Double factor for remote administrative access.
- Remote work procedures.

The Renta 4 Group works daily to maintain optimum security on its systems, with security systems based on protection mechanisms against Denial of Service attacks provided directly from the telecommunication provider, with different levels of Firewall, and with the necessary information to prevent, protect and respond to security incidents.

## Consumers

The Renta 4 Group is an entity specialised in the provision of investment services and high-quality asset management, whose principles are based on proximity to clients and specialisation, offering a wide range of products and high-quality advice for client satisfaction, one of the main purposes of Renta 4.

In accordance with Order ECO/734/2004, dated March 11, on the client departments and services of financial institutions, the Client Service Department of Renta 4, (hereinafter, CSD) has the main function of processing and solving the complaints and claims submitted by clients. Thus, the Renta 4 Group makes different channels available for the effective submission of complaints and/or claims:

- Email addressdefensor@renta4.es
- Renta 4 website https://www.r4.com/through the client's account when they are logged in (with digital certificate).
- Postal address: Paseo de la Habana nº 74, 28036, Madrid.
- In person at any of Renta 4's offices.
- Clients or users can also make complaints to the Consumer Affairs offices of their Town Council or Autonomous Community..

Complaints received through any of the channels mentioned are sent to the CSD to first determine whether or not they are to be processed. Then, once they have been accepted, we proceed to the study and detailed analysis of each of the issues raised, reviewing the procedures established by Renta 4 and finally issuing the corresponding resolution, or urging the parties to reach an agreement on the disputes raised.

The evolution in the number of claims submitted to and processed by the CSD is shown below, classified by the type of resolution issued.

| Evolution complaints submitted to CSD - Classification by type of resolution | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Classification by Type of Resolution*** | Nº | % | Nº | % | Nº | % | Nº | % | Nº | % | Nº | % |
| Unfavourable for the client | 16 | 30% | 16 | 64% | 24 | 69% | 21 | 70% | 24 | 89% | 18 | 51% |
| Favourable for the client | 12 | 22% | 1 | 4% | 1 | 3% | - | - | - | - | - | 0% |
| Settlement proposal (agreement) | 15 | 28% | 8 | 32% | 9 | 26% | 8 | 27% | 3 | 11% | 14 | 40% |
| Withdrawal by client | 2 | 4% | - | - | - | - | - | - | - | - | 1 | 3% |
| Not accepted for prodessing/suspensions | 2 | 4% | - | - | 1 | 3% | 1 | 3% | - | - | 2 | 6% |
| Pending resolution | 7 | 13% | - | - | - | - | - | - | - | - | - | - |
| **Total** | **54** | | **25** | | **35** | | **30** | | **27** | | **35** | **-** |

* All claims included, both those submitted Customer Service and to the ombudsman.

## Tax information

As regards tax information, according to the provisions of Law 11/2018, in its first section, two V, Renta 4 Banco SA operates in Spain, Chile, Peru, Colombia, and Luxembourg. Renta 4 Banco pays direct input taxes (own taxes) and collects others from third parties generated by economic activity and based on its role as a collaborating entity with the tax authorities (third party taxes).

In relation to these countries, the profits obtained in each of them and the taxes on profits paid are specified in the following figures (in thousands of euros):

The Bank and the rest of Group companies are subject to other taxes besides the corporate income tax, the most important of which is the tax on deposits from credit institutions that amounts to 440 thousand euros. In 2020, Renta 4 Banco S.A. did not receive any subsidies related to taxes, neither public financial aid.

| | Spain | Luxembourg | Colombia | Chile | Peru | Total |
|---|---|---|---|---|---|---|
| Earnungs before taxes | 22,882 | 76 | -305 | 1,165 | 201 | **24,019** |
| Income Tax* | -6,015 | -28 | -1 | 71 | 0 | **-5,973** |
| Earnungs after taxes | 16,867 | 48 | -306 | 1,236 | 201 | **18,046** |
| Payable quota year 2020 | 6,104 | 28 | 1 | 0 | 0 | **6,133** |

