Annual report 2020

Index

1. Letters from Senior Management

The 2020 financial year has been marked in all areas by the Covid-19 pandemic, radically altering many aspects of life that seemed immovable, normalizing the use of terms such as face mask, social distancing, teleworking, video calls and lockdown. The health crisis has placed our homes at the centre of everything, turning them into makeshift offices or study centres where we spend long periods of time.

> “It's worth highlighting the agreement reached with the European Investment Bank (EIB), within the framework of the new Green Belem I”

The pandemic's economic impact has caused a recession on a global scale. GDP in the Eurozone has fallen by 4.9% and in Japan by 4.8%, while in the US it's fallen by 2.4%.

In this context, the Spanish and Portuguese economies, due to the heavy weight of their tourism-related economic sectors, have suffered a greater impact than the EU average. Despite the forecasts by the Spanish Government and international organizations, which pointed to a fall in GDP of over 11%, the year finally ended with a fall in GDP of -9.1%. As a counterpoint, Spanish households' saving rate stood at 14.8% of their disposable income in 2020, 8.5 points above 2019.
Throughout 2020, the real estate market, which had been experiencing sustained growth since 2015, was also affected by the health crisis, although substantially less than what many analysts anticipated when lockdown was imposed in the pandemic's first wave.

In this context, the UCI Group has once again shown its resilience, adopting teleworking of headquarters and office teams in just two days, which allowed it to continue its activity with full guarantees and service quality, as well as achieving important milestones throughout the year, amongst which obtaining the ‘Great Place To Work’ certificate in Human Resource management in Spain and Portugal stands out.

Working practically the entire year from home, in 2020 UCI arranged new mortgages for an amount of 785 million euros, 612 million in Spain and 173 million in Portugal, with an excellent level of service quality, rated at 9.7 in Ekomi and 4.7 out of 5 on Google.

The global loan portfolio managed by the Group stood at 10,746 million (+0.2%). The consolidated gross margin reached 146 million euros on the buyback of our own securitized bonds, higher by €9M.

Protecting and guaranteeing the safety of our employees, clients and the rest of our stakeholders has been key in 2020. Proof of this was obtaining and renewing the AENOR Certificate for managing COVID-19, an external recognition supporting ICU's application of the criteria established by health authorities and the roll-out of safety and hygiene measures applied in our facilities.
2020 was also a year of consolidation of our business model, focused on offering quality products and services adapted to our clients' needs, and which are competitive and sustainable at the same time.

In addition, we've stuck to our promise to stay at our clients' side, helping those most affected by the economic crisis associated with the pandemic, essentially through public and private moratoriums and personalized payment solutions for those clients whose circumstances didn't meet the criteria established by moratorium regulations.
As specialists in sustainable financing, we're committed to decarbonizing the countries in which we operate. This commitment was demonstrated by obtaining the ISO 14001 certificate from AENOR for our Environmental Management System based on three keys: minimizing our environmental impact, managing environmental risks and sustainable financing.

It's worth highlighting the agreement reached with the European Investment Bank (EIB), within the framework of the new Green Belem I securitization, which will contribute to the renovation of existing buildings, the construction of some 25,000 m2 of new homes and the refurbishment of another 450,000m2 of existing properties. These investments will be possible thanks to financing in the form of green mortgages and consumer loans to improve Energy Efficiency in Spanish and Portuguese homes, which UCI has committed to providing.

In challenging market conditions, with greater volatility driven by the SARS-COV-2 situation and

> "Protecting and guaranteeing the safety of our employees, clients and the rest of our stakeholders has been key in 2020."

the progressive lockdown of European Regions/ Countries, we've placed two RMBS transactions, Green Belem nº1 and Prado VII, both meeting the European STS securitization criteria established in the Securitization Regulation (EU) 2017/2402.

In January 2021, Green Belem I, the first RMBS issue of green securitized bonds in Portugal, was awarded the 'Sustainable Finance Award' from Euronext Lisbon.

UCI's social action during the year 2020 has been influenced by the health and economic crisis, being focused on solidarity actions aligned with our commitment to the Sustainable Development Goals. At UCI we support the ten principles of the Global Compact on Human Rights, Labor Rights, the Environment and the fight against corruption. Our intention is to promote and develop these principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and daily actions of our company, as well as to getting involved in projects that contribute to the broader Development objectives of the United Nations, in particular, the Goals of Sustainable Development.

We trust that reading our Annual Report will be of interest to you. All the best.

Scan me to watch the video about: Letters from Senior Management

Roberto Colomer
CEO

Philippe Laporte
COO Finance,
Technology and Clients

2. UCI in numbers

Business

10,746
+ 0.2 M€
Outstanding Balance

785 M€
Consolidated Production

173 M€
Portugal

612 M€
Spain
+26%

4.500
Mortgages

8,24%
Default Rate

1,67%
Market Share

Customers

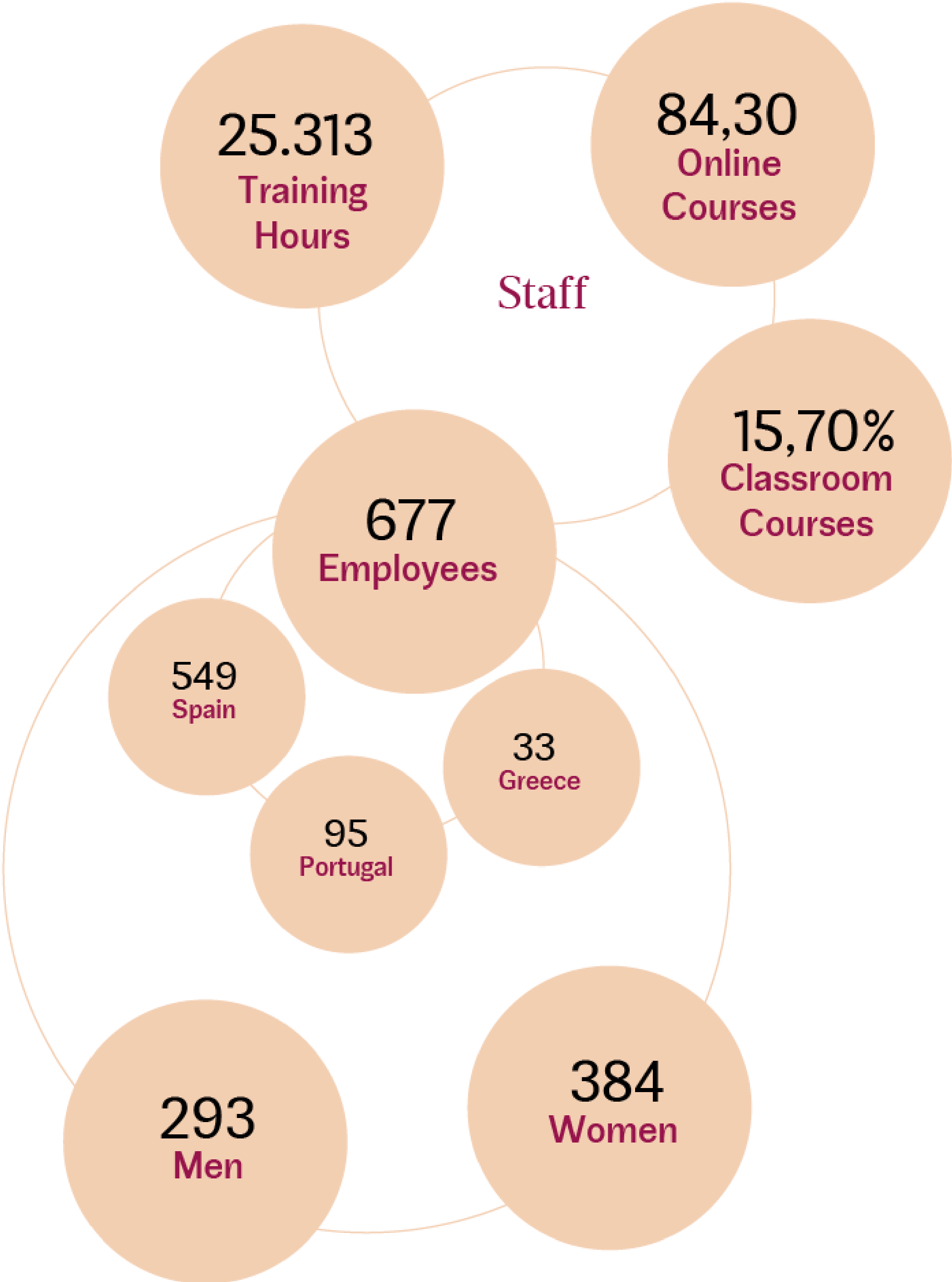
+350.000
clients

97%
Customers would recommend us*

9.7/10
Ekomi verified customers ratings

4,7/5
Google My Business Ratings

*Customer satisfaction surveys


25.313
Training Hours
84,30
Online Courses
Staff
15,70%
Classroom Courses
677
Employees
549
Spain
33
Greece
95
Portugal
293
Men
384
Women

3. Highlights 2020

Highlights 2020

january

UCI, and all EFCs, begin to apply Circular 4/2019, of November 26, of the Bank of Spain, which implies, among other aspects, the application of international accounting standards IFRS9.

february

We launched SUMA, a new green mortgage to 'decarbonize' the housing stock. This solution allows purchasing and renovating a home in a single loan.

march

We implemented work-from-home in our head office and agencies as a preventive measure against COVID-19.

We collaborated with the Red Cross and its Accommodation initiative in lockdown measures for special homeless groups.

We donated 800 FPP2 masks to the Madrid Gregorio Marañón hospital.

We expanded our family of brands with Créditos.com, a new financing website to renovate and improve energy efficiency in homes and homeowner associations.

We launched #CuídateCorazónEnCasa (Care for your Heart at Home), a nutrition and training programme developed together with the Freedom and Flow Company so that our employees and their families could exercise and wind down during lockdown.

Inmociónate was reconverted into Immociónate En Casa, a daily online magazine bringing together more than 1,000 real estate agents at home every afternoon.

april

Through the Inmosolidarios initiative, we donated 1,500 kg of food to the Jerez Municipal Operations Centre.

Together with Concovi we launched a Renovation Guide developed with IDAE (Institute for Diversification and Energy Saving) and the Barcelona City Council. Its objective is to act as a manual of recommendations and a work tool for professionals in the real estate sector and homeowners.

Through a digital kilo operation organized together with our staff, we collected 6,322.5 kg. of food so that the NGO Madrid Food Bank could distribute it to those most in need during the health crisis.

may

We placed RMBS Green Belém 1 for an amount of €385 million. Our first securitization fund in Portugal follows the principles of the STS (Simple, Transparent and Standardized) regulation, it's committed to the Energy Efficient Mortgages Initiative's principles (EEMI) and has the green Sustainalytics seal, a sign of UCI's commitment to decarbonizing the housing stock.

We launched the #ODSEnCasa initiative with the aim of providing our stakeholders with basic advice to help meet SDGs at home.

We promoted the Real Estate Barometer – 'Real estate professionals' market feeling', a periodic study that analyses real estate agents' perception of the market's evolution and projections.

We signed an alliance with the European Investment Bank (EIB) to promote energy efficiency projects in Spain and Portugal. This agreement will contribute to the construction of 25,000 m2 of new buildings and the renovation of another 450,000 m2 of existing properties, as well as the creation of 1,230 jobs and savings of 44 GWh / year.

june

We signed an agreement with the College of Property Administrators (Seville) through Créditos.com to promote the refurbishment and renovation of homes and communities in Seville.

july

Our head offices in Madrid and Lisbon obtained the ISO 14001 certificate for our environmental management system. This seal is a recognition of our commitment to environmental sustainability by creating a management system that respects the environment, minimizing the environmental effects caused by our activity.

We signed an agreement with EMVS, the Madrid Municipal Housing and Land Company, to promote the improvement of energy efficiency and sustainability, conservation, improvements in accessibility and safety, and the capital's regeneration and urban renewal.

The GreatPlace to Work® consultancy acknowledged us as a 'Great place to work', one of the most prestigious national and international distinctions in the field of Human Resources.

september

We became one of the first finance companies to obtain the AENOR Certificate for managing COVID-19, an endorsement guaranteeing that all our facilities apply the appropriate safety protocols and measures to minimize the risk of virus spread.

We joined the United Nations Global Compact, a global initiative that works in favour of peace, security and sustainable development and represents the greatest example of commitment to business sustainability worldwide, with more than 14,000 member organisations.

As a part of the UN's 75th anniversary and the 20th anniversary of the Global Compact, our CEO Roberto Colomer signed the Declaration in favour of renewed global cooperation, together with more than 1,000 executives from companies in over 100 countries.

october

"A home in Spain, with a terrace, patio or garden, and paid for with your salary". We celebrated Financial Education Day with a survey of a hundred Spanish children about their ideal home when they grow up and their financial awareness to make it come true.

november

We launched Prado VII, the first Spanish securitization fund to meet the European STS (Simple, Transparent and Standardized) securitization criteria established in the Securitization Regulation (EU) 2017/2402 and the regulatory requirements of CRR (Capital Requirements Regulation) and LCR (short-term liquidity coverage ratio).

We organized, together with SIRA, our professional development area, Greenmociónate, an online meeting with real estate professionals to promote sustainability and energy efficiency in housing.

We moved our office from L'Hospitalet de Llobregat to Barcelona, where we now have two offices.

december

We launched the Covid-19 and housing report: a study of 15,000 transactions analysing the changes in buyer preferences as a result of the health crisis.

"A more digital home for everyone". Our Christmas greetings took the form of a donation campaign for the Prodis Foundation, specifically for the Conecta2 programme, a training course in digital skills for people with intellectual disabilities.

4. Key Data

HIGHLIGHTS	euros 2020	euros 2019	Variation
Consolidated Production(M)	784.7	676.3	16.0%
Loan Production Spain (M)	611.7	485.3	26.1%
Loan Production Portugal (M)	173.0	191.0	-9.4%
Total Consolidated Loans Managed (M)	10,745.6	10,722.5	0.2%
Balance Spain	4,720.3	4,540.3	4.0%
Balance Portugal	825.8	1,142.9	-27.7%
Balance Greece	203.2	213.1	-4.6%
Spanish on Balance Consolidated Placed RMBS (UCI 10-17 and Prado II - VII)	4,544.6	4,710.7	-3.5%
Portugal on Balance Consolidated Placed RMBS (Green Belem 1)	350.0	0.0	NR
Spanish off Balance Placed RMBS (UCI 9)	101.8	115.4	-11.8%
Nº of Files Under Management (Spain, Portugal and Greece)	118,618	118,682	-0.1%
Nº of Solutions (Sales + Rentals) Repossessed Homes(*)	1,234	1,455	-221
Nº of Branch Offices (*)	32	33	-1
External Agent (*)	181	168	13
Nº of Employees (**)	680	691	-11

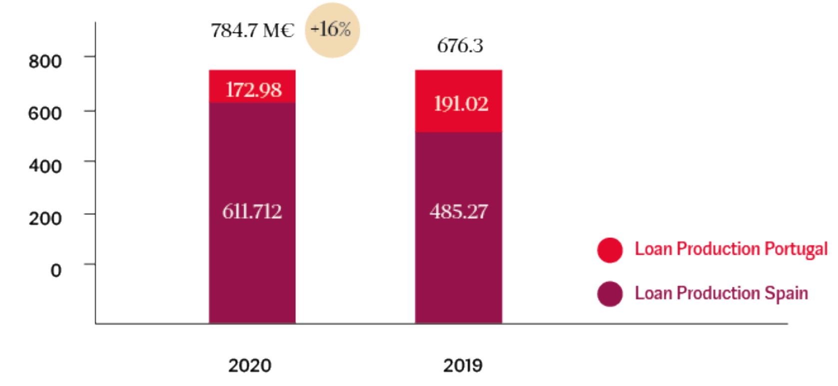
(*) Spain, Portugal and Greece
(**) WithTemporay Employees and Comprarcasa (Spain and Portugal)

CONSOLIDATED FINANCIALS (4/04)	Euros 2020	Euros 2019	Variation
Gross Margin (M)	145.7	155.7	-6.4%
Financial Margin(**)	143.4	154.8	-7.3%
Comissions Fees and Other Incomes (*)	2.3	1.0	137.3%
General Expenses (M)	47.8	49.7	-3.9%
Net Operating Income (M)	97.9	106.0	-7.6%
Cost of Risk (M)	134.2	91.0	47.5%
Ordinary Profit Before Taxes (M)	-36.3	15.0	
Tax (M)	-10.6	2.1	
Consolidated Profit (M) (***)	-25.7	12.9	

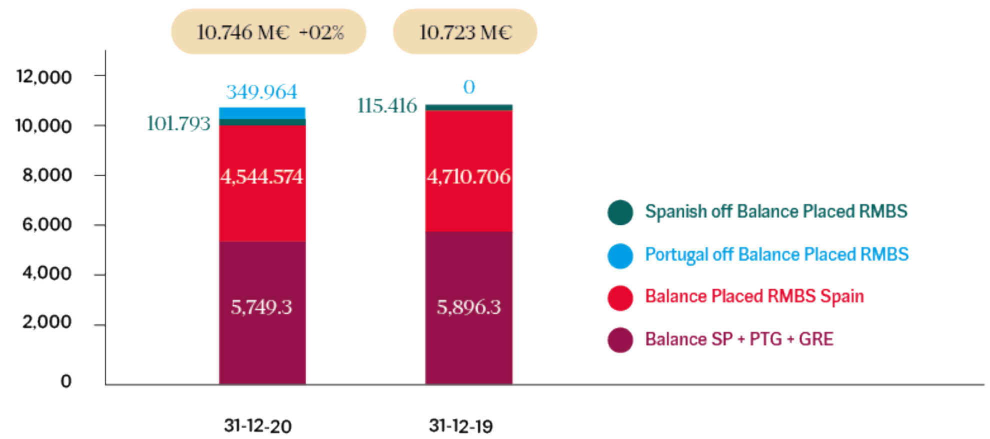
(*) Deducted Origination Fees
(**) Including capital gain BuyBack 9,4 M€ in 12m-20 vs 14,8M€ en 12m-19
(***): Including shareholdings (+0 K€)

RATIOS DE GESTION CONSOLIDADOS (IFRS 9 en 2020 y proforma Dic-19)	2020	2019	Variación
Suscribed Capital (M)	.98.0	.98.0	0.0
Reserves (Tier 1+ annual balance N) (1) (M)	239.0	332.7	-93.8
Total Tier 1 (including AT1) (M)	453.5	518.4	-64.9
Total Tier 2 (Subordinated Debt + excess provisions) (M)	104.7	107.5	-2.7
Total Equity (M) Tier 1+ Tier 2 (1)	558.2	625.8	-67.6
Equity Ratio (Tier 1) (1) (2)	8.7%	9.6%	-0.9%
Equity Ratio (Total) (2)	10.7%	11.5%	-0.9%
R.O.E.	-7.6%	3.0%	-10.6%
NPL's > 90 days not Including Subjective Non-performing Loans (M)	885.2	904.2	-19.0
NPL's Subjective Non-performing Loans (M)	513.3	425.9	87.4
Nº Repossessed Homes Under Management (Spain, Portugal and Greece)	5,008	5,479	-471
Total Provisions on Loans (M)	388.1	292.3	95.8
Total Generic Provisions (M)	21.3	27.5	-6.2
Total Substandard Provisions (M)	23.0	15.2	7.8
Total Specific Provisions Not Including Subjective Non-performing Loans (M)	296.7	222.4	74.3
Total Specific Provisions Subjective Non-performing Loans (M)	47.1	27.3	19.9
Total Provisions on Repossessed Homes (M)	122.8	119.4	3.4
Total Provisions (M)	510.9	411.7	99.2
% NPL's on Loans Managed (Balance Sheet + Securitized) > 90 days Not Including Subjective Non-performing Loans	8.24%	8.43%	-19.5
% NPL's Subjetive Non-Performing Loans- incl. Pt+Gre since 2020	4.79%	3.97%	81.5
% NPL's	13.02%	12.40%	62.0
NPL > 90 days + Repossessed Homes Coverage	30.2%	23.5%	6.7%
Cost/Income	33.7%	33.9%	-0.2%

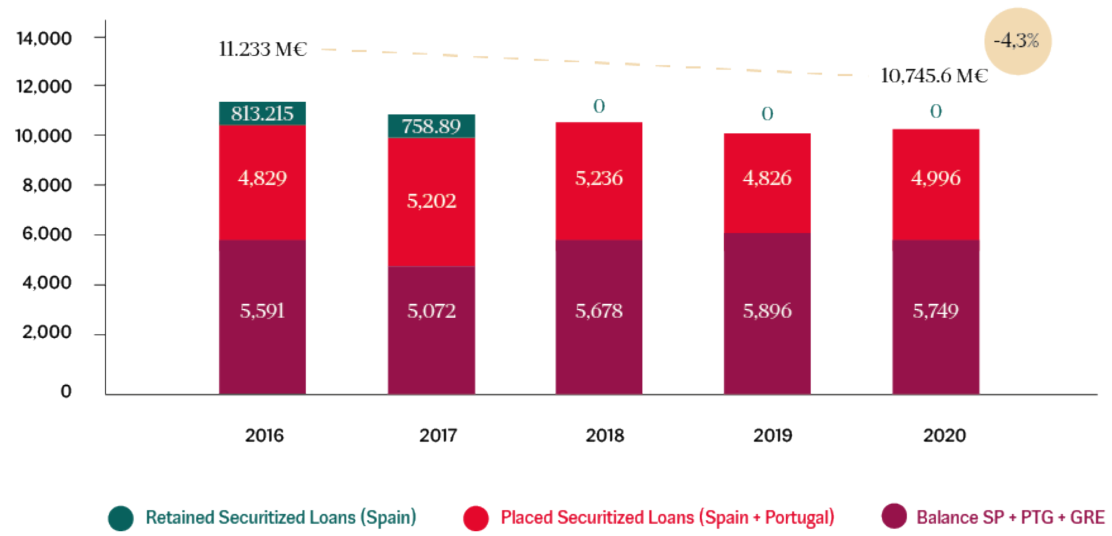
Consolidated production (M€)



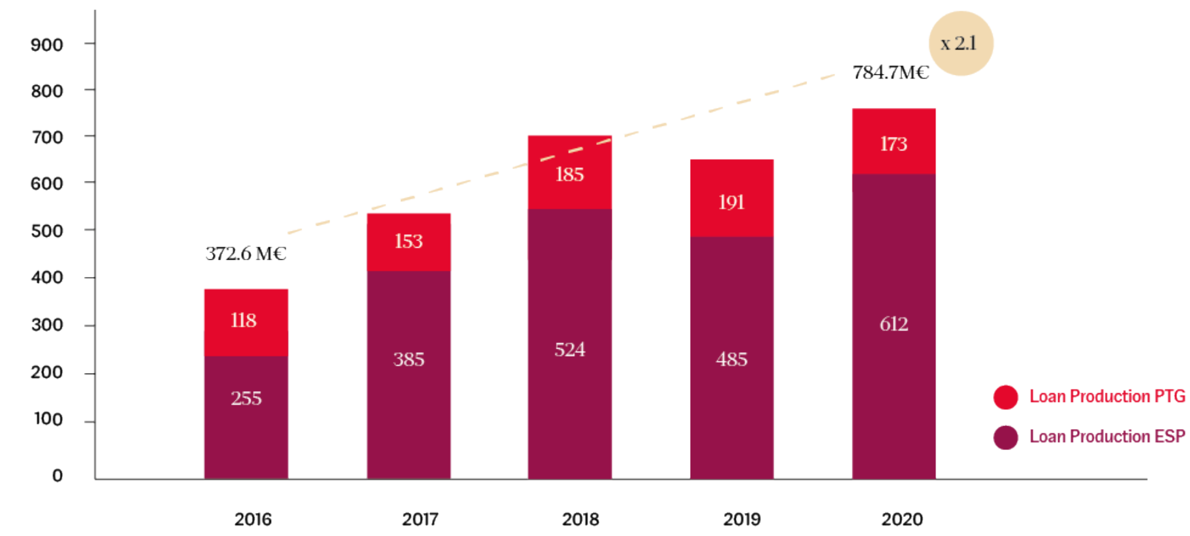
Total Managed Loans (M€)



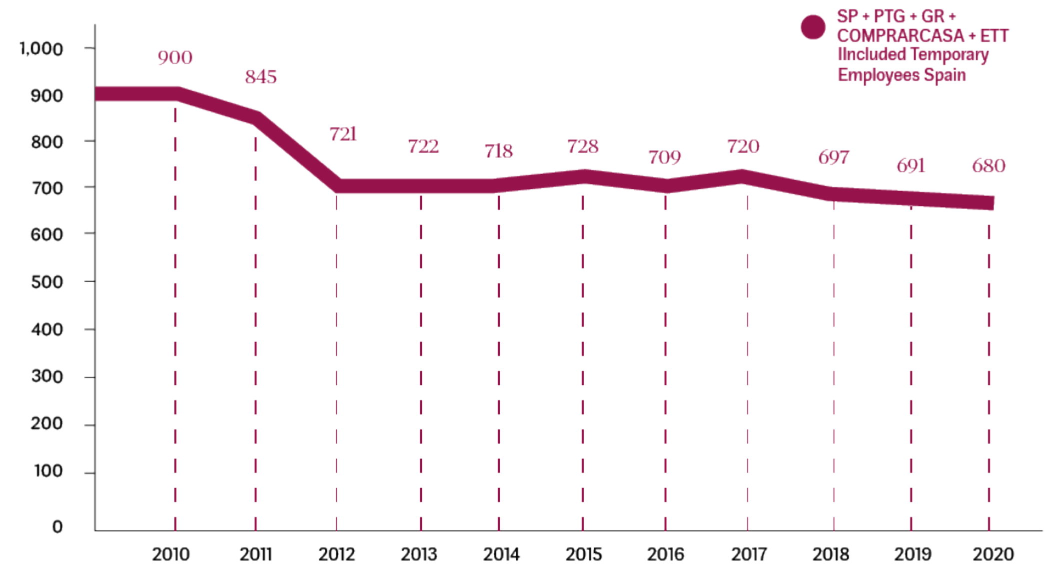
Managed Loans Evolution (M€)



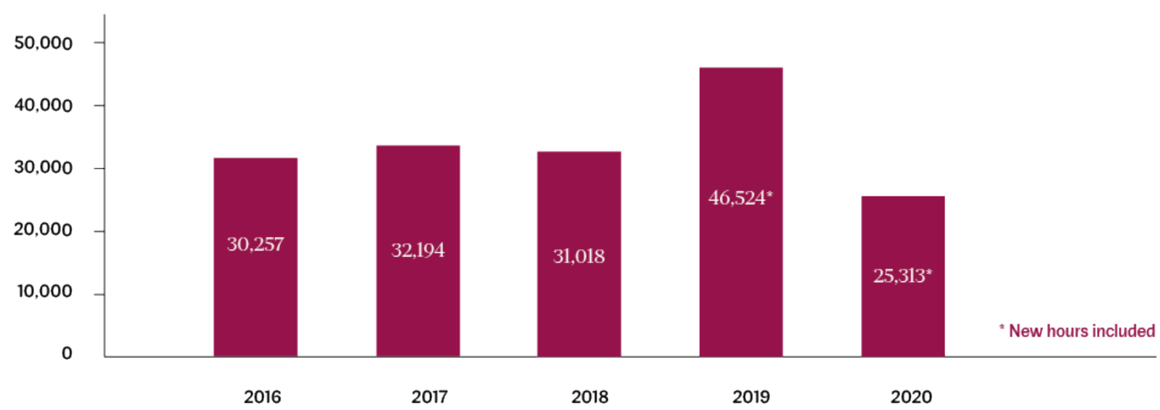
New Production Evolution (M€)



Total employees Spain, Portugal and Greece*



Training Hours (hours/year)



5. Non-Financial Information Statement

UCI, S.A. and its Subsidiaries

Consolidated Non-Financial Information
Statement
for the financial year ended
31st December 2020

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT ASSURANCE REPORT OF THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

To the Shareholders of
UCI, S.A.:

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Consolidated Non-Financial Information Statement (hereinafter, NFIS) for the year ended December 31, 2020, of UCI, S.A. (hereinafter, the parent Company) and Subsidiaries (hereinafter, the Group), which is part of the Consolidated Directors Report of the Group.

The content of the NFIS includes additional information to that required by prevailing mercantile regulations in relation to non-financial information statement that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in the section "11. Annex: Requirements Law 11/2018 and GRI Standards" of the accompanying NFIS.

Responsibility of the Board of Directors

The preparation of the NFIS included in the Consolidated Directors Report and its content is the responsibility of the Board of Directors of the parent Company. The NFIS was prepared in accordance with the content required by prevailing company law and in conformity with the criteria outlined in the *Global Reporting Initiative Sustainability Reporting Standards* (GRI standards) selected, as well as other criteria described in accordance with that indicated for each subject in the section "11. Annex: Requirements Law 11/2018 and GRI Standards " of the NFIS.

The Board of Directors of the parent Company are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of a NFIS that is free from material misstatement, whether due to fraud or error.
They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality and professionalism.

Our Firm complies with the International Standard on Quality Control No. 1 (NICC 1) and thus maintains a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information Statement and, specifically, in information about economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the guidelines for verifying Non-Financial Statement, issued by the Spanish Institute of Chartered Accountants (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units participating in the preparation of the NFIS, reviewing the process for gathering and validating the information included in the NFIS, and applying certain analytical procedures and sampling review tests as described below:

- Meeting with Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- Analyzing the scope, relevance and integrity of the content included in the NFIS based on the materiality analysis made by the Group presented in the section "4.1 Analysis of relevant matters" and considering the content required by prevailing mercantile regulations.
- Analyzing the processes for gathering and validating the data included in the 2020 NFIS.
- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the NFIS.
- Checking, through tests, based on a selection of a sample, the information related to the content of the 2020 NFIS and its correct compilation from the data provided.
- Obtaining a representation letter from the Board of Directors and Management.

Conclusion

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that the NFIS of UCI, S.A. and its subsidiaries for the year ended December 31, 2020 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria of the selected GRI standards, as well as other criteria, described as explained for each subject matter in the table named "11. Annex: Requirements Law 11/2018 and GRI Standards" of the aforementioned NFIS attached.

Use and distribution

This report was prepared in response to the requirement established by prevailing company law in Spain and may not be appropriate for other uses and jurisdictions.

Madrid, 30th April 2021

MAZARS AUDITORES, S.L.P.

____

Oscar Herranz López

Índex

1. Introduction

Non-Financial Information Statement 2020.

UCI Hipotecas para vivir

1. Introduction

The present consolidated Non-Financial Information Statement is part of the UCI Group's Management Report, issued as an independent report. With this report, we comply with requirements of Law 11/2018 in Non-Financial Information and Diversity.

The scope of the information and entities included on the Non-Financial Information Statement corresponds to Unión de Créditos Inmobiliarios S.A., Establecimiento Financiero de Crédito in Spain, and to the Portuguese branch, which perimeter covers 93% of employees of UCI Group and 98% of the managed outstanding balance. The information of other UCI Group companies is not representative for the purpose of this report.

In the Group's present third Non-financial Report, we have presented more mature information and metrics. During 2019, we worked to consolidate the data, to improve them according to internal objectives and to the sector trends, to increase their comparability and the number of indicators.

After reviewing our Corporate Responsibility Policy in 2019, in 2020 a new Materiality Study has been launched, which will vertebrate the group's action in non-financial matters.

When elaborating the present report, requirements established by Law 11/2018 have been followed, as well as the global reporting framework of the Global Reporting Initiative (GRI) as reference. For more detail, consult the Annex, which contains the table of relations between requirements of the Law and GRI indicators.

Following these global reporting standards, the contents of the present Non-Financial Information Statement follow the principles of comparability, materiality, relevance and reliability, by which the information included herein is precise, comparable and verifiable.

2. Business Model

We want to improve the world through housing.

2.1 Economic environment and trends

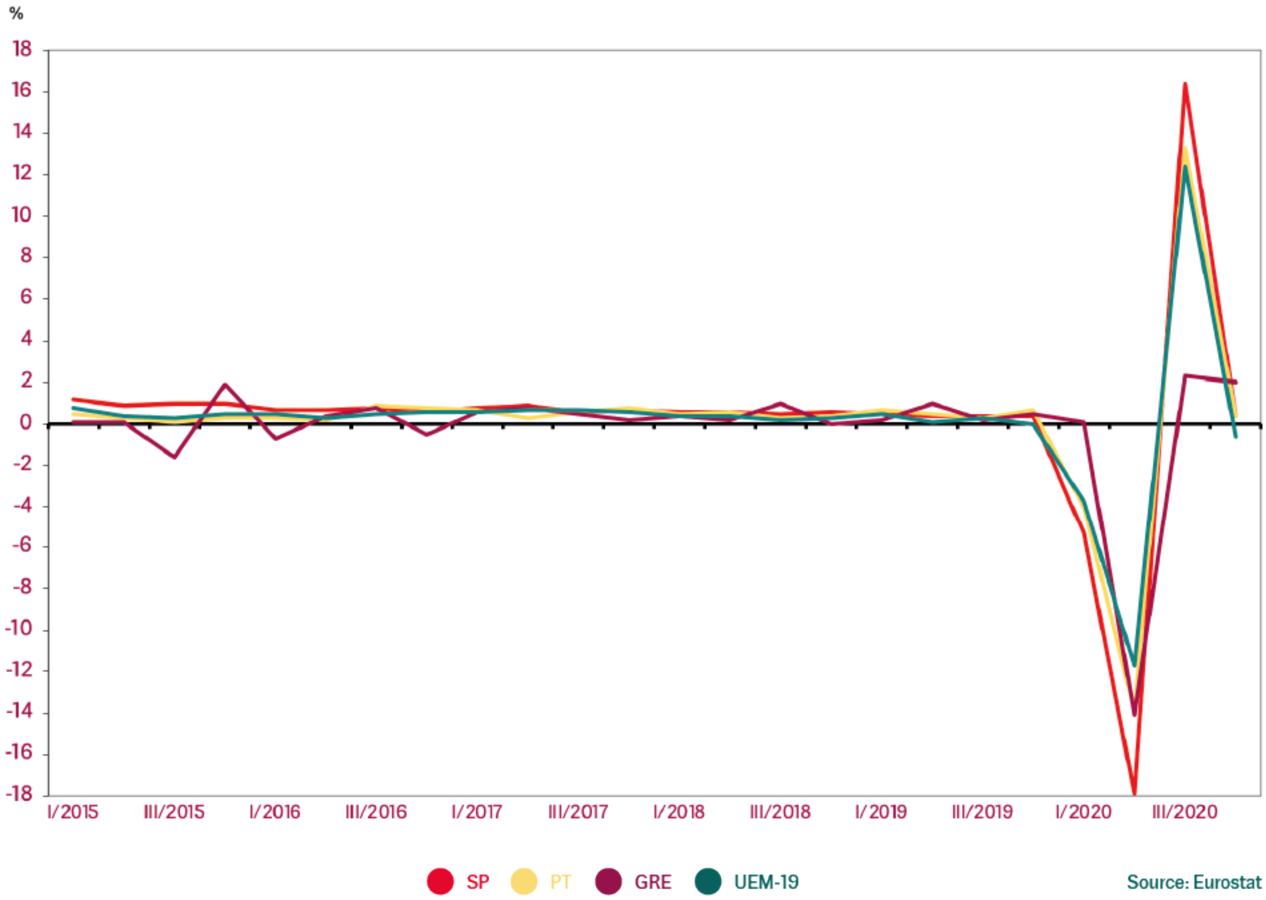
2020 has been a year marked by the health crisis generated by the covid-19 pandemic, with important consequences in the economic activity, in general, and in the UCI Group's activity. There has been a historical economic slowdown in the set of the worldwide economy: the decrease of the worldwide GDP, based on the IMF estimate, was of 4.4%, close to the decrease of 5.1% experienced between 2008 and 2009. Since the origin of the series of data in 1960, 2020 represents the second year of setback in the worldwide economy.

In those markets where UCI operates, the impact has even been stronger: the contraction of the Spanish economy was of 11.0%, in 2020, and Eurostat expects setbacks of 5.9% for Portugal, and of 8.0% for the Greek economy. As a whole, the EU economy set back by 4.8%, in 2020, 5.1% in the Euro area.

The Spanish residential real estate, despite the complicated economic environment, had quite a stable development: the year-on-year evolution of prices until the third quarter of 2020 was a decrease of 1.1%, although this element represented an increase by 0.6% with regard to Q2 2020. The accumulated sales volume of houses, until November 2020, presented a setback of 19.3% with regard to the same period of 2019, according to the INE, essentially as consequence of the 3 months of almost full lockdown.

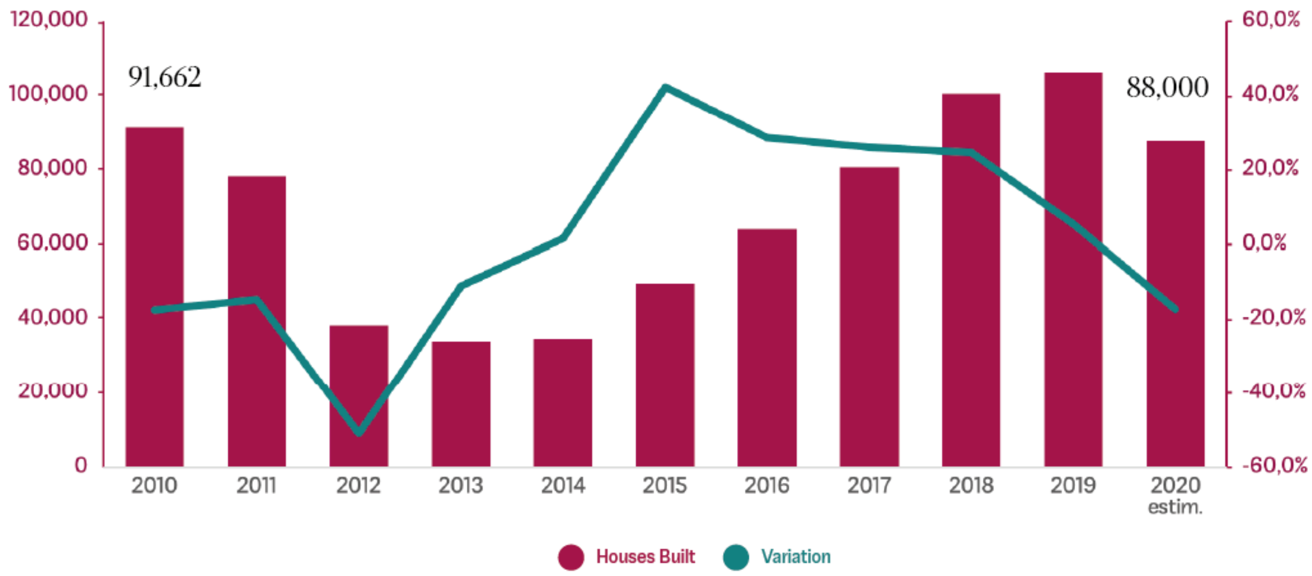
	GDP growth (annual %)				Stock Exchanges growth			Year-end inflation rates				Year-end unemployment rates			
	2017	2018	2019	2020	18/'17	19/'18	20/'19	2017	2018	2019	2020	2017	2018	2019	2020
U.S.A (a)	2.3	2.6	2.2	-2.4	-6%	22%	7%	2.1	1.9	2.3	1.4	4.1	3.9	3.6	6.7
Japan	1.9	0.8	0.7	-4.8	-12%	19%	15%	1.1	0.3	0.8	-1.2	2.7	2.4	2.2	2.9
EURO zone (19 area)	2.5	1.9	1.0	-4.9	-14%	23%	-9%	1.4	1.5	1.3	-0.3	9.1	7.9	7.3	8.3
Germany (a)	2.5	1.5	0.4	-3.6	-19%	25%	4%	1.6	1.7	1.5	-0.7	3.8	3.3	3.2	4.6
France (a)	2.3	1.7	0.8	-4.9	-11%	26%	-7%	1.2	1.9	1.6	0.0	9.4	9.1	8.2	8.9
Spain (a)	3.1	2.5	1.7	-9.1	-15%	12%	-15%	1.2	1.2	0.8	-0.6	17.2	14.2	13.7	16.2
Portugal	2.7	2.2	2.3	-6.1	-12%	10%	-6%	1.6	0.6	0.4	-0.3	9.0	6.9	6.7	6.5
Greece	1.4	1.9	1.2	-7.9	-24%	49%	-12%	1.0	0.6	1.1	-2.4	21.5	18.0	16.4	16.5

GDP Quarterly changes

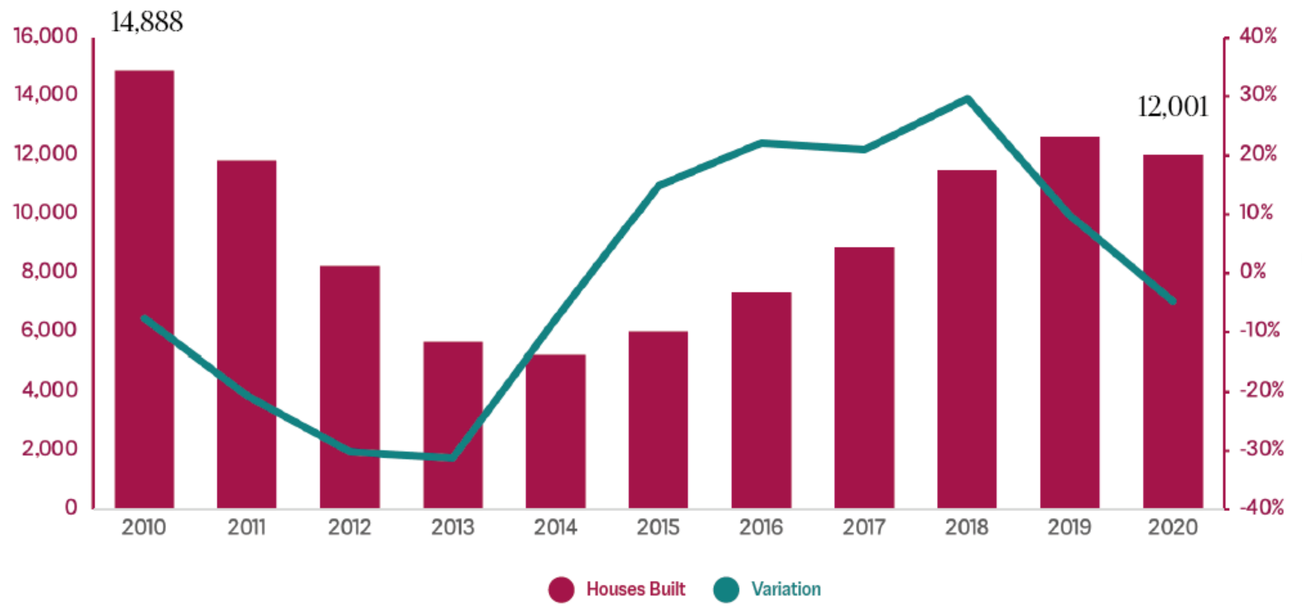


Source: Eurostat

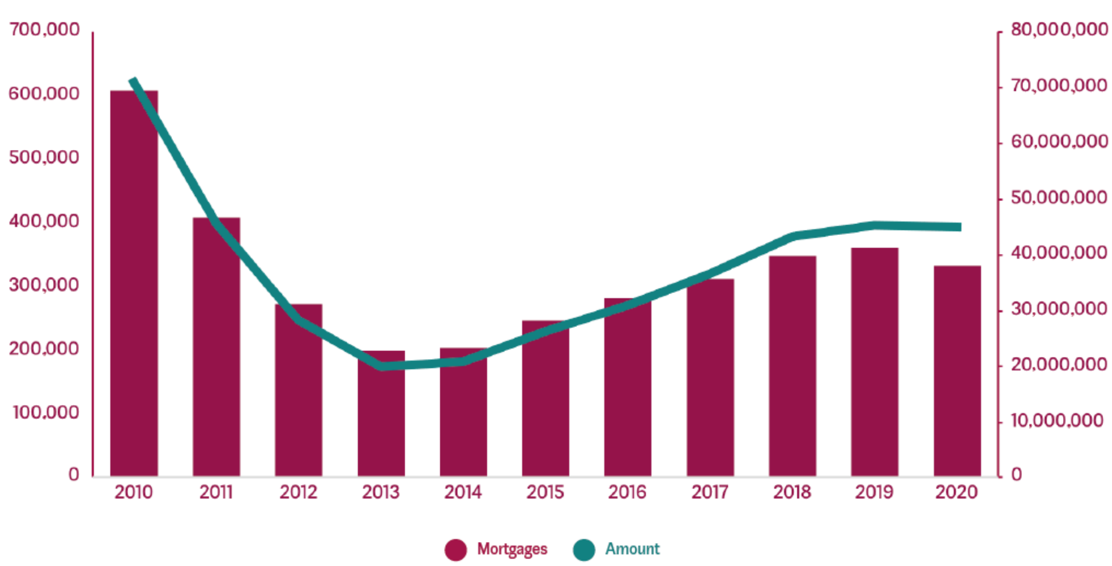
Nº Houses Built in Spain



Nº Houses Built in Portugal



Mortgages in Spain



2.2 About us

UCI, Unión de Créditos Inmobiliarios, is a credit financial establishment created in 1989 by Banco Santander and BNP Paribas, invested by 50% by both entities.

UCI promotes sustainable financing solutions to ease the access to houses. We focus on the responsible purchase of houses, accompanying people for them to feel guided, correctly informed, and to know the financial and personal impact of such a vital project as the acquisition of a home.

We contribute to rehabilitating houses and renewing the housing stock of our country under a sustainability criterion, energy efficiency and respect for the environment, thus contributing to the SDG (Sustainable Development Goals) challenges.

We count with 25 agencies in Spain, 8 in Portugal, presence in Greece and Brazil, and collaborate with more than 2,000 real estate agencies, with one objective: to anticipate our clients' needs. Also, since 2015, we also trade our mortgage solutions online, through the brand hipotecas.com.

In 2020, we have exceeded thew total of 350,000 clients since our creation and our personnel amounts to 541 people.

During the year, we have granted mortgages by 785, implying an increase of 16% with regard to 2019, with 612 million in Spain and 173 in Portugal. The total volume of mortgage loans was of 10,763 million.

The consolidated gross margin obtained by the Group in the last year has amounted to 146 million Euros, a decrease by 6% inferior, given that 2019 registered higher extraordinaries as a consequence of capital gains generated in the repurchase of securitisation bonds in the programme RMBS UCI.