* or analogous.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# Annex 0.1

**Renta 4 Banco, S.A.**
Index of requierements of law 11/2018

| Information required by Law 11/2018 | Materiality | Report page with answer | Selected GRI content |
|---|---|---|---|
| **General Information** | | | |
| A brief description of the business model including context, organisation, and structure | Medium-Low | 5-10 | GRI 102-2<br>GRI 102-7 |
| Markets in which it operates | Medium-Low | 5-10 | GRI 102-3<br>GRI 102-4<br>GRI 102-6 |
| Organisational purposes and strategies | Medium-Low | 5-10 | GRI 102-14 |
| Main factors and trends that may affect its future development | Medium-Low | 9-10 | GRI 102-14<br>GRI 102-15 |
| Reporting framework used | Medium-Low | 3-4 | GRI 102-54 |
| Materiality principle | Medium-Low | 3-4 | GRI 102-46<br>GRI 102-47 |
| **Environmental Issues** | | | |
| **General detailed information** | | | |
| Detailed information on current and foreseeable effects of the company's activities on the environment and, when relevant, on health and safety | Medium-Low | 12-15 | GRI 102-15<br>GRI 103-2 |
| Environmental assessment or certification procedures | Medium-Low | 12-15 | GRI 102-15 |
| Resources for environmental risk prevention | Medium-Low | 12-15 | GRI 103-2 |
| Application of the precautionary principle | Medium-Low | 12-15 | GRI 103-2 |
| Number of provisions and guarantees for environmental risk coverage | Medium-Low | 12-15 | GRI 102-11 |
| **Pollution** | | | |
| Measures to prevent, reduce, or remedy emissions that seriously affect the environment, taking into account any activity-specific form of air pollution, including noise and light pollution | No Material | 12-15 | GRI 103-2<br>GRI 305-7 |
| **Circular economy and waste prevention and management** | | | |
| Measures for prevention, recycling, reuse, other forms of recovery and disposal | Medium-Low | 15 | GRI 103-2<br>GRI 306-2 |
| Actions to prevent food waste | No Material | - | GRI 103-2<br>GRI 306-2 |

| Information required by Law 11/2018 | Materiality | Report page with answer | Selected GRI content |
|---|---|---|---|
| **Sustainable use of resources** | | | |
| Water consumption and water supply according to local constraints | Medium-Low | 12-15 | GRI 303-5 |
| Consumption of raw materials and measures taken to improve the efficiency of their use | Medium-Low | 12-15 | GRI 301-1<br>GRI 301-2<br>GRI 301-3 |
| Direct and indirect energy consumption | Medium-Low | 12-15 | GRI 302-1<br>GRI 302-3 |
| Measures taken to improve energy efficiency | Medium-Low | 12-15 | GRI 103-2<br>GRI 302-4 |
| Use of renewable energies | Medium-Low | 12-15 | GRI 302-1 |
| **Climate change** | | | |
| Emissions of greenhouse gases generated as a result of the company's activities, including the use of goods and services it produces | High | 12-15 | GRI 305-1<br>GRI 305-2<br>GRI 305-3<br>GRI 305-4 |
| Measures taken to adapt to the consequences of climate change | High | 12-15 | GRI 103-2<br>GRI 201-2 |
| Voluntary medium and long-term reduction targets set to reduce greenhouse gas emissions and means implemented to achieve them | High | 12-15 | GRI 305-5 |
| **Protection of biodiversity** | | | |
| Measures taken to preserve or restore biodiversity | No Material | - | GRI 304-3 |
| Impacts caused by activities or operations in protected areas | No Material | - | GRI 304-1<br>GRI 304-2 |
| **Social and personnel issues** | | | |
| **Employment** | | | |
| Total number and distribution of employees by gender, age, country, and job classification | High | 22 | GRI 102-8<br>GRI 405-1 |
| Total number and distribution of types of employment contracts and the annual average of permanent, temporary, and part-time contracts classified by gender, age, and job classification | High | 16-17 | GRI 102-8 |
| Number of dismissals by gender, age, and job classification | High | 18 | GRI 103-2 |
| Average remuneration and their evolution broken down by gender, age, and job classification or equal value | High | 19-21 | GRI 103-2<br>GRI 405-2 |
| Salary gap, remuneration for equal or average jobs in society | High | 19-21 | GRI 103-2<br>GRI 405-2 |
| Average remuneration of directors and managers, including variable remuneration, allowances, compensations, payment to long-term savings schemes, and any other payment broken down by gender | High | 20-21 | GRI 103-2<br>GRI 405-2 |
| Implementation of right to disconnect policies | High | 25 | GRI 103-2 |
| Number of employees with disabilities | High | 19 | GRI 405-1 |
| **Work organisation** | | | |
| Working time organisation | High | 24-28 | GRI 103-2 |