The managed consolidated rate of default +90d of UCI was at 2020 closing of 8.24%, 20 basic points below the previous year, although the "subjective" doubtful balance would imply the sum of 4.78 additional percentage points, reaching a global of 13.01%.

During this year, we have continued consolidating our business model through the four 2020 strategy axes of the Group, elaborated based on corporate values and objectives (see objectives and strategy).

2.3 Mission, vision and values

In 2015, we redefined the basic lines that boost our activity and give shape to our main engine: the mission and the vision.

These lines do not only reflect our clear vocation for our client, products, employees and sustainability, but also configure the base on which we have built our 2020 strategy.

Mission
• Generate a positive impact in our stakeholders and in the society.
• Produce first-class financial services through an integrated working model.
• Create an stimulating and creative work environment.

Vision
• Become leaders in specialised real estate financing.
• Be the preferred entity of our clients.
• Respond to the social demand of access to housing with responsible products.

Another essential component in UCI's culture are the internal corporate values, defined in 2016 through co-and shared development processes:

• Excellence: excellence is complying with our responsibilities at all times, with the highest level of demand and quality in the management with the internal and external client.
• Integrity: it implies doing what is right, in agreement with our principles, without giving priority to personal interests.
• Commitment: it is an emotional bond that makes a collaborator to get involved with UCI and to go beyond their obligations, personally contributing to the entity's success.
• Innovation: innovation is feeling the need to apply new ideas, products, services and practices, for the purpose of continuously improving.
• Passion for the client: it is the continuous search to provide the best service possible, considering it as the central axis of our activity, trying to exceed expectations at all times.
• Team work: it is the attitude of any of our entity's employees to contribute with their knowledge and means available to achieve a common target, always caring for UCI's general interest.

2.4 Objectives and strategy

In 2018, we defined our four strategic axes which allow us to tackle our challenges as entity and to satisfy the needs of all our stakeholders: Responsible and Sustainable, New income sources, Financial Autonomy, and Reinvention.

Responsible and Sustainable

In an environment where consumption models must adapt to new social and environmental risks, at UCI, we participate in this challenge, implementing initiatives and financial products that contribute to the social wellbeing, sustainability and environmental care.

The Paris Memorandum of Understanding of 2015 and the UN Sustainable Development Goals, as part of its Agenda 2030 for Sustainable Development, entailed a turning point in the awareness for the world to focus towards sustainability.

At UCI, we have integrated the sustainability and responsibility in the commitment with our stakeholders, offering innovating solutions adapted to our clients' needs and contributing to the social wellbeing and care for the environment.

Scan me to watch the video about:

Responsible and Sustainable

We commit to:

1. Developing sustainable and responsible financial products
2. Implementing projects to minimise the environmental impact.
3. Elaborating a mapping of environmental risks

We understand that the sustainability is a global challenge that motivates us to achieve the decarbonisation of cities in 2050.

As financial entity, we deal with the challenge of the energy efficiency and sustainability through Green Mortgages & Loans, an initiative which objective is to promote the acquisition of energetically efficient homes and the rehabilitation of the housing stock. The result from our commitment is visible in 2018 with the initiative Energy Efficient Mortgages (EEMI), developed by the European Mortgage Federation (EMF), in which 50 entities gather with the challenge to crease a green mortgage standard.

We wish to change the world through housings. Therefore, we have entered into an agreement with Gloval, leading firm of comprehensive valuation, engineering and real estate consulting services, and with Green Building Council España (GBCe), reference in the transformation towards a sustainable model of the building sector.

Moreover, since 2020, we are part of AÚNA, the Spanish forum which objective is to promote the rehabilitation of buildings, tackling one of its most important barriers: the access to an appropriate affordable financing.

Such project is financed by the European Union, through the research and innovation programme Horizonte 2020, and counts with nine Spanish organisations from the habitat, construction and financial sectors.

AÚNA will contribute to achieving the objectives of the National Integrated Energy and Climate Plan 2021-2030 (PNIEC) and the Update 2020 of the Long-term Strategy for the Energy Rehabilitation in the Building sector in Spain (ERESEE).

We advance to a future that will be marked by sustainable buildings and houses.

Within this framework, and following with our commitment with the environment, we count with an environmental management system, certified by AENOR, which counts with management policies under the standards of ISO 14001 to control those activities with highest environmental impact of the entity and its stakeholders, based in three fundamental axes: minimise our environmental impact, the management of environmental risks, the sustainable financing.

At UCI, we integrate the environmental risks in the entity's global risk management, with specific environmental controls and a periodic assessment of consumptions and generated emissions, despite the lack of identification of serious risky activities for the public health or the environment.

The ISO 14001 certification reinforces our commitment with the protection of the environment, the prevention of the pollution, the energy efficiency and the reduction of CO2 emissions, with our organisation's ethical principles and values.

On February 2021, the Sustainability and Corporate Responsibility Management was created, led by Catia Alves, who directly reports to the entity's CEO. This appointment represents another step to continue promoting UCI's strategy in field of sustainability, improving the coordination and transversal integration in relation to the sustainability and corporate responsibility in all of the entity's areas, as part of its operations, business culture and long-term strategy, after having incorporated the principles of the UN Global Compact.

New products and services

As specialists in house financing, in addition to our solutions for the purchase or change of house, we continue developing products and services related to homes, allowing us to accompany our clients throughout a home's life cycle, in addition to increasing their satisfaction and loyalty levels.

Under this premise, we have launched the strategic project New Products and Services for the purpose of developing and promoting our offer of solutions adapted to our client's real needs, with the house as a common denominator and search of new income sources as target.

Financial autonomy

The objective is to develop and implement new sources of financing to improve our financial ability. Through our strategic project, we aim to generate new liquidity sources at the short, mid and long terms, in addition to profitable products and sustainable finances.

In such a challenging context as the one caused by the health crisis and with the complexity of regulatory frameworks, on May, the first securitisation fund was placed in in Portugal under the name of RMBS Green Belém 1.

This operation followed the principles of the regulation STS (Simple, Transparent and Standardised). Also, it is UCI's first fund with the green stamp of Sustainalytics, as proof of the commitment to collaborate, through residential financing, to the decarbonisation of the housing stock, by improving the energy efficiency of houses to achieve a more sustainable future.

Subsequently, on November, we launched FT RMBS Prado VII, the first Spanish securitisation fund that complies with European securitisation criteria STS (Simple, Transparent and Standardised) established in the Securitisation Regulation (EU) 2017/2402. Also, in addition, the operation complies with regulatory requirements of CRR (capital requirement regulation) and LCR (short-term liquidity coverage ratio).

Scan me to watch the video about:

Financial autonomy

Reinvention

Digital transformation is another challenge for the Group, for which purpose we have simultaneously developed three strategic projects.

The purpose of the Ecoweb project is to develop a digital ecosystem covering all corporate web sites and applications, integrating in coherence all the digital relationships with clients and real estate professionals to turn it into a channel of communication, promotion and trading of products to promote the brand recognition, the entity's reputation and positioning.

Scan me to watch the video about:

Ecoweb

Through the CRM project, we have integrated the tool Microsoft Dynamics 365 to create a unique fluent environment to support the daily work of Customer Care teams and ease the early detection of our clients' needs.

Scan me to watch the video about:

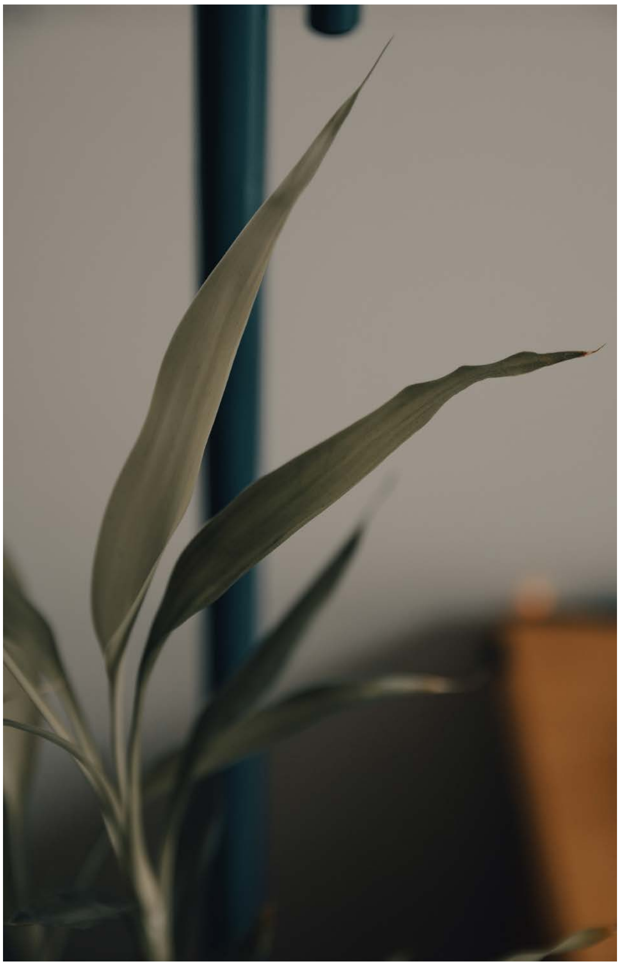
CRM

The purpose of the Phygital project is to improve the efficiency of our organisation's processes through the comprehensive digitalisation of the management of operations, from the first contact to the file's completion with the delivery of deeds.

In 2019 and 2020, we have developed a system that automatises the decision-making in a mortgage loan through Artificial Intelligence and rule management tools. The solution combines two mathematical models that use machine learning techniques with a system of rules to ensure the compliance with the entity's risk policy. Thus, we will be able to automate the process and to improve the speed and homogeneity in the loan's decisions.

2.5 Markets where we operate

The Group operates in Spain, Portugal, Greece and Brazil. In Spain and Portugal, the activity focuses on real estate financing loans and, in Greece, on the management and maintenance of loans granted by financial institutions. The activity of UCI Holding Brasil is the direct or indirect investment in real estate businesses in the country or abroad, while Companhia Promotora UCI, S.A. Is a joint venture which activity is the real estate intermediation, acting as broker.



2.6 Corporate governance

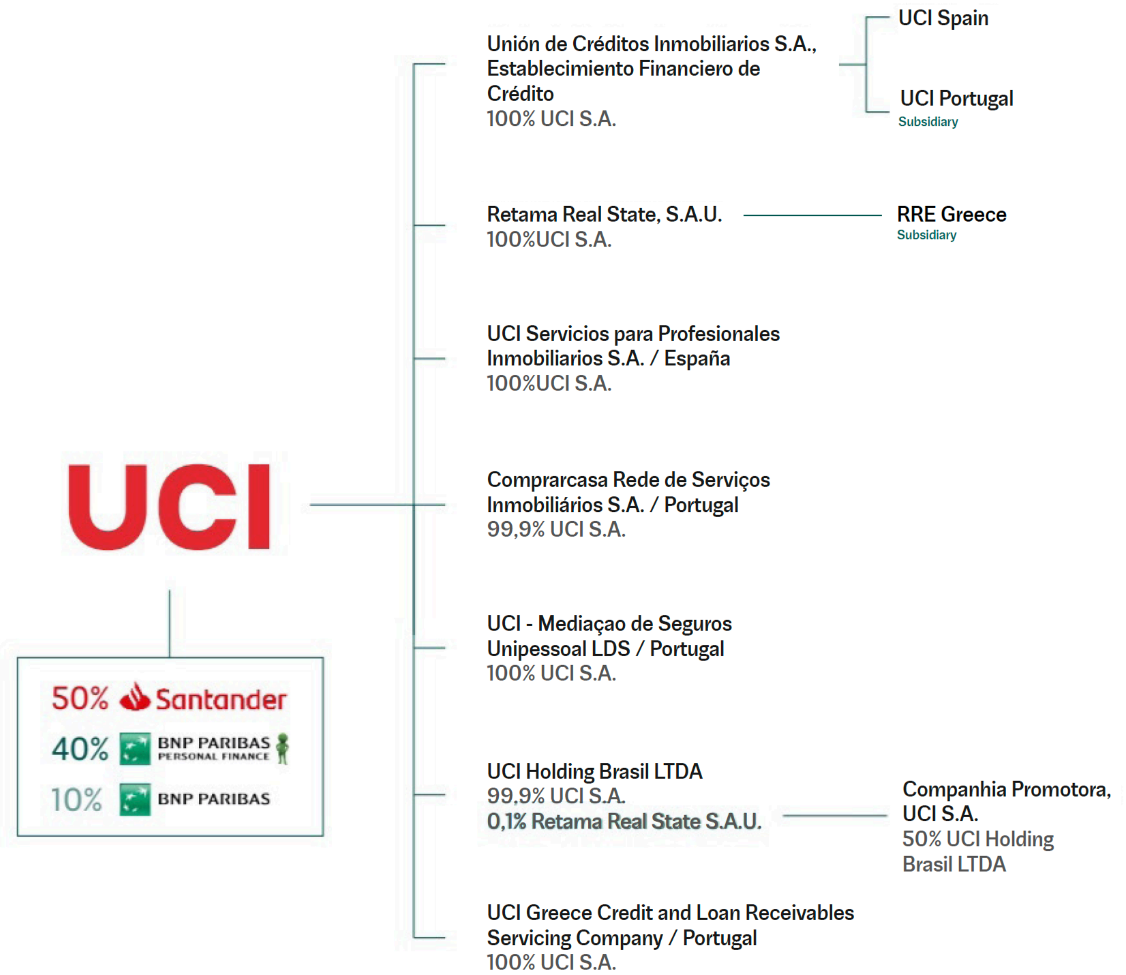
UCI Group's Corporate governance policy details: the entity's governing structure entity, organisation chart, organisation structure, owners of key functions, code of conduct and behaviour, general governing principles, as well as their relation to other relevant documentation, such as: the Code of Ethics or General Policy of Conflicts of Interest.

This policy takes into account internal governance guidelines of the European Banking Authority (EBA), of 2018, which specifies internal governance systems, procedures and mechanisms to be implemented by credit entities and investment companies to ensure the entity's efficient and prudential management.

Thus, the Group assumes a set of principles and values that express their commitment in corporate governance, business ethics and corporate responsibility. Also, in order to ensure this ethical responsible management of its activity, UCI counts with several corporate governance policies and procedures, defining:

a. A clear organisational structure, with well-defined, transparent and coherent lines of responsibility.
b. An analysis policy and procedures for the identification, management, control and communication of risks.
c. Appropriate internal control mechanisms, including the corresponding administrative and accounting procedures.
d. Remuneration policies and practices compatible with an appropriate and efficient risk management.

UCI GROUP: Subsidiaries, Investees and Branches 2020



See the composition of the Members of the Boards on the pages (279-283)

The organisation chart of Unión de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito (hereinafter UCI S.A., E.F.C.) is structured with three main bodies:
• UCI, S.A. as sole shareholder, exercising the powers of the General Shareholders' Meeting.
• The Board of Directors, which concentrates its activity in the general function of supervision and adoption of the most relevant decisions.
• The Board's Committees, which assist in the development of its functions and include: an Audit and Risks Committee and a Committee of Assessment, Suitability and Remunerations.

Sole Shareholder. UCI S.A.

Based on the nature of the Group, UCI S.A., E.F.C. has a sole shareholder who governs and administers the Entity, together with the Board of Directors. Taking into account the shareholding structure, the company UCI S.A. exercises the powers of the General Shareholders' Meeting and, as such, has been entrusted with functions established by law and the bylaws.

Board of Directors

The Board of Directors is the highest body of representation, management, strategy and supervision of the activity of UCI S.A., E.F.C., except with regard to matters reserved to the power of the Sole Shareholder.

As in the case of the Board of UCI SA, the Board of Directors of UCI S.A., E.F.C. Includes four members. Their obligations and responsibilities are detailed on the Annual Report of Credit Entities' Capital Self-Assessment Process and are the following:

The Board's policy is to delegate the ordinary management of UCI S.A., E.F.C. In the management team, and to focus its activity on the general function of supervision and adoption of the most relevant decisions for the Company's administration.

In order to support these basic functions through an appropriate management monitoring, supervision and control process, the Board of Directors counts with two specific committees that provide assistance in their corresponding fields:

• Audit and Risk Committee, which Members are appointed by the Board. Its purpose is to improve the monitoring, information and decision making of the Board, as well as developing, executing and monitoring management control systems, internal control and regulatory compliance.

• Committee of Assessment, Suitability and Remunerations. Its most relevant powers are the assessment of directors and key personnel's suitability, and the supervision and application of the remuneration policy.

These committees include two board members each, and are governed by their own functioning regulations.

Management Team

UCI's senior management is led by the CEO, who reports to the Board of Directors. It counts with several management bodies: the Management Committee, the Executive Committee and different sector committees created to manage specific matters and risks.

Senior management, within the framework established by the Board of Directors and its Committees, plans and develops the entity's strategy, organises resources, leads the human capital and organises and controls processes. Senior management includes two bodies: the Management Committee and the Executive Committee.

2.7 Risk management

At UCI, we consider the risk as an inherent factor to our business. A correct analysis, measurement and management will contribute to the achievement of appropriate margins and to the maintenance of solvency and liquidity levels.

A solid risk culture is essential and one of the keys that will allow the Group to respond to the variations of economic cycles, to clients' new requirements, and to the increase of the competition, positioning us as an entity to be trusted by our stakeholders.

Our risk culture is defined through five principles:

Commitment. The risk culture is based on the commitment and participation of all Units and employees (regardless of their function), integrating the risk culture as a “lifestyle” not as an imposition.

Responsibility. All units and employees must know and understand the risks in which their daily activity incurs, and be liable for their identification, valuation, management and reporting, in a comprehensive and transparent way.

Simplicity. Adapt the risk culture to the Group’s business model with clear, documented processes and decisions, understandable by employees and clients.

Client focused. All risk actions are focused on the client, and on their long-term interests. The Group’s vision is to become the leader of specialised real estate financing, gaining the trust and loyalty of employees, clients, shareholders and the society. The path to achieve this requires the proactive contribution to our clients’ progress with an excellent risk management.

Experience. Through experienced situations, being able to foresee the occurrence of adverse events. This experience will be acquired through a dynamic and evolving learning process, which will be shared and conveyed at all levels.

The dissemination of the risk culture is a process of continuous improvement, which is being strengthened through a series of actions, based on the communication, training and development and technological support.

2.7.1 Risk management policies and procedures

The risk manager is responsible for providing exhaustive meaningful information on risks and for advising the Board of Directors to understand the Entity's global risk profile.

Con general, the following functions have been allocated to the risk managers:

• Assessing and controlling all relevant risks, complying with Circular 2/2016 and solvency regulations.

• Establishing written risk assumption policies and appropriate internal measurement procedures, stress tests, operating limits, review frequencies, responsible person or body, and other relevant aspects.

• Counting with appropriate procedures to provide all relevant information to supervisors.

Risk Appetite Framework

UCI performs a comprehensive risk management, where the risk appetite's definition and control is a key element. The risk management function has access to all business areas and will be independent from those which risks are controlled; however, the interaction between operating functions and the risk management function eases the objective that all of the Entity's personnel assume the responsibility to manage risks.

This approach is aligned with the best market practices and recommendations from the main international regulators.

In this context, our Risk Appetite Framework (hereinafter, RAF) thus formalises the structuring of the decision-making with regard to risks, the definition, level and composition of risks to be assumed by the Group on its activity, as well as the risks' supervision mechanism and follow-up. Therefore, the risk management function is a focal element of the Entity's organisation and is structured in a way to ease the implementation of risk policies and control the risk management framework.

Thus, the risk management excellence is one of the strategic priorities we have established for ourselves. This implies consolidating a strong risk culture throughout the Organisation, a risk culture known and applied by all of our employees. Therefore, the risk management function is actively involved on the elaboration of the risk strategy and ensures the implementation of efficient risk management procedures, and also provides the board of directors with all risk-related relevant information in order to allow them to establish an appropriate risk appetite level for the Entity.

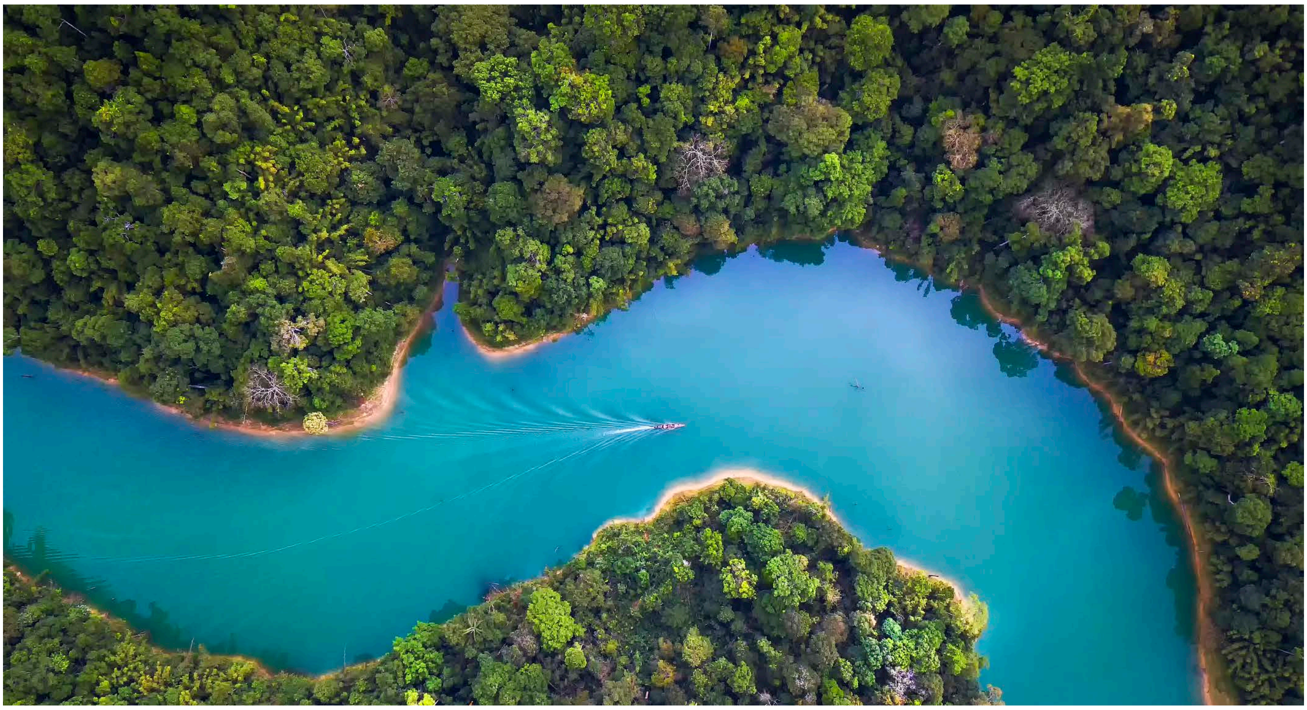
2.7.2 Main risks and control

The risk mapping contemplates the risk families incurred by the operations of each different Business Unit comprised on UCI Group (ES, PT, GR and GU).

Each risk family is defined below:

Risk Family	Definition
Concentration	Lack of diversification from the standpoint of geographic exposure, client's typology, specific products or per sales channel. It also includes the client's individual exposure and the exposure per activity sectors.
Credit	It shows the possibility to suffer losses derived from debtors' non-compliance with their contractual obligations. It includes the risk of counterparty.
Structural interest rate	The interest rate risk is the exposure to which the Entity is subject as a consequence of interest rate's adverse movements. This sensibility is conditioned by gaps in maturity dates and interest rates' review dates of the different balance sheet items. Changes in interest rates impact the Entity's intermediation margin and affect the value of assets and liabilities held by the Entity. Therefore, an effective interest rate risk management is essential to delimit this risk and to ensure the Entity's economic value and profitability.
Leverage	The Leverage Risk derives from an institution's vulnerability due to the contingent leverage which could require undesired corrective measures from its business plan, including the sale of assets in difficulties which could lead to losses or valuation adjustments of its remaining assets. It cares for the lack of compliance with minimum regulatory requirements, entailing capital increase needs. It refers to total unweighted assets.
Liquidity	The Liquidity Risk includes the possibility for the Entity to suffer losses for the absence of available liquid funds to face payment obligations, both at the short and at mid/long terms. Within the Liquidity Risk family, the analysis has been divided into: - Short-term Liquidity Management - Mid/Long-term Liquidity Management
Market	The Market Risk reflects the possibility to suffer losses derived from adverse movements in market prices and/or of marketable instruments with which the Entity operates.

Operational	Risk of loss resulting from a lack of adaptation or failure in processes, personnel, internal systems, or external installations. This definition includes the legal risk and excludes the reputational risk.
Reputational	The Reputational Risk is defined as the body of the different Stakeholders' perceptions and opinions on the Entity. It is associated to changes of perception regarding the Group, or its brands, by stakeholders, where an action, event or situation could negatively or positively affect the organisation's reputation.
Strategic	The strategic risk is defined as the current and future impact in income and capital which could derive from adverse business decisions, undue application of decisions, or lack of ability to respond to changes. This risk is a compatibility function of the Entity's strategic objectives, strategies developed to reach those objectives, resources used, as well as the quality of their execution. The necessary resources to implement business strategies are assessed in relation to the impact of economic, technological, competitive and regulatory changes.
Capital structure	The Capital Structure Risk is defined as the insufficient amount and/or quality of capital to comply with minimum regulatory requirements established, and the absence of contingency plans to re-establish the minimum requirements. It refers to total weighted assets.



2.7.3 Risk assessment

One of the pillars on which the development of our risk culture is based is the implementation of a Risk Management System (RMS), transversal throughout the entity and integrated in the Group's strategy, operations and culture.

The RMS is implemented in accordance with the RIA methodology (Risk Identification and Assessment), which consists in the identification and assessment of the different types of risk, involving the different lines of defence in its execution, in order to reinforce the advanced proactive risk management, establishing management standards in compliance with regulatory requirements and which are aligned with the best market practices, also being a mechanism to transfer the risk culture.

The function comprises all risk identification and assessment processes, as well as their integration in the risk profile, its units and activities, also allowing the update of the risk mapping.

The final objective is to know the residual risk for risks and subfamilies and the risk profile for families and Units. The risk profile is determined by the interrelation between each block of the RIA:

1. Risk performance

It allows knowing the residual risk per type of individual risk, through a set of KRIs calibrated based on international or internally defined standards.

Each individual risk's residual risk is determined by one or several KRIs (sometimes, expert judgement), which risk assessment is framed within ranges defined into 4 risk levels. Also, the risk tolerance, risk limit and weighing are defined for each KRI.

Low (1-1.75) Medium - Low (1.75-2.5) Medium - Hight (2.5 - 3.25) Hight (3.25 - 4)

The aggregated and weighed rating of each individual risk determines the risk profile for each risk family and Unit, which should be aligned with the risk appetite defined by the Entity for each risk family.

2. Control environment

It assesses the implementation degree of the objective management model established in agreement with advanced standards.

The assessment focuses on internal governance procedures and global controls in order to verify that they are appropriate for the Entity's risk profile, business model, size and complexity, and to identify the extent to which the Entity complies with requirements and best internal governance and risk control standards specified on applicable international and internal guidelines in this field.

This assessment is performed by three lines of defence in the Entity, in which its risk management and control model is based, in order to verify their alignment degree.

a. First line of defence

Business areas and all support areas that generate a risk exposure constitute the first line of defence against such risk. These areas are responsible for establishing a risk management environment to ensure their permanence within the approved appetite and defined limits.

b. Second line of defence

The second line of defence consists of the risk function (Risk Management department and Internal Control department) and the compliance function. These areas independently supervise and challenge the risk management activities performed by the first line of defence.

These areas are responsible for ensuring that risks are managed in agreement with the risk appetite defined by top management, and for promoting a solid risk culture throughout the organisation. These areas also must provide guidelines, advice and expert judgement in all relevant risk-related matters.

c. Third line of defence

Internal audit, as third line of defence. On its ultimate control layer, internal audit performs periodic assessments to verify that policies, methods and procedures are appropriate and have been effectively implemented in the management and control of all risks.

3. Business Model Analysis (BMA)

Assessment of the Entity's business model and strategy. Unit's forward-looking analysis based on stress metrics and/or identification and valuation of the main threats or key vulnerabilities (Top risks) that could have a significant impact on the strategic plan or compromise the Entity's future feasibility, allowing the establishment of specific action plans to mitigate their potential impacts and monitor them.

The Entity will perform a periodic business model analysis (BMA) to assess the business and strategic risks and to determine:

• The feasibility of the Entity's current business model, based on its ability to generate reasonable profitabilities in the 12 following months.

• The sustainability of the Entity's strategy, based on its ability to generate reasonable profitabilities during a future period of at least 3 years, based on its strategic plans and financial forecasts.

Once all elements were analysed, the risk appetite for UCI Group during 2020 was established as Medium-Low, mainly conditioned by the credit risk family (considered as the Group's main exposure). The risk profile closed the year as Medium-Law. Therefore, the alignment between the risk profile and the defined risk appetite is considered appropriate for the previous year. The Risk Appetite master document exhaustively analyses this matter.

2.7.4 Environmental, social and good governance risks (ESG)

Our business model is based on the commitment with the environment and people, betting for more environment-friendly projects that contribute to preventing, mitigating and responding to the climate change. For such reason, in 2020, we have worked to include the ESG risk (Environmental, Social and Governance) in the entity's risk mapping, which will be incorporated in 2021.
The ESG risk mapping has been elaborated taking as reference the GRI Standards, which represent best practices at global level on an organisation's economic, environmental and social impacts.

The different risks listed below are integrated in the entity's Risk Management System. Each one of them comprises a series of KRIs that will determine the ESG risk profile, which must be aligned with the risk appetite defined in the Environmental Strategy annual defined by senior management

Subfamily of risk UCI	GRI	Risk UCI
Environment	GRI 301: Materials	Material
	GRI 302: Energy	Energy
	GRI 303: Water and Effluents	Water and Effluents
	GRI 305: Emissions	Emissions
	GRI 306: Effluents and waste	Waste
		Sustainable Financing

In line with our environmental commitment, we also contemplate potential matters related to the compliance with the environmental legislation and regulations in the contracting of suppliers and outsourced services.

Subfamily of risk UCI	GRI	Risk UCI
Social	GRI 401: Employment	Employment
	GRI 403: Health and security at work	Health and Security at work
	GRI 404: Training and education	Training and education
	GRI 405: Diversity and equality of opportunities	Diversity and equality of opportunities
	GRI 413: Local communities	Investment in the community

In line with our social commitment, we contemplate potential matters related to the assessment of human rights, client's privacy, fight against corruption and bribery and suppliers and outsourced services.

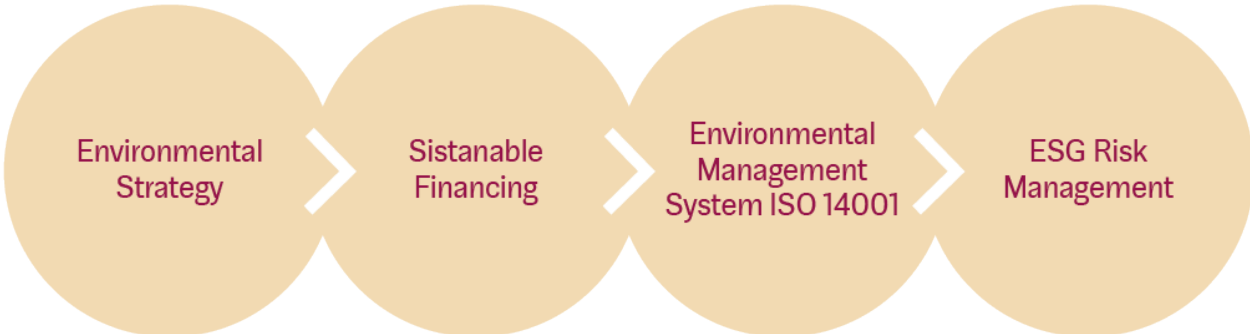
The risk of corporate governance refers to the set of principles and standards that regulate the design, integration and functioning of an organisation's governing bodies.

At UCI Group, these environmental and social responsibility principles are reflected in the different transversal policies and procedures for all of the entity's risks and areas. The application "Gestión Documental", with direct access from the corporate Intranet, gathers these documents, after having been validated, as per the corresponding approval circuit. The Group's objective is to reinforce its sustainability governance, on an annual basis, thus contributing to reaching the assumed strategic challenges. Therefore, the Risk Management function, consulting other functions, propose to the Executive Committee the update of policies to ensure that they remain in line with international best practices and standards, as well as with the Group's environmental and social strategy.

Elements of the environmental risk management

The environmental risk management is an essential pillar of the entity's strategy. Therefore, all matters related to the environment and the society will be tackled, as well as sustainable financing, Environmental Management System and ESG risk management.

Throughout 2021, a new policy will be implemented in order to determine a framework of global principles which will be the basis for all actions related to the environment and the society, as well as policies and procedures for each identified element.



3. Compliance & Corporate Ethical Culture

Our commitment goes beyond complying with the regulations.

UCL

3.1. Our culture of Compliance

At UCI, one of our priorities is to care for the compliance with regulations in force, and with policies and procedures established in the group, as well as adopting the best practices and ethics and professional standards in our activity.

We are a responsible company, which entails considering compliance as a key tool in our daily activity. The culture of compliance provides legal security, and ensures best ethical and professional practices in the entity.

We rely on the Culture of Compliance, as decisive function for the risk prevention, management and control, configuring it as a necessary element for the appropriate business functioning and to create value for our stakeholders and the society as a whole.

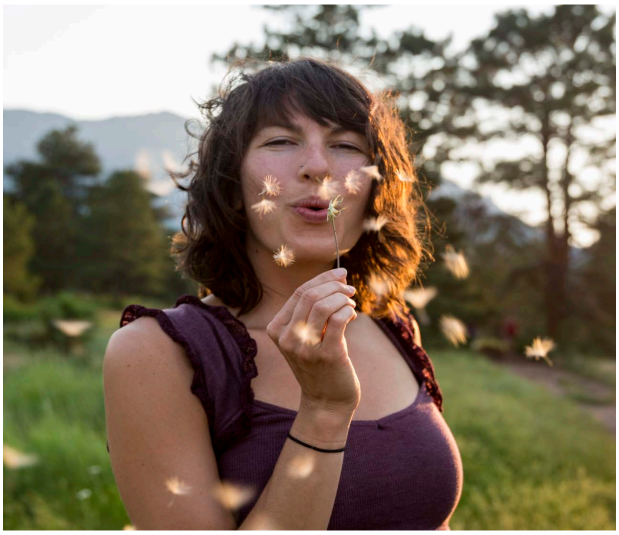
The Culture of Compliance is transversal, which implies that it affects all levels within the entity and must be part of the daily operations of all employees; the best support is the awareness of all people within UCI. The implementation of the culture of compliance in the organisation entails preventing, detecting and managing risks of Compliance through the creation and development of specific programmes.

These risks are not only restricted to criminal standards, but also to all those established on our legal system, and those voluntarily assumed by UCI, which breach, in addition to criminal liability or strong administrative penalties, could imply serious reputational damages with an impact in UCI's image in the market. Such risks of compliance refer not only to the degree of compliance with regulations in force, but also to the achievement of ethics principles established in the UCI's values.

Accordingly, with the involvement of everyone, UCI's activity will be framed within the highest standards of Compliance, not only of compulsory rules, but also best practices.

3.2 Compliance skills

The compliance skills include the promotion of the dissemination, knowledge, compliance with, the general and binding interpretation of the code of ethics, as well as the coordination of its application, and resolution of all consultations or doubts posed in relation to its content, interpretation, application or compliance and, in particular, to the application of disciplinary measures by the competent bodies.



3.3. Basic rules

In this sense, we count with basic standards that give shape to our Compliance model.

The code of ethics that develops the principles included on the Group's Mission, Vision and Values in a global, complex and changing environment.

The code of ethics establishes a set of conduct principles and guidelines to ensure the ethical responsible behaviour of all UCI employees in the development of their activity.

This code stipulates that the regulatory compliance and ethics covers the compliance with the legislation in force reflected in UCI Group's internal procedures. Therefore, all UCI Group's collaborators have the duty to adjust their actions to the regulations in force, following, in this sense, UCI Group's specific guidelines.

Also, we count with a criminal risk prevention system, which in 2020 has been reviewed by an external consultant, and which includes procedures and controls to prevent the performance, by employees, collaborators and/or people working on its environment, of actions and conducts that could be considered fraudulent or inappropriate. These procedures include the one aimed to the prevention of corruption and bribery. This procedure identifies aspects to be taken into account in the daily activity, to prevent such risk of corruption and bribery and, therefore, the risk of incurring in criminal liability for the legal entity.

The criminal risk prevention device is completed with other procedures and policies, such as:

- Money Laundering Prevention Manual,
- Whistleblowing Channel Procedure,
- Catalogue of operations with money laundering risk in credit entities and in the real estate activity,
- Catalogue of best and bad practices in the financing and real estate activity.
- Catalogue of best and bad practices within UCI.

Within the specific chapter of Money Laundering Prevention, we note the significance of the due control and compliance with obligations in this matter for the Entity. The non-compliance with obligations established by the legislation for this section could imply serious penalties, both economic and administrative, for the entity.

Therefore, UCI Group has implemented a series of procedures to detect suspicious operations, which must be immediately communicated, according to the Money Laundering Prevention Manual.

From the particular standpoint of the compliance with the money laundering prevention regulations, the essential working lines during 2020 have been the following:

- Follow-up of measures to improve the identification and knowledge of the final client (KYC), both in the financing activity and in the activity of sale of estates, and the knowledge of the supplier (KYS). Moreover, in 2020, the KYC procedure has been implemented for NGOs and other social and charitable action entities.
- Follow-up of the alert management system of potentially suspicious money laundering operations, both in financing and in the sale of estates, regardless of the subsequent detailed analysis of each file.
- Internal verification of the Money Laundering Prevention system by UCI's Internal Audit Department.
- Review and update of the risk self-assessment report, in relation to money laundering prevention.
- Review and update of the Money Laundering Prevention Manual.

Similarly, UCI counts with a gift and invitation policy which, together with the anticorruption and antibribery policy, are part of the criminal prevention device, and it establishes guidelines to be considered in relation to the possible delivery or acceptance of gifts in UCI Group, for the purpose of not incurring in actions against the regulation and internal procedures.

In addition to the gift and invitation policy, we count with an anticorruption and antibribery policy. UCI Group has assumed a commitment of "cero tolerance" with regard to corruption and/or bribery activities, in all shapes and circumstances. The purpose of the anticorruption and antibribery policy is to identify the most regular cases for this type of activities and how to proceed to identify, prevent and avoid them.

Consumer Protection Policy (Protection of the Client's Interest). One of the main objectives of UCI Group is the respect for the clients' interests and their inherent rights. Accordingly, the Consumer Protection function is very relevant within the field of Compliance.

In this framework, UCI Group has established its Consumer Protection Policy, which is based on the following principles: "Fair and Respectful Treatment", "Design of customer centric products and services", "Transparency in communication", "Responsible prices", "Consideration of clients' particular circumstances and prevention of the over-indebtedness", "Data protection", "Claim management", "Financial education" and "Responsible innovation".

3.4. Activity

The Group's Whistleblowing Channel is a procedure to report the non-compliance with regulations, allowing the Group's collaborators to confidentially communicate conducts that could imply a lack of compliance with the corporate governance system or the commission by any of the Group's collaborators of an action against law (in particular a criminal action) or against UCI's acting standards included on the Code of Ethics and in internal policies and procedures.

Gift policy. During 2020, no incident has been registered in this regard.

Money laundering prevention alerts. During 2020, the following have been analysed:

• 720 alerts in Spain, out of which 5 were communicated to the OCI (internal control body) and, of these, 2 were communicated to the SEPBLAC. Also, in the portfolio's ongoing review, 1,830 coincidences have been analysed, out of which 31 were communicated to the OCI and, of these, 3 have been communicated to the Sepblac.

• In Greece, 14 alerts have been analysed, none of which have been communicated to the local regulator.

• In Portugal, 226 alerts have been analysed, communicating 1 to the local regulator.

3.5. Awareness and training given in Regulatory compliance

Compliance training modules given during 2019 in UCI Group in Spain have been the following:

- Competition Law
- Criminal Risk Prevention
- Anticorruption and gift policy
- International Penalties and Seizures
- Money laundering prevention
- Data Protection

The scope of all of them has covered all staff, except for the one related to the competition law, which was aimed for managers, including senior management.

In 2020, a "Training on Compliance to CFs and external professionals" procedure has been implemented, which purpose is to ensure that certain external partners, in particular if they hold contact with clients, receive training courses in Compliance.

Internal communications for the awareness of contents related to Compliance have been the following:

- Policy of gifts and invitations.
- Transparency with the client.
- Catalogue of bad practices.
- Compliance. Culture of Compliance.
- Importance of the training courses on compliance.
- Sepblac Memorandum.

Their scope has covered all staff, except for the one related to the Sepblac Memorandum, which was aimed to senior management.

In 2020, 52 communications have been sent on regulation developments in Spain.

3.6. Monetary contributions to sector associations

At UCI, we collaborate permanently with institutions with which we work actively in different fields, in order to promote the social responsibility and transparency or to develop specific information and training projects. Thus, in 2020, we have applied 48,650.36 Euros to sector associations.

Key information	2020	2019
Asociación Española de la Calidad	1,100.00	1,100.00
Asociación Hipotecaria Española	31,188.30	17,693.00
ASNEF - Asociación Nacional de Establecimientos Financieros de Crédito	6,066.06	2,985.12
DIRSE	1.,00.00	1,000.00
Green Building Council-España	1,331.00	1,331.00
Federación Española del Corazón (FEC)	1,815.00	1,815.00
WIRES	6,050.00	
Total	48,650.36	25,924.12

4. Corporate responsibility strategy

Involved with our stakeholders.

4.1. Analysis of relevant matters

In 2018, we carried out our first Materiality Analysis, a good corporate responsibility practice that allows identifying, from the sustainability perspective, relevant matters for the business and for stakeholders, and to define the priority issues based on the allocated relevance degree.

Such analysis offers a fundamental framework on matters to be included on the Non-financial information report, and provides information on what is expected from the Entity. The analysis' results are presented in the following materiality matrix, which locates material issues for the company, based on their relevance for the stakeholders and for the business.

Throughout 2020, the Group has worked in the update of the Materiality Study, which is expected to be completed by the first quarter of 2021. However, the selection of matters derived from the process was already defined at the end of 2020 and the list of relevant matters has been classified under ESG criteria:

1. Financial autonomy and profitability
2. Comprehensive risk management
3. Good corporate governance
4. Compliance and adaptation to the regulatory framework
5. Transparency and clear language
6. Cybersecurity and data protection
7.Multichannel business strategy
8. Digital transformation
9. Alignment with shareholders' policies

Environment

10. Sustainable financing of houses
11. Sustainable management of resources and spaces

Social

12. Health and wellbeing at work
13. Equality and diversity
14. Development of the talent and training
15. Support to the development of real estate professionals
16. Accompaniment and training of financial consultants
17. Responsible acquisition
18. Client's satisfaction and experience
19. Ethical and responsible management of suppliers
20. Social investment and volunteerism

In this analysis, we counted with internal assessments, with the involvement of the Management Committee, employees from Spain and Portugal, Financial Consultants and experts from different areas within UCI through a joint co-creation session. Also, surveys have been made to the entity's different stakeholders.

4.2. Our Stakeholders

Based on the Materiality Analysis performed in 2018, the main UCI stakeholders were identified.

4.3. Action plan

During 2020, the corporate responsibility strategy was deployed, adapting part of expected actions to the situation generated by the pandemic.

Projects have been performed in each one of the four main action exes, to comply with the plan and objectives.

• Responsible business model which focuses on promoting UCI's identity based on the respect for our values, the responsible culture and the good governance. One of the main projects has been the identification of policies, and best practices that constitute the responsible management framework in UCI España.

• Transparency and clear language which objective is to promote the clarity in our relationships, through dialogue and transparency, generating trust. For this purpose, the Group has developed the guidelines of clear language in UCI, as a transparent and honest relationship with our environment is the way to promote our purpose: boost the responsible acquisition of houses through bespoke loans and mortgages that focus on our clients and their vital projects. In relation to channels of dialogue with stakeholders, we have carried out an exhaustive work, identifying and classifying such channels, as this dialogue is increasingly important, in such an interdependent and global context. Promoting a proactive relationship with all stakeholders is particularly relevant for UCI in its commitment with the economic, social and environmental development.

• People empowerment to contribute to the development of people for their present and future wellbeing. In this case, we have developed the Social Action Policy, defining lines where UCI will concentrate its action. Also, we have outlined principles of corporate volunteerism for all actions to be performed by employees to be carried out under a specific and defined action framework, in line with the entity's values.

• Sustainable homes to give value to and promote sustainability in the homes and working spaces. At this point, we have collaborated with the area that has led the environmental certification project, proving the necessary support to consolidate the project.

• In the field of alliances, our adhesion to the Global Compact Spanish Network is particularly relevant, implying that UCI commits to aligning its operations with the ten universally accepted Principles in the areas of human rights, labour standards, environment, and fight against the corruption, and adopting measures in support of the UN goals, currently included in the Sustainable Development Goals (SDG).

Each of the plan's axis is linked to the contribution of the SDG in which UCI has an impact with its business activity, with projects and through social action.

CR Action Plan
Responsible Business Model.

Guidelines
- Corporate Cornerstones
- Culture of Compliance
- Corporate Governance

Related material topics
- Good corporate governance
- Transparency and clear language
- Pride of belonging
- Framework of action of the real estate professional
- Assistance and training for financial consultants
- Ethical management of the value chain"

Related stakeholders
- Employees
- Customers
- Real estate professionals
- Financial consultants
- Investors
- Suppliers
- Society

SDG targets to which they contribute

12.8 Ensure that people have relevant information and knowledge for sustainable development and lifestyles in harmony with nature.

16.5 Reduce corruption and bribery in all its forms.

16.6 Create effective and transparent institutions that are accountable.

16.7 Ensure inclusive, participatory and representative decision-making that responds to needs."

CR Action Plan
Transparency and clear language

Guidelines
- Co-creation and dialogue with stakeholders
- Raising awareness of transparency and clarity with stakeholders

Related material topics
- Transparency and clear language
- Pride of belonging
- Customer satisfaction and relationship
- Framework of action of the real estate professional
- Training for financial consultants
- Ethical management of the value chain"

Related stakeholders
- Employees
- Customers
- Real estate agents
- Financial consultants
- Investors
- Suppliers
- Society

SDG targets to which they contribute

8.10 Strengthen the capacity of financial institutions to promote and expand access to banking, financial and insurance services for all.