| Information required by Law 11/2018 | Materiality | Report page with answer | Selected GRI content |
|---|---|---|---|
| Number of absence hours | High | 24-28 | GRI 403-9 (Versión GRI 2018) |
| Measures to facilitate the enjoyment of work and life balance and to promote the shared responsibility of both parents | High | 24-28 | GRI 103-2<br>GRI 401-3 |
| **Health and Safety** | | | |
| Health and safety conditions at work | High | 27-28 | GRI 403-1<br>GRI 403-2<br>GRI 403-3<br>GRI 403-7 |
| Occupational accidents, particularly their frequency and severity, as well as occupational diseases; broken down by gender | High | 26-27 | GRI 403-9<br>GRI 403-10 |
| **Social relations** | | | |
| Organisation of social dialogue including procedures for information provision, consulting, and negotiation | High | 21-22 | GRI 103-2 |
| Percentage of employees covered by collective bargaining agreements in the country | High | 21-22 | GRI 102-41 |
| Balance of collective agreements, particularly in the field of health and safety at work | High | 21-22 | GRI 403-4 (Versión GRI 2018) |
| **Training** | | | |
| Policies implemented in the field of training | High | 23-24 | GRI 103-2<br>GRI 404-2 |
| Total number of training hours by professional category | High | 23-24 | GRI 404-1 |
| **Integration and universal accessibility for people with disabilities** | | | GRI 103-2 |
| Universal accessibility for people with disabilities | High | 19 | GRI 103-2 |
| **Equality** | | | |
| Measures taken to promote equal treatment and opportunities between women and men | High | 19 | GRI 103-2 |
| Equality plans, measures taken to promote employment, protocols against sexual harassment on the grounds of gender and discrimination | High | 19 | GRI 103-2 |
| Policy against all forms of discrimination and, where appropriate, diversity management | High | 19 | GRI 103-2 |
| **Respect for human rights** | | | |
| **Application of due diligence procedures** | | | |
| Application of human rights due diligence procedures, prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage, and redress possible abuses | Medium-Low | 29-30 | GRI 102-16<br>GRI 102-17<br>GRI 410-1<br>GRI 412-1<br>GRI 412-2<br>GRI 412-3 |
| Allegations of human rights violations | Medium-Low | 29-30 | GRI 103-2<br>GRI 406-1 |
| Measures implemented for the promotion and fulfilment of the provisions of the fundamental ILO conventions concerning respect for freedom of association and the right to collective bargaining; the elimination of discrimination in respect of employment and occupation; the elimination of forced or compulsory labour; the effective abolition of child labour | Medium-Low | 29-30 | GRI 103-2<br>GRI 407-1<br>GRI 408-1<br>GRI 409-1 |

| Information required by Law 11/2018 | Materiality | Report page with answer | Selected GRI content |
|---|---|---|---|
| **Prevention of corruption and bribery** | | | |
| Measures taken to prevent corruption and bribery | High | 31-37 | GRI 103-2<br>GRI 102-16<br>GRI 102-17<br>GRI 205-2<br>GRI 205-3 |
| Measures to prevent money laundering | High | 31-37 | GRI 103-2<br>GRI 102-16<br>GRI 102-17<br>GRI 205-2<br>GRI 205-3 |
| Contributions to foundations and non-profit organisations | High | 31-37 | GRI 102-13<br>GRI 201-1<br>GRI 415-1 |
| **Information about the company** | | | |
| **Company's commitment to sustainable development** | | | |
| The impact of the company's activities on employment and local development | Medium-Low | 43 | GRI 102-15<br>GRI 103-2 |
| The impact of the company's activities on local populations and the whole territory | Medium-Low | 43-44 | GRI 103-1<br>GRI 203-2<br>GRI 204-1 |
| Relationships maintained with local community people and dialogue approaches | Medium-Low | 43-44 | GRI 413-1<br>GRI 413-2 |
| Partnership or sponsorship actions | Medium-Low | 40-42 | GRI 102-43<br>GRI 413-1 |
| **Outsourcing and suppliers** | | | |
| Inclusion of social, gender equality, and environmental issues in the procurement policy | Medium-Low | 43-44 | GRI 103-2 |
| Consideration in relationships with suppliers and subcontractors of their social and environmental responsibility | Medium-Low | 43-44 | GRI 102-9<br>GRI 308-1<br>GRI 414-1 |
| Monitoring and audit systems and results | Medium-Low | 44 | GRI 102-9<br>GRI 308-2<br>GRI 414-2 |
| **Consumers** | | | |
| Measures for the health and safety of consumers | High | 45-46 | GRI 103-2<br>GRI 416-1 |
| Systems to manage complaints received and their resolution | High | 45-46 | GRI 103-2<br>GRI 418-1 |
| **Tax information** | | | |
| Benefits obtained by country | High | 46-47 | GRI 103-2 |
| Taxes on profits paid | High | 46-47 | GRI 103-2 |
| Public subsidies received | High | 46-47 | GRI 201-4 |

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