12.8 Ensure that people have relevant information and knowledge for sustainable development and lifestyles in harmony with nature

.

16.6 Create effective and transparent institutions that are accountable.

16.7 Ensure inclusive, participatory and representative decision-making that responds to needs."

SDG 17 is transversal to every axle of the CR Action Plan

CR Action Plan

Empowerment of People

Guidelines

- Encourage UCI's corporate culture: t alent, diversity and well-being
- Commitment to the community

Related material topics

- Pride of belonging
- Well-being at work
- Talent management and learning
- Financial education and future skills

Related stakeholders

- Employees
- Customers
- Society

SDG targets to which they contribute

8.10 Strengthen the capacity of financial institutions to promote and expand access to banking, financial and insurance services for all.

10.2 Strengthen and promote the social, economic and political inclusion of all people, regardless of their condition

SDG targets to which they contribute

3.4 Reduce premature mortality from noncommunicable diseases by one third through prevention and treat-ment and promote mental health and well-being

5.1 End all forms of discrimination against all women and girls.

5.5 Ensure the full and effective participation of women and equal leadership opportunities.

8.5 Achieve full and productive employment and decent work for all women and men, including youth and persons with disabilities, as well as equal pay for work of equal value

CR Action Plan

Sustainable Home

Guidelines

- Innovación sostenible y responsable en torno a la vivienda
- Environmental Management System

Related material topics

- Responsible purchase of the home
- Environmental sustainability

Related stakeholders

Customers
- Employees
- Environment
- Real estate agents
- Financial consultants
- Investors

Suppliers

SDG targets to which they contribute

7.2 Increase the share of renewable energy.

7.3 Double the global rate of improve-ment in energy efficiency.

11.3 Increase inclusive and sustaina-ble urbanization and capacity for participatory, integrated and sustaina-ble planning and management of human settlements in all countries

12.8 Ensure that people have relevant information and knowledge for sustainable development and lifestyles in harmony with nature.

13.3 Improve education, awareness, and human and institutional capacity regarding climate change mitigation, adaptation, reduction of its effects, and early warning"

4.4. Respect for human rights

At UCI, we count with a Code of Ethics which includes the conduct model to guide the individual performance of each person working for the Group.

The Code of Ethics assists in the training of new organisation members and helps all individuals within the Entity to reflect on their own values and principles. Our collaborators are our principal asset and, therefore, it is our responsibility to provide them with appropriate elements for their best development.

Moreover, UCI's collaborators have a commitment towards the Group to identify themselves with the Entity's Mission, Vision and Values, considering them as their own, and acting in agreement with them.

Equality principles

At UCI, we advocate for equality, being one of our objectives within the labour field the eradication of sexist behaviours, discrimination on the grounds of ethnic groups, religion, nationality, civil status, sexual guidance and/or social class, as well as behaviours that could constitute a crime, such as sexual and labour harassment. Thus, we achieve an equal coexistence within the Organisation, which would benefit the collaborators' wellbeing and, thus, higher performance in the company.

Ethics standards must be present in each collaborator within the labour environment, and each one of them is responsible for adapting them to the different situations which could be faced each day.

Each person within UCI Group has the moral commitment to report any type of the previously mentioned conduct which was witnessed, in order to collaborate in the achievement of a working environment in agreement with the Entity's values, culture and customs. Lastly, all UCI Group's collaborators must observe the following conduct guidelines:

- Respect the manifest individual differences between the Organisation's members.
- Respect the possible abnormal personal and/or professional situations undergone by a Collaborator.
- Use of a positive language in interpersonal relationships.

The entity counts with policies that promote the equality of treatment and opportunities between women and men. In 2020, we published the White Paper of Diversity, which includes:

- General Gender Diversity Policy
- Selection Policy
- Internal Mobility and Promotion Policy
- Time Flexibility Policy (implemented in 2018)

Also, we have published a new sexual and gender harassment protocol, to make the established reporting channels more accessible for all employees.

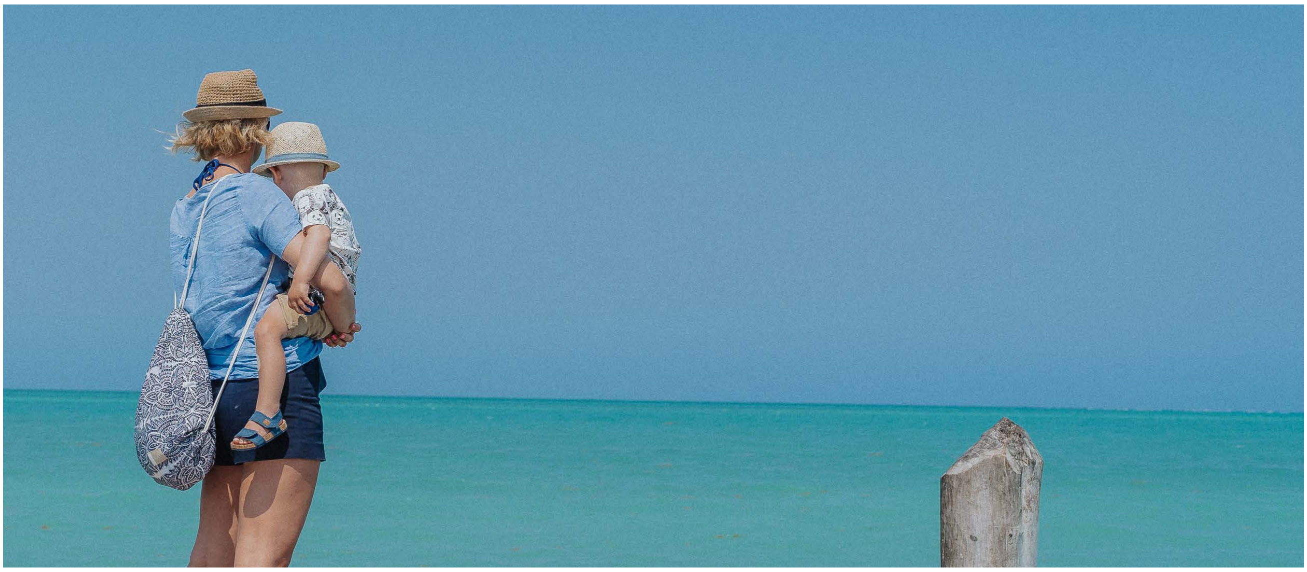
Similarly, in 2019, the Diversity Committee was created to deal with matters related to diversity and gender equality, with periodic quarterly meetings, and comprising collaborators from different areas of the Entity.

As one of the entities adhered to the UN World Compact, which works in favour of the peace, the security and the sustainable development, at UCI, we have incorporated the World Compact principles in all of the entity's areas, as part of our operations, business culture and long-term strategy.

Although, due to the environment in which the Entity develops its activity and to products and services traded by us, matters related to forced and child labour are not material for the organisation, the adherence to the World Compact entails supporting the elimination of any kind of forced work or performed under coaction and the eradication of child work.

Additionally, the Corporate Responsibility Policy establishes responsible action principles, which include the promotion and respect for human rights in the territories where UCI is present, in agreement with universal principles and with the contribution to the Sustainable Development Goals in which the entity has a direct impact.

In relation to the compliance with fundamental conventions of the ILO (including freedom of association and protection of the right to organise, the fight against discrimination in employment and occupancy, the elimination of forced or compulsory work, as well as the effective abolition of child labour), UCI, operating both in Spain and in Portugal, considers that there are no significant risks of non-compliance.



5. A Great Place To Work

When the world locked down we opened ourselves up to new ways of working,

UCI Hipotecas para vivir

5.1. Employment

As specialists in homes, we have always wanted to be more than a place to work, and become a 'second home' for anyone who is part of UCI.

In 2020, the international consulting entity Great Place to Work® has recognised us as a great place to work, one of the most prestigious distinctions in the area Human Resources at national and international level.

This recognition is a gratifying award for our work in the staff development, ongoing training and motivation. Also, it also grants a distinction to our involvement in the improvement of the quality of our employees' work life and work-personal life balancing.

In its awarding, Great Place to Work® requires entities to comply with demanding international standards in the development and management of teams, assessed through two key indicators. On the one hand, entity's valuation questionnaires answered by the employees and, on the other, an audit to assess the entity in order to analyse the employees' level of satisfaction at work.

Currently our team counts with 630 people, 58% of whom are women and 42%, distributed in our Madrid HQ, our 25 agencies in Spain, and 8 in Portugal.

In 2020, we incorporated 18 people to our entity, in Spain, 55% of whom had an indefinite-term contract, which reveals our commitment with the generation of stable quality employment. Also, we strive to retain the talent of professionals who are already part of UCI, through training, internal promotions, and guaranteeing a safe, healthy, equal working environment, where balancing measures are implemented.

In this line, in 2019, we implemented in Spain the People and Culture strategic project, which has continued being developed during 2020. This project unites a series of initiatives related to the HR area with two main objectives: to build and develop a people management culture based on talent, understanding talent as the sum of three elements, performance, potential and motivation of each collaborator, generating appropriate tools to manage such talent and allowing collaborators to lay the foundations to work in their own development. Moreover, we try to develop the entity's culture, to adapt it to the society's needs and demands, and to challenges faced by us as entity.

Scan me to watch the wideo about

Employment

In order to achieve these objectives, several projects have been developed:

• The project "We are Talent", which works on a management per objectives, in the development of a talent mapping and in the renewal of the performance appraisal process.

• "We are Diversity", which incorporated policies and initiatives to incorporate diversity as a key element of the entity's culture.

• "We are AGILE", which tries to transform working methodologies, incorporating AGILE methodologies, empowering the collaborators, and favouring the collective knowledge and intelligence.

Part of the strategic project has also been the work developed by the Corporate responsibility area to build the organisation's Corporate responsibility action plan.

5.2. Work organisation

98.7% of our staff in Spain counts with an indefinite-term contract and all of our professionals benefit from a Remuneration Policy that guarantees an appropriate remuneration system.

At UCI, we offer multiple social benefits to our collaborators, adding them in 2018 in Spain to the Working Flexibility policy or Flexiworking, which tries to facilitate gender diversity through the improvement in the balancing of family and professional life and the improvement of productivity, commitment and pride of belonging.
In recent years, there have been very important changes in the technological field, as well as in the model of work. These changes, additionally, have accelerated during 2020 and are causing a structural transformation in labour relationships.

At the beginning of March, we implemented the remote working modality to contribute to slowing down the contagion of the coronavirus, COVID-19, based on the recommendations received from the central and regional government. This measure was extended to the HQ workers in Madrid and to 25 commercial agencies, for an indefinite period of time.

This measure was implemented in the entity in a generalised manner, in only two days, given that this formula was already regularly used for some posts. Also, UCI counts with a great number of cloud applications, mainly collaboration tools, which have also eased the implementation of the remote work.

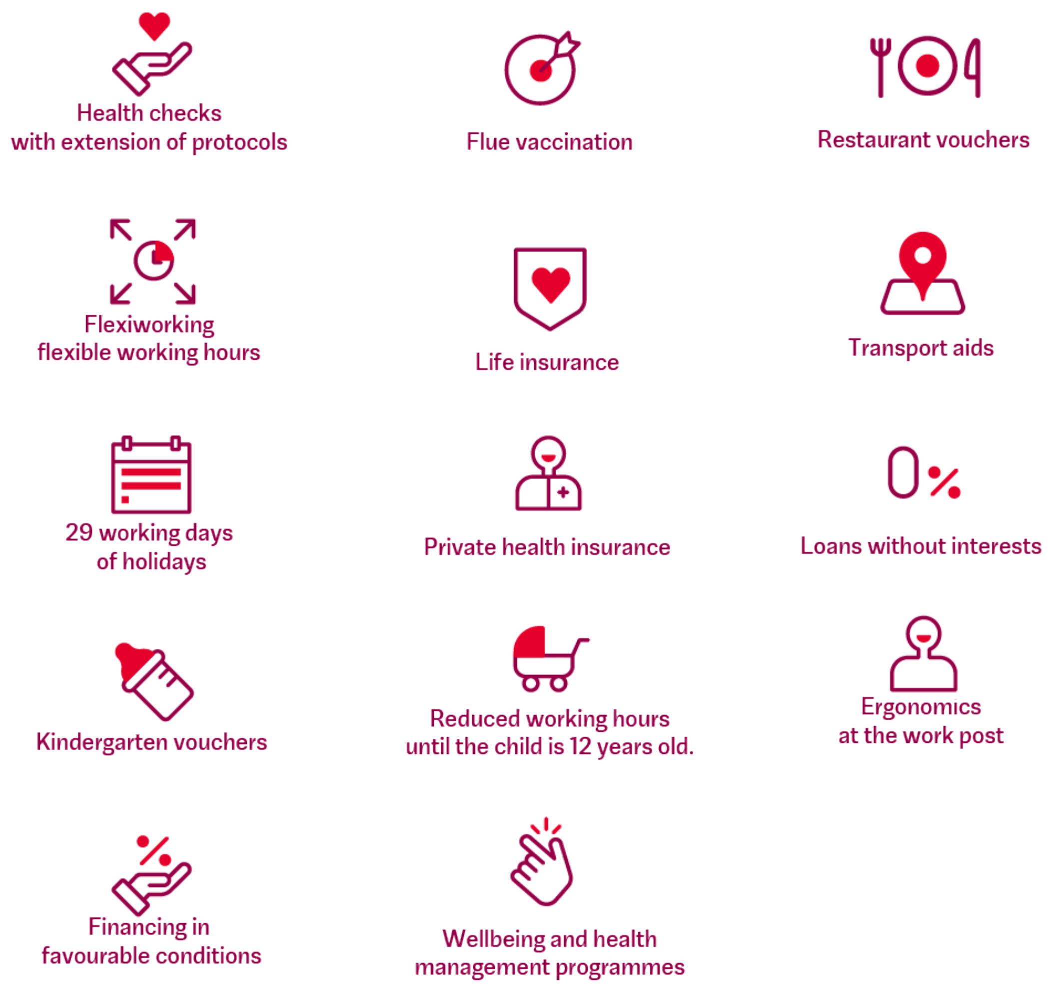
In order to ensure the good implementation of the remote work, we created a Manual of the Remote Work with key indications to organise the work from home, or ease the access, connection and use of tools that allowed keeping contact and remote meetings.

In line with the above, being able to manage team at remote level also implied a challenge, and therefore we indicated guidelines on how to establish a routine with the team to promote the cohesion and contact, hold a daily video-call, first thing in the morning, establish weekly SMART objectives and simple KPIs to follow the activity with each collaborator.

Remote work and digitalisation had led to a phenomenon of "digital interconnectivity" to which all of us must adapt, and from which we have still much to learn. In this context, the concepts of place and time of work, as elements to define the framework in which our labour activity will develop, dilute into a more complex reality.

In this context, at the end of 2020, we have implemented a Digital Disconnection Policy that will guide us in this new model of work, allowing us to combine the "digital interconnectivity" with the balancing of our professional and personal life in a more decisive and efficient manner. The objective of this initiative is to reinforce measures implemented in this matter, which will continue to be developed throughout 2021.

Social Benefits in Spain



The following tables show the main figures on the total number and distribution of employees

Employees UCI Spain

		2020		2019	
Employees per gender (total no. and %)	Women	311	57.49%	309	56.39%
	Men	230	42.51%	239	43.61%
Employees per age (total no. and %)	‹ 25 years	1	0.18%	4	0.73%
	25-40 years	122	22.55%	145	26.46%
	› 40 years	418	77.26%	399	72.81%
No. of nationalities		12		11	
Immigrant employees (total no. and %)		20	3.70%	22	4.00%
No. of employees with disability (total no. and %)		3	0.55%	4	0.73%
No. of employees per professional classification (total no. and %)	Senior management	18	3.33%	18	3.28%
	Management	10	1.85%	10	1.82%
	Manager	93	17.19%	93	16.97%
	Collaborator	420	77.63%	427	77.92%
TOTAL		541		548	

Employees UCI Portugal

		2020		2019	
Employees per gender (total no. and %)	Women	52	58.43%	52	59.09%
	Men	37	41.57%	36	40.91%
Employees per age (total no. and %)	‹ 25 years	1	1.12%	2	2.27%
	25-40 years	26	29.21%	28	31.82%
	› 40 years	62	69.66%	58	65.91%
No. of nationalities		2		2	
Immigrant employees (total no. and %)		1	1.12%	0	0.00%
No. of employees with disability (total no. and %)		0	0.00%	0	0.00%
No. of employees per professional classification (total no. and %)	Senior management	1	1.12%	1	1.14%
	Management	6	6.74%	5	5.68%
	Manager	26	29.21%	26	29.55%
	Collaborator	55	62.92%	56	53.64%
TOTAL		89		88	

Modality employment contracts UCI Spain

	2020		2019	
Full-time temporary contracts (total no. and %)	7	1.29%	6	1.09%
Full-time indefinite-term contract (total no. and%)	531	98.15%	540	98.54%
Part-time temporary contracts	1	0.00%	0	0.00%
Part-time indefinite-term contract	3	0.55%	2	0.36%
TOTAL	541		548	

Modality employment contracts UCI Portugal

	2020		2019	
Full-time temporary contracts (total no. and %)	12	13.48%	12	13.64%
Full-time indefinite-term contract (total no. and%)	76	85.39%	74	84.09%
Part-time indefinite-term contract	1	1.12%	2	2.27%
TOTAL	89		88	

The following table shows data related to the average of UCI employees in Spain and Portugal. Its calculation only takes into account the percentage of employees' annual permanence, not considering the percentage of their working hours:

Annual average of contract modalities per gender UCI Spain

	2020		2019	
	Women	Men	Women	Men
Annual average full-time temporary contracts	4.92	1.25	6.58	4.58
Annual average full-time indefinite-term contract	303.08	229.33	301.58	236.16
Annual average part-time temporary contracts	0.00	0.00	0.00	0.00
Annual average part-time indefinite-term contract	1.75	1.42	1.0	1.0
TOTAL	309.75	232.00	309.17	240.75

Annual average of contract modalities per gender UCI Portugal

	2020		2019	
	Women	Men	Women	Men
Annual average full-time temporary contracts	8.00	4.00	7.25	5.00
Annual average full-time indefinite-term contract	43.75	33.00	42.58	30.92
Annual average part-time temporary contracts	0.00	0.00	0.00	0.00
Annual average part-time indefinite-term contract	1.00	0.00	2.00	0.00
TOTAL	52.75	37.00	51.83	35.92

Annual average of contract modalities per age UCI Spain

	2020			2019		
	Below 25 years old	From 25 to 40 years old	Above 40 years old	Below 25 years old	From 25 to 40 years old	Above 40 years old
Annual average full-time temporary contracts	0.17	0.83	5.17	3.00	7.17	1.00
Annual average full-time indefinite-term contract	2.08	405.17	125.17	2.08	149.75	384.92
Annual average part-time temporary contracts	0.00	0.00	0.00	0.00	0.00	0.00
Annual average part-time indefinite-term contract	0.00	2.17	1.00	0.58	1.00	0.42
TOTAL	2.25	408.17	131.33	5.66	157.92	386.34

Annual average of contract modalities per age UCI Portugal

	2020			2019		
	Below 25 years old	From 25 to 40 years old	Above 40 years old	Below 25 years old	From 25 to 40 years old	Above 40 years old
Annual average full-time temporary contracts	1.00	9.00	2.00	0.00	9.92	2.33
Annual average full-time indefinite-term contract	0.00	17.00	59.75	1.25	17.75	54.50
Annual average part-time temporary contracts	0.00	0.00	0.00	0.00	0.00	0.00
Annual average part-time indefinite-term contract	0.00	0.00	1.00	0.00	0.00	2.00
TOTAL	1.00	26.00	62.75	1.25	27.67	58.83

Annual average of contract modalities per professional classification UCI Spain

	2020				2019			
	Senior management	Management	Manager	Collaborator	Senior management	Management	Manager	Collaborator
Annual average full-time temporary contracts	0.00	0.00	0.00	6.17	0.00	0.00	0.00	11.17
Annual average full-time indefinite-term contract	18.00	10.00	91.83	412.58	18.83	10.00	90.42	417.50
Annual average part-time temporary contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Annual average part-time indefinite-term contract	0.00	0.00	0.00	3.17	0.00	0.00	0.00	2.00
TOTAL	18.00	10.00	91.83	421.92	18.83	10.00	90.42	430.67

Annual average of contract modalities per professional classification UCI Portugal

	2020				2019			
	Senior management	Management	Manager	Collaborator	Senior management	Management	Manager	Collaborator
Annual average full-time temporary contracts	0.00	0.00	0.00	12.00	0.00	0.00	0.00	12.25
Annual average full-time indefinite-term contract	1.00	6.00	26.00	43.75	1.00	5.00	25.42	42.08
Annual average part-time temporary contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Annual average part-time indefinite-term contract	0.00	0.00	0.00	1.00	0.00	0.00	0.00	2.00
TOTAL	1.00	6.00	26.00	56.75	1.00	5.00	25.42	56.33

Classification of the number of dismissals UCI Spain

		2020	2019
No. dismissals per gender	Women	1	3
	Men	4	7
No. dismissals per age	<25 years	0	0
	25-40 years	1	1
	>40 years	4	9
No. dismissals per professional classification	Senior management	0	1
	Management	0	0
	Manager	2	2
	Collaborator	3	7
TOTAL		5	10

Classification of the number of dismissals UCI Portugal

		2020	2019
No. dismissals per gender	Women	0	0
	Men	0	0
No. dismissals per age	<25 years	0	0
	25-40 years	0	0
	>40 years	0	0
No. dismissals per professional classification	Senior management	0	0
	Management	0	0
	Manager	0	0
	Collaborator	0	0
TOTAL		0	0

The following table details data on the average remuneration of UCI in Spain and Portugal. Amounts correspond to the remuneration perceived by employees at year-end closing, including the salary's fixed concepts:

Employees' average remuneration UCI Spain

		2020	2019
Average remuneration per gender	Women	28,732.80 €	27,670.29 €
	Men	36,116.35 €	35,009.63 €
Average remuneration per age	‹25 years	19,050.48 €	21,086.22 €
	25-40 years	25,496.27 €	24,429.45 €
	›40 years	33,763.31 €	33.310.29 €
Average remuneration per professional classification or equal value	Senior management	95,818.81 €	94.613.53 €
	Management	56,778.75 €	56,735.13 €
	Manager	41,224.14 €	40,552.36 €
	Collaborator	26,467.36 €	25,469.92 €

Employees' average remuneration UCI Portugal

		2020	2019
Average remuneration per gender	Women	19,408.48 €	14,428.66 €
	Men	31,154.63 €	24,637.87 €
Average remuneration per age	‹25 years	14,548.00 €	10,314.29 €
	25-40 years	16,277.80 €	13,929.54 €
	›40 years	27,947.26 €	21,289.51 €
Average remuneration per professional classification or equal value	Senior management	137,209.94 €	116,228.52 €
	Management	60,670.38 €	52,626.73 €
	Manager	27,215.14 €	21,522.68 €
	Collaborator	16,976.88 €	12,964.97 €

Salary gap UCI Spain(1)

	2020	2019
Senior management	1.37	1.35
Management	1.15	1.15
Manager	1.10	1.11
Collaborator	1.03	1.02

Salary gap UCI Portugal (1)

	2020	2019
Senior management	N/A	N/A
Management	0.53	N/A
Manager	0.88	1.08
Collaborator	1.09	1.02

(1) For the same professional category, the remuneration of men has been divided by that of women

The following table details the remuneration of board members and directors, including the variable remuneration, allowances, indemnities, payment to long-term savings systems, and any other perception, per gender:

Average remuneration of board members and directors Spain (1)

	2020	
	Women	Men
Average remuneration board members	-	14,000.00 €
Average remuneration directors	86,895.19 €	149,854.18 €

(1) The single female board member waives to the perception of remuneration and allowances, as well as the two male board members, who are part of this average.

Average remuneration of board members and directors Portugal (1)

	2020	
	Women	Men
Average remuneration board members	-	-
Average remuneration directors	-	182,398.95 €

(1) This group comprises employees with professional category of Senior management.

5.3. Health and security

Before the lockdown, less than 8% of workers in Spain had the option to remote work; currently, this figure is above 20%, according to some published estimates. This new way and methodology has triggered the creativity and new formulas in HR and Talent Management departments to motivate its employees remotely, and to be able to continue counting with a team vision joined and committed to the corporations' values.

Concerning Health and Wellbeing at work, in 2020, UCI's HR Management has implemented actions to ensure the good health and labour security of its employees.

Payroll's care and health

In 2020, we have reformulated the initiative 'Cuídate Corazón' - launched in 2017- to help improve the quality of life of our employees and reduce the risk of cardiovascular accidents-, which has now been called 'Cuídate Corazón en Casa'.

This new initiative helps to improve our personnel's health and covers a portfolio of comprehensive solutions on the care of the quality of life of people and their organisations.

It is a nutrition and training programme, developed together with Freedom and Flow Company, for UCI employees and their relatives to be able to follow cardio and nutrition sessions, yoga, Zumba and Pilates classes, or learn tricks for the digital disconnection during the work in lockdown and thus to help them to establish frontiers between the personal and labour life.

Also, during the months of lockdown, UCI closed a collaboration agreement with Stimulus, a company of reference in emotional care, to make available to employees and families a team of psychologists to help them to identify and better understand their emotions, thoughts and conducts at such a complicated moment.

Health of our staff in the covid-19

Given the easiness of contagion of the coronavirus and the human interest of our personnel for their colleagues' wellbeing, it is necessary to train our employees in their health status, anonymously, but indicating the number of people within the team with symptoms, confined or recovered, during this pandemic, in addition to offer advice in the care and protection against the virus.

Security of our personnel

As measures for the labour risk prevention, adapt work posts is one of the determining factors to ensure the good health and security at work, also from home. It is important to count with stable tables, without corners that could cause a bump, ergonomic chairs for a good posture when working, counting with an illuminated place to work and appropriate computer equipment. Being aware of the above, from the start of the lockdown, UCI provided ergonomic chairs to workers who did not have one at home, and also sent computer screens, laptops or headsets to count with all the necessary material and ease the remote work in full security.

Labour risk prevention

Contributing to our workers' security and health is a permanent objective in the HR management, and therefore, on April 2020, we have carried out an internal statutory audit of our LRP management system.
On July 2020, UCI has become one of the first financial entities in being certified with AENOR for its action protocols against the COVID-19. This certification guarantees an appropriate implementation and adaptation of security and hygiene measures at the entity's work centres.

The objective was to contrast that protocols applied by UCI follow an appropriate methodology, guaranteed by AENOR. This is based on the expertise of AENOR in the company's implementation of protocols related to best practices in the field of security and health at work; as well as in recommendations and requirements, issued by different bodies, such as the Ministry of Health or the National Institute of Security and Hygiene at Work.

On June, we created the portal COVID, as a website that integrates all the Information available on the covid, and to know the health status of the entity's staff in relation to the COVID.

We are governed by the sector Bargaining Agreement ASNEF - Asociación Nacional de Establecimientos Financieros de Crédito (Spanish Association of Credit Institutions). Article 27 on Health surveillance indicates that entities will guarantee to employees the periodic voluntary surveillance of their health condition, based on risks to which the employee is exposed, with a particular valuation of risks that could affect female workers who are pregnant or have recently given birth, and staff particularly sensitive to certain risks, applying the Protocol of Health Examinations for PVD users of the Ministry of Health (visual function examinations, musculoskeletal symptoms, task's characteristics and assessment of the mental workload) or substituting regulations.

Moreover, visits have been made to new work centres to assess new openings after performing reforms or substantial modifications, in addition to preventing planning to implement corrective measures. Also, and in order to count with spaces protected against the COVID, UCI has implemented collective protection means, such as protection screens, signage, and individual protection means: masks, virucidal solutions, etc.), both for centres and for UCI employees, to guarantee their security and health.

Both in Spain and in Portugal, we have carried out emergency plans and drills in different working centres, as well as specific fire-emergency training courses for all emergency team members. Also, people integrated in the emergency team have been introduced in a collective accident insurance through Liberty. Our Madrid headquarters count with a defibrillator, complying with the regulation of the Health Department of the Community of Madrid, which establishes that working centres with more than 250 workers have the obligation to install them. We report below on the information regarding absenteeism and frequency and severity of labour accidents and professional illnesses detailed per gender.

The following table details the rate of absenteeism of UCI in Spain and Portugal:

Rate of absenteeism Spain in percentage (%)

	2020	2019
Professional contingencies	0.01	0.24
Common contingencies	1.96	2.37

Rate of absenteeism Portugal in percentage (%)

	2020	2019
Professional contingencies	0	0.02
Common contingencies	0	0.35

*(2) (Days of leave per year *100) / (Days month * Affiliated workers month)*

The following table details the main figures in Health and security at work, for UCI in Spain and Portugal:

Health and security at work UCI Spain

	2020		2019	
	Women	Men	Women	Men
Frequency labour accidents	1.87	2.53	9.5	2.4
Frequency professional illnesses	0	0	0	0
Severity labour accidents	0.01	0.03	0.2	0.2
Severity professional illnesses	0	0	0	0

(5) Frequency Index: (no. of accidents with leave, including accidents in itinere/no. worked hours) x 1,000,000
Severity index: (Working days lost for labour accident, including those due to accidents in itinere and relapses/no. worked hours) x 1,000

Health and security at work UCI Portugal

	2020		2019	
	Women	Men	Women	Men
Frequency labour accidents	0	0	0	2
Frequency professional illnesses	0	0	0	0
Severity labour accidents	0	0	0	0.02
Severity professional illnesses	0	0	0	0

In Spain, there have been 2 working accidents with leave among the entity's employees, corresponding to 1 woman and 1 man. In turn, there has not been any work accident for UCI employees in Portugal.

5.4. Social relationships

With regard to employees covered by Collective Bargaining Agreement per country, as commented in the previous section, the entity is governed by the sector agreement ASNEF, Asociación Nacional de Establecimientos Financieros de Crédito in Spain.

Labour relationships Spain

	2020	2019
No. collective bargaining agreements	1	1
% of covered employees	100%	100%

Labour relationships

	Spain	Portugal
No. collective bargaining agreements 2019	1	0
% of covered employees	100%	0%

5.5. Diversity

The companies' policy is a reflection of the society in which they operate. This society is changing, and we must change with it.

UCI Spain has carried out different awareness and support actions towards integration and diversity.

In order to guarantee the integration and universal accessibility of disabled people, the following actions have been performed:

· Process for the adaptation and integration in HQ post: special chairs, evacuation chair, footrest, ergonomic pads, vertical mice, high-resolution screens, and screen lifters, and voice software.
· The Prevention Service offers the possibility to provide sensitive workers, at their request, with footrests and/or special ergonomic chair to achieve a better adaptation to the post.
· At the headquarters, there is the possibility to lend a parking space to the sensitive worker, at their request, if it was available.
· By means of a risk assessment in each working centre, specially relevant risks will be analysed for sensitive workers.

In 2018, we elaborated and validated several policies to promote equality of treatment and opportunities between women and men in matters related to new staff incorporations, promotions or mobility within the entity, publishing, in 2019, the White Paper of Diversity, which includes the following:

· General Gender Diversity policy
· Selection policy
· Internal Mobility and Promotion Policy
· Flexible working policy
(implemented in 2018)

In 2019 and 2020, we have collaborated with special employment centres, such as Prodis, Iparvending, Disber or Fundación Juan XXIII Roncalli, which are already regular suppliers.

Every year, different parameters are analysed to measure possible existing inequalities within the Organisation, and action bases are established with extracted data for the following year. In 2019, a new Protocol against sexual and gender harassment was published, in order for those established whistleblowing channels to be accessible for all staff.

In 2019, the Diversity Committee was created, to deal with matters related to diversity. This committee includes collaborators from different areas within the Entity and holds quarterly meetings.

Apart from these actions, there are initiatives aimed to raise awareness and support the integration of the diversity. In 2020, we have implemented an awareness campaign on the LGTB visibility in companies. This campaign, both internal and external, was complemented with two training workshops given by COGAM (LGTB community of Madrid), on terminology and conflict resolution, and a chat, which counted with 98 attendees.

In 2020, the Guideline on Inclusive Language was published, coordinating its dissemination to the different UCI Group's brands to promote the representation of everyone.

In order for new employees to know the entity's commitment with the diversity, we have worked in the candidates' onboarding, incorporating the White Book of Diversity and a presentation of actions performed by the entity.

Moreover, in 2020, the entity has provided support to the association WIRES (Women in Real Estate), which objective is to give visibility to women in the real estate sector, a collaboration that has also been internally promoted through a chat on women's leadership, in order to raise awareness among our workers.

At the end of 2020, to continue deepening in this line of work, a specific community was created on diversity in the new internal social network.

5.6. Training

At UCI, we consider that promoting the development of our employees' skills has a positive bidirectional impact. Through training, we search for the specialisation of our professionals and the improvement of their skills.

In addition to compulsory training courses, necessary for the regulatory compliance, there is available for our employees a series of technical and skills training courses for free, which can be requested and are integrated in the employee's training file.

Moreover, the entity provides all employees or specific groups with the necessary training for the correct progress of the business. In 2020, 72.20% of training sessions made in Spain were given by external suppliers.

Given the circumstances and the remote work modality, e-learning training courses in Spain represent 84.30% of the total, while on-site training courses represent 13.30%. The average of training hours per person is of 26.67 in Spain, 30.88 in Portugal and 0.97 in Greece.

Concerning the gender of participants, in Spain, 57.37% were men and 42.63% were women.

The following table details training hours to employees per professional category.

Hours of training per professional categories (Spain and Portugal)

	Variation 19-20 (%)	2020	2019
Collaborator	-36%	12.993	20.201
Manager	-32%	3.791	5.571
Director	-39%	935	1.545
TOTAL	-35%	17.719	27.317

5.7. Internal communication

The ongoing dialogue and active listening are elements that allow UCI placing its collaborators in the centre, knowing their opinions and needs, and receiving ideas to contribute to the ongoing improvement.

Also, in order to contribute to the employees' security and confidence, during the months of lockdown, a daily communication was made to all personnel, reporting on cases of people affected by the COVID-19, anonymously, as well as advices in the care and protection against the virus.

New initiatives have been progressively included within the programme, such as the following:

• Virtual breakfasts with General Management: on a periodic manner, a breakfast is held between some employees (in a rotating way) and the CEO, in order to keep in touch with the management and be able to express their concerns and questions. The breakfast is sent to each participant's home.

• HUB chats: members of the management team share data with the totality of the payroll on the entity's evolution and actions that are being implemented. In these chats, any employee can formulate their questions to any management team member.

• Challenges to motivate and promote family activities; these are challenges launched to employees to sign songs in family, show how they exercise, children's drawings… The best ones are awarded with a subscription to a streaming platform.

These initiatives, promoted in 2020, have complemented the entity's existing on and off-line channels.

On and off-line channels

"El Patio" is UCI's digital newspaper, elaborated by employees, which gathers the Organisation's current information. Also, this website, launched in 2016, is a meeting point for collaborators to know what is being done and how, as well as a channel to share knowledge and recognition. Following the same philosophy, in 2017, UCI Portugal launched its own edition of "El Patio".

In addition to these internal communication channels, UCI's Corporate Intranet centralises all employees' services and makes available all corporate and business information.

Moreover, at UCI, we count with other communication means, such as daily newsletters to report the market news to our staff, monthly newsletters on the business evolution or on demand for occasional communications.
The internal communication department also counts with indicators to measure employees' access rates to the different web media, their interaction in the blog and social network, as well as the reading of the different mailings sent.

In 2017, the Entity launched "El Batido", the internal communication magazine which reports on the employees' more personal facets, in addition to the Entity's aspects. It is a support to create synergies within UCI, which is quarterly distributed to all staff.

In addition to these communication means, there are annual events held for managers (UCIWay) or to all staff (UCIDay).

Ágora, the online corporate network that allows all collaborators in Spain to share their professional experiences, participate in debates, and propose improvement ideas for the Entity, will be substituted by Yammer in 2021.

6. The client at the heart of our activity

Our greatest interest, staying by your side from start to finish.

UCI Hipotecas para vivir

6. The client at the heart of our activity

Consumer protection has currently become the core axis of the companies' action and, in particular, in the financial sector.

There are new national, international and local regulations every day, with the intention to ensure the highest and best understanding by consumers of products offered in the market in general, and in the financial market in particular, while ensuring the clients' rights.

In Spain, the entry into force of the Real Estate Credit Contract Law, in 2019, incorporated new obligations for entities with regard to information to be provided to clients, for the purpose of extending and reinforcing consumers' protection, and guaranteeing their rights.

In addition to the compliance with the regulation in force, at UCI, we commit to a customer centric business model, that is to say, a model focused on maintaining a relationship with our client that goes beyond the simple act of contracting of a loan or the purchase of a estate. Our commitment is to offer a quality service and products, adapted to our clients' circumstances, competitive and, in turn, sustainable in our environment, providing value to our clients and to the society.

In order to guarantee these principles, on September, we approved a Consumer Protection Policy, comprising principles that must govern our professional activity.

These principles are the following:

• Fair and respectful treatment. Respect and honesty with the client, best practices and high ethics standards, as well as clarity and transparency.

• Design of customer-centric products and services. Transparent products and services, appropriate for the clients' needs. Competitive and balanced.
• Transparency in the communication with the client.
• Responsible prices.
• Consideration of the clients' particular circumstances and prevention of over-indebtedness. Responsible granting of loans; bespoke analysis of payment difficulty situations.
• Data protection. Appropriate data processing.
• Management of Claims. Accessibility, independence, reasoned resolution and root-cause analysis for an ongoing improvement.
• Financial education. Clear and transparent information with the client, on the product or service.
• Responsible innovation. New services and communication channels, guaranteeing the client's accessibility and easiness.

In view of the extraordinary, unprecedented situation in our country, derived from the health crisis, in 2020, homes have become a real shelter. In this sense, UCI has wanted to remain close to our clients, adopting solutions that cover the largest number of people in situation of vulnerability.

People with a mortgage in force with UCI have been able to adopt the mortgage moratorium announced by the Government through the Royal Decree-Law 8/2020, of 17 March, of urgent extraordinary measures to face the economic and social impact of the Covid-19, and of Royal Decree-law 11/2020, of 31 March, adopting urgent complementary social and economic measures to face the Covid-19.

Also, UCI has extended this measure by adopting the one promoted by Asociación Nacional de Establecimientos Financieros de Crédito (ASNEF), which considers an additional private moratorium for those clients who cannot access to the cases mentioned by Royal Decree.

Additionally, at UCI, we have continued working to facilitate the access to housing, given all facilities to those clients who decide to continue with their acquisition, offering at least the same level of quality service, through remote work.

In 2020 the number of mortgages signed in Spain and Portugal has been of 4,500, 2,926 in Spain and 1,265 in Portugal, an increase by 1.87% with regard to 2019.

Number of formalised mortgages (Spain and Portugal)

Key information	2020	2019
Number of signed mortgages Spain Number of signed mortgages Portugal	4,500	4,191

6.1. Satisfaction and recommendation

The measurement of our clients' satisfaction is one of our concerns. Therefore, we work with platforms and tools to allow us to know their feedback on the quality of our services, processes and products.

In 2020, we have maintained our collaboration with the independent platform of transaction-based assessments, eKomi, The Feedback Company. This platform collects, analyses and shares verified clients' opinions and valuations and includes them in an independent online platform.

The rating in 2019 in Spain has been made with the valuations of 2,302 clients.

Valuations ekomi clients Spain

Key information	2020	2019*
Clients UCI	9.6/10	9.6/10
Clients hipotecas.com	9.7/10	9.7/10
"Clients IB"	9.7/10	9.8/10

In Portugal, the valuation through ekomi started on July 2018. At 2020 closing, the rate of response was of 87% over 1,019 clients.

Valuations ekomi clients Portugal

Key information	2020	2019
Clients UCI	4.84/5	4.8/5

In 2020, and due to the pandemic situation caused by the Covid-19, UCI decided to paralyse the performance of client surveys, and therefore the data of 2020 correspond to the months of January and February, resuming the surveys on November and December 2020.

Meanwhile, UCI has been working in the new model to measure the customer experience, which is expected to be implemented during 2021.

Perceived quality clients Spain

Key information	2020	2019
Satisfaction level	99.45%	98.9%
Recommendation level	98.63%	97.33%

Calidad percibida clientes Portugal

Key information	2020	2019
Satisfaction level	91.3%	92.8%
Recommendation level	99%	98.0%

At UCI, we also take into account the satisfaction of our clients at after-sale stage, both for those who have contacted by phone the service "in line with your credit", and for those who have not contacted the after-sale services in the last year.

Perceived quality Clients After Sales (no Contact on line with the credit)

Key information	2020		2019
	After sales without contact	After sales with contact	
Satisfaction level	91.76%	96.88%	93.67%
Recommendation level	81.76%	86.67%	84.81%
Satisfaction Web Client	100%		96.97%

6.2. Claims and customer care service

UCI counts with a customer care service to channel and solve claims received, and to offer an appropriate care to its clients.

The detail of banking claims at 2020 closing is the following:

Complaints/claims from clients Spain

Key information	2020	2019
Total no. of client complaints received	4,022.00	2,340.00
No. resolved complaints favourable to the client	378.0	387.0
No. resolved complaints unfavourable to the client	3,316.00	1,874.00
No. admissions	0.00	0.00
No. complaints to be resolved	328	79.00

Complaints/Claims from clients Portugal

Key information	2020	2019
Total no. of client complaints received	19	37
No. resolved complaints favourable to the client	12	18
No. resolved complaints unfavourable to the client	7	19
No. complaints to be resolved	8	0

6.3. Recovery policies

Since 2014, UCI is one of the entities adhered to the Code of Best Practices to improve the economic and social situation of families with payment difficulties. However, the entity's commitment for the search of solutions is not limited to the group subject to protection in the code.

Our recovery departments carry out best practices that allow them to anticipate the clients' defaults, performing a customised monitoring for the purpose of searching for solutions adapted to each client. Among these solutions, we offer restructuring operations, commercial leases adapted to the client's income, as well as accord and satisfaction, or other agreements.

Agreements with clients

Key information	2020*	2019
Restructuring operations	7.828	7.633
Definitive solutions**	490	750

**Data on restructuring operations signed in 2020 do not include moratoriums*
***Definitive solutions include debt property swaps and sales mandates signed in 2020.*

With regard to requests sent by clients who undergo payment difficulties, since the Entity's adherence to the Code of Best Practices, the Entity reports and responds to clients, based on this regulation, in order to improve the situation of families who undergo a complicated economic and social situation.

The following table shows requests of adherence to the Code of Best Practices admitted and approved during the year.

Adhesions to the Code of Best Practices

Key information	2020	2019
Admitted requests	146	268
Approved requests	88	170

Also, since 2017, we formalised the adhesion of UCI España to the Fondo Social de Vivienda (Social Housing Fund, FSV) with the contribution of 25 estates from our portfolio, available for citizens who complied with the requirements to opt for a FSV house. Also, we created the website fondosocialdevivienda.uci.es, which remains in operation to offer the necessary information to those interested in the fund.

Social Housing Fund (FSV)

Key information	2020	2019
FSV	The 25 houses are maintained.	The 25 houses are maintained.

7. Contribution to the society

We promote people's economic and social development. Agenda 2030

UCI Hipotecas para vivir

7. Contribution to the society

At UCI, we contribute to the economic and social development of the community through our own activity and through the social investment in projects to support underprivileged groups. In this sense, our responsible commitments with the society are the following:

- Support the progress of societies where we are present, through the housing credit activity.
- Provide support to educational programmes, with special focus on financial education and future skills, in order to promote education in savings and responsible consumption.
- Favour the guidance to young people for their professional experience and working future.
- Promote the support to vulnerable groups.

In order to make contribution effective, the Group, since 2020, counts with a Social Action Policy with 4 specific lines of action to contribute in the social improvement of communities in which the entity develops its activity. These are the following:

Commitment with the Education as essential leverage for the development and autonomy of people particularly in the most vulnerable groups. In this line, it will be particularly relevant anything related to the Financial Education, due to the field in which UCI develops its activity. Promotion and collaboration in initiatives related to the Environment that contribute to the improvement of the environment and promote responsible and sustainable practices of resources.

Sustainable housing in order to support actions aimed to improve the life of homeless people, correct situations of energy poverty and any other field related to the housing, particularly in cases of vulnerability.

Support to the social wellbeing, understood as the group's contribution to improve the health, the quality of life and the care of people in situations of social exclusion, caring for the diversity. Under this caption, the group will care fore humanitarian situations derived from natural catastrophes in the communities in which UCI is present, due to its business.
Naturally, UCI's social action, in 2020, has been importantly affected by the health and economic crisis caused by the Covid-19. In the field of health, we have collaborated with Cruz Roja España in the initiative of Accommodation for lockdown measures of special homeless groups, also in the donation of masks to Hospital Gregorio Marañón of Madrid at moments of scarcity of health material.

Moreover, we responded to the request for help from the Madrid Food Bank which, during the hardest months of the pandemic, was receiving 80% less of food than usually, despite the greater demand, contributing to the campaign 'Emergencia Covid-19 Operación Kilo online'.

In this same line, we collaborated in the donation of food for families in situation of vulnerability in Jerez de la Frontera (Cádiz), together with the city council.

Concerning the education, in 2020, we have collaborated with a scholarship of Fundación Dádoris, which provides financial support and protection to university students with high skills and demonstrated performance, but without economic resources to continue in higher studies.

Also, we have collaborated, for the sixth consecutive year, in the programme Tus Finanzas, Tu Futuro, organised by Fundación Junior Achievement and the AEB (Asociación Española de Banca). The purpose of this programme is to promote the financial education among young people, in order for them to start managing their finance and to learn to make decisions in an informed and responsible manner. Seventeen UCI employees have given nine training programmes in six Spanish provinces.

Through Fundación Valora, we have donated school and office material for the summer camp of Fundación Empieza por Educar. These camps are aimed to students who need an extraordinary educational reinforcement, focusing on those who are in disadvantage due to their socioeconomic or sociocultural contexts, which situation has been aggravated by the health crisis.

On December, we launched a donation campaign for Fundación Prodis, in particular for the preuniversity training programme Conecta2, a training course in digital skills, mainly for people with intellectual disability.

The objective of Conecta2 is to offer a digital learning environment to promote the personal development and decrease the digital gap between young people with intellectual disability, thus to be able to contribute to the autonomy, social inclusion, self-esteem and access to employment for these people.

Concerning the social wellbeing, we have participated in the Campaign Una sonrisa por Navidad for the most vulnerable families to count with toys and food in Christmas.

With this campaign, we closed our activity of social action in 2020 with an investment of 47,355 Euros, added to the 13,300 Euros contributed by the personnel. As a whole, the collaboration amounts to 60,655 Euros, focused on three fundamental areas: Social Wellbeing, Health and Education.

Committed to the SDG

Thanks to the different charity actions performed by UCI throughout the year, the entity has been able to contribute to the Sustainable Development Goals. In particular, with our business model, we contribute to the compliance with the SDGs 3, 5, 7, 8, 10, 11, 12, 13, 16 and 17.

On May, within the framework of the commitment with the SDGs and the collaboration with Companies4SDGs, we implemented the initiative #ODSEnCasa, in order to convey basic advices to all stakeholders and to the society, in general, to contribute to the compliance with the SDGs at home.

The first stage of this campaign covered a handbook to implement small initiatives at home. Moreover, throughout 2020 and in 2021, we will carry out new initiatives and challenges to extend the knowledge of SDGs among the society.

On September, we endorsed the UN World Compact, the worldwide initiative that works in favour of the peace, the security and the sustainable development, and represents the greatest example of the commitment to the business sustainability worldwide, with more than 14,000 adhered entities and 183 Spanish entities (17% of the total).

Our adhesion coincided with the 75th anniversary of the United Nations and the 20th anniversary of the World Compact, after signing the Statement in favour of the renewed worldwide cooperation by more than 1,000 business directors from more than one hundred countries, including Roberto Colomer, UCI's CEO.

The UN World Compact and this recent Statement supports the targets of the Sustainable Development Goal 16, of peace, justice and robust institutions. Through this SDG, UCI commits to work in an active manner, as with other SDGs, to comply with the Agenda 2030.

True to our commitment and action for the SDGs, we also adhere to the #apoyamoslosODS, as a consequence of the 5th anniversary of the approval of the Agenda 2030 with its 17 Sustainable Development Goals (SDG), in collaboration with the Global Compact Spanish Network. The objective is to act, from our commitment with the SDGs, as loudspeaker and to achieve a multiplying effect for them to be known and worked upon.

We also highlight our pioneer agreement with the European Investment Bank (EIB) to finance green investments and promote the renovation of existing buildings and the construction of estates with almost nil energy consumption. These investments will be possible thanks to the financing as green mortgage loans and consumer loans that will be traded by UCI and will contribute to the compliance with the SDGs 8, 11, 12, 13 and 17.

7.1 Real estate

The real estate professionals are our travel companions, our allies, who have allowed us to connect people to homes, for more than thirty years, and are a key piece of in our commercial and business model. Currently, we collaborate with 2,000 real estate agencies.

The service delivered by real estate agents is essential for those who acquire a house and for the community where they exercise their profession. Their task requires high standards of quality, responsibility and training. At UCI, we contribute to the compliance with these increasing market demands, implementing initiatives and providing tools for the development and growth of real estate professionals in Spain and Portugal.

Our commitment focuses on ethics and training and originates from 2005, when we signed the agreement to become the local partner in Spain, Portugal and Brazil of RRC (Residential Real Estate Council), former CRS, non-profit organisation born from the National Association of Realtors (NAR), which integrates the best professionals, providing them with knowledge and tools for the development of their activity with the highest efficiency. Subsequently, in 2016, we entered into an agreement with the NAR to act as their representatives in Spain, administer the REALTOR® designation, give their courses, as well as a code of ethics to protect the consumers' interests.

Also, through our area of development professional, SIRA (for its acronym Spanish International Realty Alliance, PIRA in Portugal), which belongs to the subsidiary UCI Servicios para Profesionales Inmobiliarios, we promote courses and training sessions that allow them to develop their business and to anticipate the future.

In 2019, the Law regulating Real Estate Credit Contracts came into force, entailing improvements for the consumer and a turning point in the professionals' work. The standard established a legal system and regulates requirements for the access to the activity and the supervisory regime over the professionals, providing security and transparency to the intermediation in the financing.

Within the annual training catalogue, UCI has offered courses together with Fundación de Estudios Financieros (FEF) to allow the professionals to obtain their certification as Real Estate Credit Informant. A total of 147 professionals decided to enrol during 2020.

In 2020, SIRA has organised 92 courses in Spain and 10 in Portugal, implying an increase of 27.5%. These on-site and online training courses have counted with 2,881 attendees in Spain and 516 in Portugal.

We complemented these training courses with webinars and quarterly informative magazines, Revista Inmobiliarios, in Spain, and Real Estate, in Portugal. In 2020, 110 webinars were organised in Spain, counting with the participation of 7,000 unique attendees. We know that every real estate professional plays an essential role as agent of change. Therefore, we also promote their professional growth with initiatives such as Inmotionate, the greatest event of training and networking for professionals in the country.

On February, we organised a trip to Sell-A-Bration, the CRS annual meeting held in Orlando, which counted with 80 representatives from Spain and Portugal.

In 2020, in view of the important growth in the number of COVID-19 infections in Spain, and considering criteria of prudence and responsibility, it was decided to suspend the XI edition of Inmotionate 2020, expected for June 4 and 5, in Benidorm.

After cancelling this on-site edition, we launched #InmocionateEnCasa, a daily online magazine aimed to real estate professionals. From March to July, this online event, promoted by UCI and SIRA, gathered more than 26,300 attendances among the different programmes, with an average of 752 unique attendees per afternoon to participate in chats and conferences given by outstanding professionals on themes of interest for the sector.

As part of our commitment to contribute to the sustainability of the planet and to the decarbonisation of cities, we consider that the real estate professional is an essential piece in this transformation, as a consequence of which, in 2019, we introduced in our training catalogue the NAR's Green Designation, a training that enables the realtor as expert in sustainable housing.

In line with the entity's strategic Green axis, on November, we promoted Greenmotionate, a virtual encounter that is born in order to help real estate agents to become leaders in the ecologic transition of homes in Spain and to promote the rehabilitation and the creation of more efficient, healthy and sustainable estates.

Spain has a very old housing stock, with an average of 45 years, with buildings made with old materials and infrastructures and with null energy efficiency. Also, 34% of damaging emissions for the atmosphere originate from the residential sector.

This situation reveals the great challenge faced by homes in relation to the ecologic transition, also for the sake of complying with the objectives of the UN Agenda 2030 to reach a sustainable development at social, economic and environmental level. In this objective, the real estate sector plays an essential role when promoting the construction and rehabilitation of more energetic, healthy and environment-friendly houses.

Courses Spain and Portugal

Key information	2020	2019
No. courses Spain	92	115
No. courses Portugal	10	4
No. Attendees Spain	2,881	3,070
No. Attendees Portugal	516	22

Webinars CRS Spain and Portugal

Key information	2020	2019
No. webinars Spain*	110	13
No. webinars Portugal**	0	4
No. attendees Spain	7,000	780
No. Attendees Portugal	0	54

** The June on-site event Inmotionate was cancelled and became a virtual event, almost from the beginning of the state of alert; together with other programmes, such as Personas que Inspiran and Arranca con SIRA, they agglutinated more than 110 programmes, more than 230 broadcasting hours and 7,000 unique users.*
*** CRS webinars in Portugal were substituted by nine NAR webinars.*

Magazines Spain and Portugal

Key information	2020	2019
Inmobiliarios	4	4
Real Estate	3	4

Attendees to professional events

Key information	2020	2019
Inmotionate – Spain	Not held	917
Inmotionate iTec- Portugal	No held	555
Convention NAR	No held	57
Convention CRS SELL - A - Bration	80	62

CRS and Green Designees

Key information	2020	2019
Spain	108	133
Portugal	23	Designees from 2017 (28) are maintained

NAR members in Spain and Portugal

	2020	2019
Spain	620	305
Portugal	57	23

Attendees to courses in Spain and Portugal

Key information	2020
Code of Ethics Spain	293
Code of Ethics Portugal	57
ABR Spain	
ABR Portugal	16
CIPS Spain	
CIPS Portugal	18
Green Designation	186
Finanzas Para Inmobiliarios (FPI)	98
LCCI training courses	147

8. Suppliers

Responsible purchasing and allies that add value.

UCI *Hipotecas para vivir*

8. Suppliers

At UCI, we count with tools to supervise our suppliers' service quality. In order to comply with the different requirements, both regulation requirements and from internal and external audits, the Entity counts with two procedures:

- Contracting of Suppliers
- Policy for the delegation of essential services.

Such procedures are framed within the corporate management framework, which establishes general action guidelines related to the selection, control and monitoring of external suppliers.

These procedures define the method used in UCI on purchase contracting and/or subcontracting necessary to deliver the service, in order to ensure that specified requirements are satisfied, focused on the improvement and creating value in the Organisation.

In the 2020 strategy, in our sustainable and responsible axis, one of the focuses of action of the strategic line related to ethics and values is the ethic management of purchases, tracing the line to be followed to include social, gender equality and environmental matters in the relationship with suppliers. During 2020, the suppliers' contracting procedure has been reviewed and adapted, and the Supplier's Code of Conduct has been implemented, covering action principles to be followed by suppliers who work with UCI. Such principles are the following: ethics and conduct; lack of conflict of interest; social area (human rights health and security, diversity, equality and inclusion); environment; confidentiality, privacy and continuity. Moreover, we count with a method that allows us to value the quality and delivery ability of suppliers and/or outsourced services, based on a series of criteria established for these suppliers' activities.

Such quality assessment is performed by those in charge of processes within the scope of the quality certificate under standard ISO 9001:2015, in agreement with the assessment criteria and methodology documented in the corresponding procedure.

Also, they are in charge of communicating the result from such assessment to the supplier, in order to establish actions for improvement to satisfy our clients' established requirements, needs and expectations, creating value for the Entity and our stakeholders.

The assessment made of suppliers only includes the quality of service, but future reviews of this process will also include social or environmental criteria

9. Environment

We're advancing in Green Mode to change the world.

9. Environment

In a context with an increasing social awareness on the importance of the protection of the environment and an increasingly demanding environmental legislation, it is essential for all entities to take into account environmental factors in their activities and in the companies' management, being part of the change into an economy of sustainable development.

Financial entities have an essential role to incentivise the purchase of energetically efficient homes, and are key players in the rehabilitation of the housing stock, given that 80% of purchases in our country correspond to second-hand homes, with an average ageing of 45 years.
At UCI, we have integrated the sustainability and responsibility in our commitment towards our stakeholders, offering innovating solutions adapted to our clients' needs and with the commitment to contribute to the social wellbeing and the care for the environment.

We contribute to rehabilitating homes and renewing the housing stock of our country under a criterion of sustainability, energy efficiency and respect for the environment, thus contributing to the challenges of the SDGs (Sustainable Development Goals). We understand that sustainability is a global challenge that motivates us to achieve the cities' decarbonisation in 2050.

Our commitment towards sustainability is materialised in three objectives:
• Sustainable financing: products and services that promote the environmental sustainability, promoting the purchase of energetically efficient houses, and the rehabilitation of the housing stock with our Green Mortgages & Loans project.
• Minimise our environmental impact: implementing a system and am environmental management policy, following the standards of ISO 14001: 2015 to allow our control and influence of activities with largest impact, the compliance with legal requirements, as well as those derived from our stakeholders.
• Environmental risk management: with regard to the approach of precaution, despite the fact that we have not identified activities in the company that could entail a serious risk to the public health or the environment, UCI has integrated environmental risks in the entity's Risk Management System. Within this system, we review and extend the cartography of processes and risks, establishing environmental KRIs (Key Risk Indicators) and specific controls.

The entity has not carried out measures to preserve or restore the biodiversity, since we consider that UCI's activity does not generate impacts on it and, additionally, the company does not count with facilities in protected areas

Scan me to watch the video about:

Green Mortgages & Loans Project

Green Mortgages & Loans Project

As financial entity, we address the challenge of energy efficiency and sustainability through Green Mortgages & Loans. The objective of this initiative is to promote the acquisition of energetically efficient homes and the rehabilitation of the housing stock.

Through this project, since 2018, we are part of the Energy Efficient Mortgages initiative (EEMi), promoted by the European Mortgage Federation (EMF), a pioneering project at European level that has gathered more than 50 entities in order to create a Green Mortgage standard.

In 2020, we have continued developing our range of Green products, comprising mortgage solutions that incentivise the purchase of energetically efficient houses.

On January, we promoted the loan SUMA, a mortgage solution that allows acquiring and reforming a house to improve its efficiency in a single mortgage loan. Therefore, a purchaser can acquire a house and perform reforms to reduce its energy consumption and, accordingly, its CO2 emissions, by substituting windows or improving heating and air-conditioning systems.

We have also launched créditos.com, a new financing portal to reform estates and improve the efficiency of houses and of the housing stock.

Throughout the year, we have maintained strategic alliances to contribute to the improvement of the efficiency in the housing stock, Green Building Council España (GBCe) and Gloval.

Moreover, we have signed new alliances with key players, such as the European Investment Bank to finance green investments in the Iberian Peninsula, in particular the renovation of existing buildings and construction of estates with almost nil energy consumption. These investments will be possible thanks to the financing as green mortgage loans and consumer loans to be traded by UCI.

In 2020, we also closed an agreement with Empresa Municipal de Vivienda y Suelo de Madrid (EMVS) to contribute to the rehabilitation of houses in the Spanish capital. Also, we are part of AÚNA, the Spanish forum that will contribute to achieving the objectives of the Integrated National Energy and Climate Plan 2021-2030 (PNIEC) and the Update 2020 of the Long-Term Strategy for the Energy Renovation in the Building Sector in Spain (ERESEE).

Project implementation and certificate ISO 14001: 2015

After elaborating our Life Cycle, and performing the analysis of the strategic context and the environment, we have established the entity's wide Management Policy.

In order to comply with the applicable environment regulation, it has been necessary to previously identify the environmental aspects derived from our activity and to assess the significant aspects, which are compulsory requirements.

On an annual basis, we will assess the degree of compliance with such legal requirements, keeping all necessary justifying evidences.

For the monitoring and measurement of the environmental performance, we have elaborated a proposal of KPIs to be able to monitor consumptions and emissions generated by our activity, as well as to determine global objectives to be reached by the entity.

In 2020, UCI has obtained the AENOR certification ISO 14001. This certification requires companies to count with an environmental care plan covering objectives, targets, environmental policies, procedures, defined responsibilities, personnel training activities, documentation and a control system over such requirements.

Sustainable Mobility

Although, as of today, UCI does not count with voluntary targets to reduce greenhouse gases, measures have been adopted in this regard. The main measure has been the progressive renewal of the fleet of vehicles. In 2017, the entity changed 27 vehicles from diesel to hybrid; in 2018, 64 were substituted; and, in 2019, 16 were substituted. In 2020, the entity has eliminated 18 diesel vehicles and, in 2021, 12 vehicles are expected to be substituted by others with eco sticker or cero emissions.

CO2 Emissions Company Vehicles (Spain)

Year	2020	2019
No. Vehicles	213	227
Average emissions	1.25	91.3
Total CO2 emissions (T)	265.94	413.74

Data from 2020 are obtained from refuelling through SOLRED during the year. When calculating emissions, the DEFRA emission 2020 Factor is used. There is no information on the consumption of vehicles of the management personnel. There is no information on CO2 emissions of company vehicles in Portugal.

Train trips UCI Spain

Year	2020	2019
No. services	419	2.409
Average emissions	10.85	11.06
Total CO2 emissions (T)	4,545.43	26,656.23

Plane trips UCI Spain

Year	2020	2019
No. services	266	1.290
Average emissions	84.49	97.89
Total CO2 emissions (T)	22,471.59	126,282.02

Plane trips UCI Portugal

Year	2020	2019
No. services	312	445
Average emissions	154.92	218.42
Total CO2 emissions (T)	48,335.32	86,380.31

In relation to the company's trips, we include the detail of CO2 emissions made in train, plane and car journeys made through the company Cabify.

In the case of trips made in Cabify, 100% of the 3,770 kg CO2 is offset, in addition to neutralising the carbon footprint by protecting the Amazon forest through the mobility company's Madre de Dios Project.

At the date of this report, UCI has not established specific targets for the reduction of greenhouse gas emissions.

Cabify. Compensations of CO2 Emissions Spain and Portugal
January 1, 2019 to December 31, 2019

	UNION DE CREDITOS INMOBILIARIOS SA. EFC	Total
Kilometres Spain	14,726	14,752
Kilometres Portugal	26	
t CO2e: tons of emitted CO2	3.77	
t CO2e: tons of offset CO2	3.77	

Cabify. Compensations of CO2 Emissions Spain and Portugal
January 1, 2020 to December 31, 2020

	UNION DE CREDITOS INMOBILIARIOS SA. EFC	Total
Kilometres Spain	2687.13	2687.13
Kilometres Portugal	2687.13	
t CO2e: tons of emitted CO2	284kg	
t CO2e: tons of offset CO2	284kg	

Energy

In 2019, we were able to reduce the energy consumption of our headquarters by 33.66%. A large portion of these savings derives from changes made in lighting systems, changing fluorescent lights by Led technology panels, which are switched off if they do not detect any presence, and decrease their intensity when there is another lighting source, such as sun light.

In 2020, the circumstances caused by the health crisis and the beginning of the remote work have led to a decrease in consumptions by 24%.

The totality of electricity consumed by us in our Madrid headquarters comes from 100% renewable energy sources. Also, our agencies in Madrid, Barcelona, Hospitalet de Llobregat, Seville and Valencia count with centralised air conditioning systems that allow programming the time and temperature for a greater energy efficiency.

The trader of power supplies of virtually all of our offices is EnergyaVM. In 2020, 577,835 KWh were consumed. The certificate corresponding to 2020 will be issued on June 2021.

Consumptions in Portugal were of 69,575 KWh.

Sustainable use of resources: electric energy consumption in Spain

Year	variation 19-20	2020	2019
Electric energy HQ (KwH)	-15.98%	367,282	437,129
Electric energy HQ and offices (KwH) *	-24.16%	577,835	945,117
Electric energy (KwH/employee)	-19.99%	1,744.56	2180.45

**Only including consumptions for 15 out of 25 agencies.*

Sustainable use of resources: electric energy consumption in Portugal

Year	variation 19-20	2020	2019
Electric energy (KwH)	-40.02%	69,575.00	116,000
Electric energy (KwH/employee)	-41.35%	773.05	1318.18

Water consumption

With regard to water consumption, in UCI España, the total consumption of the 13 offices has been of 1,000 m3. The headquarters use community supplies and do not count with individual meters, and therefore the water consumption is assigned by the percentage of participation in the building's community expenses, which is by 45%, implying 1,834.35 m3. In Portugal, there are no individual meters.

Sustainable use of resources: water consumption in Spain

Year	variation 19-20	2020	2019
Water (m3) agencies	-44.04%	1,000	1,787
Water (m3) HQ	-57.72%	1,834	4,338
Water (m3) total	-53.72%	2,834	6,125

(1) Data on water consumption are obtained from extrapolating consumptions invoiced in 365 days. They only include consumptions for 15 out of 25 agencies, given that the consumption by the other 10 agencies is included within the community expenses.

Sustainable use of resources: water consumption in Portugal

	2020	2019
Water (m3) HQ	19.73	-

Data only correspond to the HQ, not including agencies.

Paper consumption

All paper used in UCI España counts with the corresponding environmental certificates and technical files of the corresponding suppliers, which indicate the standards to be met by them (ISO, FCS; PEFC), guaranteeing that the paper used comes from managed forests, assessed and certified according to social, economic and environmental criteria.

There are several sources of paper consumption in the entity: ordinary white paper in the headquarter and agencies, white paper for letters, correspondence envelopes and filing folders.

Since 2019, in Portugal, documentation is sent to clients with FSC certified paper.

Sustainable use of resources: paper consumption Spain

Year	Variation 19-20	2020	2019
Paper and cardboard consumptions (kg)	-80.51%	5,134.49	26.216
Paper and cardboard consumptions (kg/employee)	-80.18%	9.48	47.84

**Data obtained from extrapolating the calculated weight of consumptions from July to December to the quantity of paper and cardboard consumed from January to June.*

Sustainable use of resources: paper consumption Portugal

Year	Variation 19-20	2020	2019
Paper and cardboard consumptions (kg)	-52.11%	4,828.73	10.084
Paper and cardboard consumptions (Kg)	-	-	2,047.38
Consumed paper (kg/employee)	-30.13%	53.65	76.79

**For paper consumption, the calculation estimates a paper density of 80g/m2, 0.1mm of thickness.*

Recycling

At UCI, we promote the materials' recycling policy in all our facilities.

With regard to the paper recycling, in our HQ and in all agencies, we count with specific containers to collect paper that is subsequently sent for recycling. It is a systematic destruction and entities who perform it issue the corresponding certificates, indicating withdrawn kilos of paper.

In 2020, the headquarters together with the network of agencies in Spain recycled 12,187kg, a decrease by 45.90% with regard to 2019.

Additionally, to guarantee the certified destruction of all documents, UCI Spain offices are allocated with a confidential documentation collection service. For such purpose, the premises count with closed containers that can only be accessed by the personnel of the entity that delivers this service. The HQ's containers are daily emptied, while those on the office network are emptied on a quarterly basis.

Offices in Portugal count with a confidential documentation destruction service in the HQ and agencies, recycling 1,140 kilos in 2020.

Sustainable use of resources: paper recycling Spain

Year	variación 19-20	2020	2019
Waste of paper and cardboard (kg)	-45.90%	12.187	22.529
Waste of paper and cardboard (Kg/employee)	-46.49%	22.16	41.41

Sustainable use of resources: paper recycling Portugal

Year	variación 19-20	2020	2019
Waste of paper and cardboard (kg)	-45.90%	12.187	22.529
Waste of paper and cardboard (Kg/employee)	-46.49%	22.16	41.41

**Calculation performed by estimating a paper density of 80g/m2, 0,1mm of thickness and 18m3 of withdrawn paper, in six months*

Recycling of office material

In order to minimise the waste generated and in agreement with the principles of circular economy, in 2020, school and office material has been donated for the summer camp of Fundación Empieza por Educar.

Food

In 2020, UCI has not carried out actions and has not implemented measures to fight food waste.

Environmental Management

UCI's environmental management system counts with management policies based on ISO 14001: 2015 standards to control the activities with the greatest environmental impact of the entity and its stakeholders, based on three fundamental axes: minimise our environmental impact, manage environmental risks, sustainable financing.

UCI integrates environmental risks in the entity's global risk management, with specific environmental controls and a periodic assessment of consumptions and generated emissions, despite the lack of identification of serious risky activities for the public health or the environment.

In relation to the number of employees dedicated to environmental management, we have identified, based on environmental aspects and legal requirements, as well as on their monitoring and maintenance, processes, activities and those in charge of such management.

Currently, there is no number of employees exclusively dedicated to environmental management, since those in charge of the activities comply with functions integrated within their own activity, taking into account environmental obligations or risks to be managed.

With regard to economic resources in environmental management, each area is responsible for their budget item and UCI does not count with environmental guarantee measures.

Measures to prevent, reduce or repair emissions that seriously affect the environment

The activity developed by UCI does not cause significant impacts related to light pollution, noise, atmospheric pollution, waste and land.

Consequences from the climate change and transition towards a low-carbon economy

Throughout 2020, an analysis has been performed on the expected impact of the climate change on the entity and on how to adapt the entity to its consequences. The EBA proposes these risks, which will be included together with the ESG risk throughout 2021. Moreover, the management of these risks will be mitigated by the certificate ISO 22301 System of Continuity of Business in 2021.

10. Tax information

Tax contributions in the countries where we operate.

10. Tax information

With regard to UCI Group's tax information, total profits obtained by each country have been the following:

Profits obtained per country

Year	2020	2019
Spain	-22,241,353.12	4,730,767.39
Portugal	6,570,461.60	8,124,825.90
Greece	24,566.83	2,974.12
Brazil	2,749.96	22,828.64

Total income tax paid in 2020 has been the following:

Income Tax paid in 2020

Year	2020	2019
Total consolidated profits	-15,643,574.73	12,881,396.05
Total paid taxes	1,681,916.31	679,988.99

The UCI Group has not received grants during 2020.

11. Annex

Relationship of the r equirements in Law 11/2018 with the Global Reporting Initiative (GRI) reporting standard.

11. Anex

Fields required by law	Text and contents required by law	Materiality	Page No.	Link to GRI indicators	
Business model	Brief description of the group's business model, including: - business environment	YES	40	102-2	Activities, brands, products and services
				102-4	Location of operations
	- organisation and structure	YES	47	102-18	Governing structure
	- markets where it operates	YES	46	102-6	Markets served
	- objectives and strategies	YES	42-45		
	- main factors and trends that could affect its future evolution.	YES	36		
Policies	A description of policies applied by the group with regard to such matters, including: - due diligence procedures applied for the identification, assessment, prevention and attenuation of risks and significant impacts - verification and control procedures, including adopted measures.	YES	46	103	Management approach
Risks	Main risks related to these matters, linked to the group's activities, among others, when pertinent and proportionate, its commercial relationships, products or services that could have negative effects in these fields. And how the group manages such risks, explaining: - procedures used for their detection - and assess them in accordance with national, European or international frameworks of reference for each matter. - Include information on impacts detected, offering a detail, in particular on the main risks at short, medium and long terms.	YES	49-58	102-15	Main impacts, risks and opportunities
ENVIRONMENTAL MATTERS	Detailed information on: - current and foreseeable effects from the company's activities over the environment and, where applicable, over health and security - assessment procedures or environmental certificate	YES	112-121	103	Management approach

ENVIRONMENTAL MATTERS	- resources dedicated to the environmental risk prevention; - application of the precaution principle, quantity of provisions and guarantees for environmental risks.			102-11	Precaution principle or approach
ENVIRONMENTAL MATTERS **Pollution**	Measures to prevent, reduce or repair carbon emissions that seriously affect the environment; taking into account any for of specific atmospheric pollution of an activity, including noise and light pollution.	YES	112-114	103	Management approach
ENVIRONMENTAL MATTERS **Circular economy and waste prevention and management**	Measures for waste prevention, recycling, reuse, recovery and elimination; a. Measures for waste prevention and management b. Quantitative data, 2017 and 2018, of the entity's paper consumption c. Quantitative data, 2017 and 2018, of the office's consumption of material (toners, etc.)	YES	119-121	43-46	Management approach
	Actions to fight food waste	NO	120	103	Management approach
ENVIRONMENTAL MATTERS **Sustainable use of resources**	Water consumption and supply according to local limitations	YES	118	303-1	Water extraction per source
	Raw materials' consumption and measures adopted to improve the efficiency of their use;	YES	117-119	103	Management approach
				303-1	Materials used per weight or volume
	Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energy.	YES	117	103	Management approach
				302-1	Energy consumption in the organisation
				302-4	Reduction of energy consumption
ENVIRONMENTAL MATTERS **Climate change**	Important elements of greenhouse gas emissions generated as a result from the company's activities, including the use of its goods and services;	NO	115-116	103	Management approach
				305-1	Direct emissions of greenhouse gas emissions (scope 1)

ENVIRONMENTAL MATTERS Climate change	Measures adopted to adapt to the consequences of the climate change;	NO	121	103	Management approach
				201-2	Financial implications and other risks and opportunities derived from climate change
	Reduction targets voluntarily established at mid and long term tor educe greenhouse gas emissions and measures implemented for such purpose.	NO	121	103	Management approach
ENVIRONMENTAL MATTERS Biodiversity Protection	Measures taken to preserve or restore the biodiversity;	NO	112	103	Management approach
	Impacts caused by activities or operations in protected areas.	NO		304-2	Significant impacts of activities, products and services over biodiversity
SOCIAL AND PERSONNEL MATTERS Employment	Total number and distribution of employees per gender, age, country and professional classification	YES	77-79	103	Management approach
				102-8	Information on employees and other workers
				405-1	Diversity in governing bodies and employees
	Total number and distribution of employment contract modalities	YES	79-81	102-8	Information on employees and other workers
	Annual average of indefinite-term contracts, temporary contracts and part-time contracts per gender, age and professional classification	YES	81	102-8	Information on employees and other workers
				405-1	Diversity in governing bodies and employees
	Number of dismissals per gender, age and professional classification;	YES	82	401-1	New employment contracts and staff rotation
	Average remunerations and their evolution, detailed per gender, age and professional classification or equal value;	YES	83	405-1	Base salary ratio and remuneration of women vs. men
	Salary gap, remuneration in equal work posts or average	YES	83-84	405-1	Base salary ratio and remuneration of women vs. men

	Average remuneration of the board members and directors, including variable remuneration, allowances, severances, payment to long-term savings systems and other benefits, detailed per gender	YES	84	103	Management approach
				102-35	Governance: remuneration policies
	Implementation of labour disconnection policies	YES	76	103	Management approach
	Disabled employees	YES	77	405-1	Diversity in governing bodies and employees
SOCIAL AND PERSONNEL MATTERS Work's organisation	Organisation of working time	YES	75-76	103	Management approach
	Number of hours of absenteeism	YES	87	403-2	Types of accidents and frequency rates of accidents, professional illnesses, days lost, absenteeism and number of deaths in work accident or professional illness
	Measures to ease the enjoyment of balancing procedures and to promote the co-responsible exercise by both parents.	YES	74-76	103	Management approach
SOCIAL AND PERSONNEL MATTERS Health and Security	Health and security conditions at work	YES	88	103	Management approach
	Work accidents, in particular frequency and severity	YES	87-88	403-2	Types of accidents and frequency rates of accidents, professional illnesses, days lost, absenteeism and number of deaths in work accident or professional illness
	Professional illnesses, detailed per gender.	YES	87-88	403-3	Workers with high incident or high risk of activity-related illnesses

SOCIAL AND PERSONNEL MATTERS Social relationships	Organisation of the social dialogue, including procedures to report and consult the staff and to negotiate with them;	YES	88	103	Management approach
	Percentage of employees covered by collective bargaining agreement per country	YES	88	102-41	Collective bargaining agreements
	Balance of collective bargaining agreements, in particular in the area of health and security at work.	YES	88	403-1	Workers' representatives in formal health and security committees worker-company
				403-4	Health and security matters dealt with in formal agreements with unions.
SOCIAL AND PERSONNEL MATTERS Training	Training policies implemented	YES	90-91	103	Management approach
	Total amount of training hours per professional categories	YES	91	404-1	Average of training hours per year per employee
SOCIAL AND PERSONNEL MATTERS Universal accessibility of disabled people		YES	89-90	103	Management approach
SOCIAL AND PERSONNEL MATTERS Equality	Measures adopted to promote equality of treatment and opportunities between women and men;	YES	89-90	103	Management approach
	Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures adopted to promote employment, protocols against sexual and gender harassment, integration and universal accessibility of disabled people	YES	89-90	103	Management approach
	Policy against any type of discrimination and, where applicable, management of diversity.	YES	89-90	103	Management approach
HUMAN RIGHTS	Application of due diligence procedures in human rights;	YES	71-72	103	Management approach

HUMAN RIGHTS	Prevention of the risk of breach of human rights and, where applicable, measures to mitigate, manage and repair possible abuses;	YES	71-72	103	Management approach
				412-2	Training of employees in human rights policies or procedures
	Reports of human rights' breaches;	YES	No such claim has been received in 2020.	406-1	Cases of discrimination and corrective actions undertaken
	Promotion and compliance with provisions of fundamental agreements of International Labour Organisation related to the respect for the freedom of association and right to collective negotiation	YES	72	103	Management approach
	Elimination of the discrimination in employment and occupancy	YES	71-72	103	Management approach
	Elimination of forced or compulsory work	YES	72	409-1	Operations and suppliers with significant risk of cases forced or compulsory work
	Effective abolition of child labour.	YES	72	408-1	Operations and suppliers with significant risk of cases of child labour
CORRUPTION AND BRIBERY	Measures adopted to prevent corruption and bribery;	YES	61-62	103	Management approach
				205-1	Operations assessed for risks related to corruption
				205-2	Communication and training on anticorruption policies and procedures
				205-3	Confirmed cases of corruption and measures taken
	Measures to fight against money laundering	YES	61-62	205-2	Communication and training on anticorruption policies and procedures

CORRUPTION AND BRIBERY	Contributions to foundations and non-profit entities.	YES	64	413-1	Operations with local community's involvement, impact assessments and development programmes
SOCIETY **Company's commitment with sustainable development**	Impact of the company's activity in employment and local development	YES	102-108	103	Management approach
				203-1	Investments in infrastructures and supported services.
	Impact of the company's activity in local populations and in the territory;	YES	102-108	203-1	Investments in infrastructures and supported services.
	Relations held with actors of local communities and modalities of such dialogue;	YES	102-108	102-43	Approaches for the stakeholders' participation
	Association or sponsorship actions	YES	102-108	102-12	External initiatives
				102-13	Membership in associations
SOCIETY **Subcontracting and suppliers**	Inclusion of social matters, equality in the procurement policy	YES	110	102-9	Supply chain
	Consideration in relations with suppliers and subcontractors of their social and environmental responsibility; gender equality and environment;	YES	110	103	Management approach
				308	Environmental assessment of suppliers
				414	Social assessment of suppliers
	Supervisory systems and audits and their results.	YES	110	103	Management approach
SOCIETY **Consumers**	Measures for the health and the security of the consumers	YES	94-95	103	Management approach
	Claiming systems, complaints received and their resolution.	YES	97	103	Management approach
				417-2	Cases of non-compliance related to the information and labelling of products and services

SOCIETY Tax information	Profits obtained per country	YES	124	201-1	Direct economic value generated and distributed
	Profit tax paid	YES	124	201-1	Direct economic value generated and distributed
	Public grants received	YES	124	201-4	Financial assistance received from the government

6. Economic & Financial Report

6.1 Management Report of the Year Ended at 31 December 2020

UCI Hipotecas para vivir

The UCI Group applied, in 2020, the financial reporting framework established by the International Financial Reporting Standards adopted by the EU.

Until 2019, THE SUBSIDIARY Unión de Créditos Inmobiliarios, SA, EFC, in compliance with the regulation applicable to all Financial Credit Establishments, applied criteria on its accounts established on Circular 4/2004. In 2020, Unión de Créditos Inmobiliarios EFC, as well as other Spanish Financial Credit Establishments, started applying Circular 4/2019 of Bank of Spain, which includes the same accounting criteria as for Spanish credit institutions, applied since 2018, in application of Circular 4/2017, which transferred to Spain the European accounting framework comprised by the International Financial Reporting Standards adopted in the European Union (IFRS-EU).

1. Economic environment

The year 2020 has been marked by the health crisis generated by the Covid-19 pandemic, with important consequences in the economic activity, in general, and in the UCI Group's activity. There has been a historic economic slowdown in the set of the world's economy: the decrease of the worldwide GDP, as estimated by the IMF, was of 4.4%, close to the decrease of 5.1% experienced between 2008 and 2009. From the origin of the data series, in 1960, 2020 represents the second year of economic regression worldwide.

In those markets where UCI operates, the impact has been even greater: the contraction of the Spanish economy was of 11.0% in 2020, and Eurostat expects regressions of 5.9% for Portugal, and 8.0% for the Greek economy. As a whole, the economy in the EU regressed by 4.8% in 2020, 5.1% in the Euro area.

The Spanish residential real estate market, despite the complicated economic environment, maintained quite a stable performance: the y-o-y evolution of prices until 3Q2020 was a decrease of 1.1%, although it represented an increase of 0.6% with regard to 2Q2020. The homes' accumulated sales volume until November 2020 presented a regression of 19.3% with regard to the same period of 2019, according to the INE (Spanish Institute of Statistics), essentially as a consequence of the 3 months of almost full lockdown.

2. Commercial Activity Credits to Customers

This difficult health, social and economic environment has defined the UCI's activity almost throughout 2020. The pandemic, with an absolute priority on health and wellbeing of collaborators, clients and, in general, all stakeholders, has impacted on all aspects of the Group's functioning. UCI, again in a particularly complicated environment, has demonstrated its adaptation ability, evolving in less than one week from a prominently on-site work environment to virtually 100% of UCI collaborators and consultants working remotely from their homes, through which operating modality UCI has continued offering a top quality service, with appraisals above 9.5 out of 10 in Ekomi and above 4.5 out of 5 in Google. As evidence of its employees' commitment and high satisfaction level, on July 2020, with almost the totality of teams working remotely, UCI achieved a valuable certificate, Great Place to Work.

All the above was compatible with an increase of the sales activity in 2020 with regard to 2019. Indeed, the accumulated production of new mortgage credits of the company UCI, EFC in 2020 amounted to 785 million Euros, representing an increase of 16% over the 676 million signed in the previous year.

The activity was particularly dynamic in Spain, where UCI, EFC formalised 612 million new operations, with increases both in the professional channel (+25%) and in the direct channel, operating under the brand hipotecas.com (+34.6%). Portugal experienced a more complicated environment: even so, new operations were formalised, by 173 million, representing a decrease of 9.4% in a market in contraction.

The activity was particularly affected by the lockdown of the second quarter of the year, although we note that, even during these months, UCI, EFC was able to formalise operations with those clients who, despite the pandemic, did not want to or could not wait to the end of the lockdown. Thus, in the first half of the year, the generated volume was of 316 million, only representing 40.3% of the total annual and a regression of 6% with regard to the first half of 2019. However, the trend marked during the second half of 2020 resumed the growth observed in recent years: +37% with regard to the second half of 2019, with the highest turnover at the fourth quarter of 2020 since the recession of 2008.

The strategic axes of the commercial offer of UCI,. EFC in Spain have been maintained during 2020, with an emphasis on the responsible credit and sustainability strategy which, in financial terms, have entailed a high weight of production at fixed or mixed rate, with a first long period at fixed rate (81% of the annual production, after a maximum of 89% in 2017 and 61% in 2015).

Both in Spain and in Portugal, the largest commercial activity has continued to be developed by financial consultants, representing a 66% in 2019 and 73% in 2020 (68% in Spain and 88% in Portugal).

In Greece, the portfolio of the Branch of UCI, EFC was reallocated on February 2018 to its parent company UCI, EFC España, at its net book value, having transferred previously the portfolio's management to the UCI Group company Hellas LMS, fully owned subsidiary of UCI SA, with asset manager licence granted by the Bank of Greece.

The global credit investment managed on the set of the three countries, including securitised loans written off from the balance sheet, at 2020 closing, has amounted to 10,744 million Euros, discounting products in suspense and before provisions: this increase of the outstanding balance of 0.2% with regard to the previous closing allows the Group to stabilise its managed balance, which had kept a downward trend since 2009.

The portfolio managed in Spain, at the end of 2020, by 9,372 million, has remained stable with regard to the final volume in 2019, while the portfolio managed in Portugal, 1,176 million, has increased by +2.8% and, UCI portfolio in Greece, managed by UCI Hellas LMS, which balance is structurally decreasing, due to the absence of new production, of 203 million, decreasing by
-4.6%.

3. Gross margin

The consolidated gross margin amounted to 159.4 million Euros, showing a regression of 6.2% (-10.6 million) with regard to 2019.

On the one hand, the financial margin generated by the credit portfolio has decreased by 6.6 million, representing 4.6%. This decrease derives from several factors.

A specific factor of 2020: credits under public moratorium granted by the Group in Spain did not accrue interests not paid by clients, unlike Spanish sectorial moratoriums, and unlike the totality of Portuguese and Greek moratoriums. This has entailed 2.5 million Euros of lower portfolio income.

The second factor is the environment of interest rates, particularly of the short-term rates which, s a consequence of the pandemic, have increased their negative incursion, after a relative stability in 2019. Net of the abovementioned 2.5 million, creditor interests decreased by 12.4 million, whereas the reduction of debtor interests was only of 8.3 million. This asymmetry is due to the treatment given by the securitisation manager to securitisation bonds of operations UCI9 to UCI17 backed by UCI credits, which is not transferring to investors the impact of negative rates, and to other less relevant impacts in the yield of the credit portfolio.

The third component of the margin's decrease has been restructuring operations of liabilities of UCI EFC derived from the purchase of securitisation bonds in the secondary market: in 2020, there has been a decrease of 5.4 million with regard to 2019, from 14.8 million in 2019 to 9.4 million in 2020.

The UCI Group, in 2020, has achieved new sources of external financing from its shareholding groups. In particular, we note that, during the lockdown, on April 2020, UCI EFC achieved its first securitisation operation in Portugal, Green Belém 1, covered by the initiative EEMI (Energy Efficient Mortgage) of the European Mortgage Federation and with the support from the EIB (European Investment Bank). This operation has received the Euronext Lisbon award, as best operation of 2020 in the section of 'Sustainable Finance'.

EURONEXT LISBON AWARDS 2021

Additionally, UCI has continued its securitisation programme in Spain, issuing, on November 2020, the operation Prado VII, which generated cash-in of 442.9 million Euros, not considering the fraction of 36 million Euros that has been kept by the entity.

In parallel, the two 'Investment Grade' ratings held by the subsidiary UCI, EFC with agencies Fitch and DBRS, have allowed the subsidiary to carry out "repo" operations (repurchase arrangement), with external counterparts from shareholding Groups, using as collateral securitisation bonds backed by the entity's credits, for an amount close to 370 million Euros.

In 2021, the UCI Group, through UCI EFC, will continue developing its financing autonomy in conditions that allow it to maintain the competitiveness of its commercial offer, and the expected increase of production, both in

4. Overheads

UCI Group's expenses, in 2020, not including commissions paid to intermediaries, amounted to 47.8 million Euros, a reduction of 1.9 million (-3.9%) with regard to 2019. This reduction includes a return of undue income of 2.4 million, received from the Portuguese tax authorities, after a devolution of the same nature by 1.2 million, received in 2019. Not including these amounts, overheads in UCI EFC have decreased by 0.7 million (-1.5%) in 2020.

The Group, at 2020 closing, counted with 680 collaborators, a decrease by 5 with regard to 2019 closing.

The efficiency ratio, calculated based on the group's internal methodology, is of 32.9% in 2020, implying an increase of 0.8%, taking into consideration the impact from liability repurchase operations described above. If these are not considered, the ratio decreases by 0.2%, to 33.7%

5. Defaults and Hedging

The entry into force, on January 1, 2020, for Financial Credit Establishments, of Circular 4/2019 of Bank of Spain, which transferred to Spanish FCE the European accounting framework confirmed by International Financial Reporting Standards adopted in the European Union (IFRS-EU), has implied for the Group substantial variations in the classification of its credit portfolio, in the calculation of impairment provisions on such portfolio, and in the valuation of associated collaterals.

In turn, the irruption of the pandemic has entailed, in the three countries where the Group manages credit portfolios, the appearance of both public, sectorial and private moratoriums, granted by UCI to its clients, as per criteria established by the competent authorities of the corresponding countries.

Concerning the credit portfolio, the rate of default of assets managed by the entity, excluding subjective doubtful, continued decreasing, amounting to 8.24% at the end of 2020, with regard to 8.44% at the end of 2019. This decrease over a stable total balance reflects a decrease of the default balance in 18 million, generalised in the three countries: 13 million in Spain, 3 million in Portugal, and 1 million in the Greek portfolio. This default balance has decreased, despite the economic crisis caused by the pandemic and the slowdown of the judiciary activity, as a consequence of lockdowns and of protection measures for the most vulnerable clients, adopted by the three countries.

The subjective doubtful balance ended the year amounting to 512 million Euros, 4.76% of the total balance: 492 million in Spain, 2.1 in Portugal, and 18.5 in Greece. The increase of 87 million with regard to the 425 million at 2019 closing is essentially due to the entry into force of the new accounting framework. Its implementation implied an occasional and immediate increase of the subjective doubtful balance by 78 million, out of which 57 million belong to Spain, and the totality of the balance to Portugal and Greece. The additional 9 million have been generated by the portfolio's evolution throughout a financial year marked by the pandemic and the lockdowns.

UCI Group has followed the regulators' guidelines regarding the accounting classification of portfolios subject to moratoriums as a consequence of the pandemic.

Regarding this new credit portfolio's classification, the determination of allocations for insolvencies has been based on the internal model under IFRS 9. The adaptation of the credit portfolio's provisioning to Circular 4/2019, applying the internal model, and the adaptation of the foreclosed assets' appraisals to said Circular, implied the recognition against reserves of 57.6 million of additional provisions.

Another substantial change, derived from the new accounting regulations, has been the revaluation of most collaterals that guarantee the doubtful mortgage portfolio, through new individual ECO appraisals on the perimeter of collaterals and of foreclosed assets defined by such Circular, which implied an additional allocation of 57.1 million Euros. This figure includes all complete appraisals received, and an estimate of the impact, of outstanding appraisals, which are expected to be received in the first quarter of 2021.

Allocations for bad debt risk hedges of the credit portfolio have amounted to 101.3 million Euros in 2020, out of which 52.0 have been caused by the occasional update of the value of collaterals through complete appraisals. The corresponding figure had been of 42.0 million in 2019, under the previous accounting framework.

Sales of foreclosed assets have maintained a strong activity, despite the lockdown period and, for the third consecutive year, have generated a positive impact (7.3 million Euros) in the income statement of the year, as a consequence of high levels of provisions for said assets, as well as the stability of the real estate market.

The hedge rate of exposures with payment delays of 90 days or more in the entity's balance has increased strongly, from 24.6% to 33.4%.

This increase has been transferred to the hedging rate of the set of the doubtful portfolio, from 18.8% to 24.6%. These percentages do not take into account the additional protection contributed by the valuation of mortgage guarantees.

The Group's transient properties in Spain, classified as held for sale, had a value at 2020 closing net of provisions of 263.4 million Euros, vs. 310.4 million at 2019 closing. This decrease derives from good results achieved in the trading of foreclosed estates, both for sale and for lease.

In a year marked by the different lockdown processes, the Estates Trading Network in Spain has managed the trading of 915 estates owned by the Group (-12% than in 2019), having assisted 143 clients under payment difficulties in the trading of their estates.

With a net balance of transient properties at minimum levels, 2.6 million Euros, the trading activity in UCI Portugal has propitiated a decrease of the stock value by 41% with regard to 2019, in line with these last years' trend. In Greece, the portfolio of foreclosed goods has maintained very low levels: 0.4 million Euros.

The Group expects maintaining its responsible collection strategy, both with clients in an aggravated situation and with clients who have resorted, in 2020, to one of the moratorium possibilities, which are expected to end in 2021. Moreover, the Entity expects consolidating the good volumes and positive economic impacts of the estates' trading activity.

6. Consolidated Results

In 2020, after the impact from the adaptation to the new accounting framework for Financial Credit Establishments, the UCI Group has recognised net losses, after tax, of 25,7 million Euros, after positive results in 2019 of +12.9 million Euros.

The Group's results are very close to those of UCI, SA, EFC, which registered negative results after tax of 25.2 million Euros, with regard to 14.6 million Euros of positive results in 2019.

Retama Real Estate (UCI Group's asset management entity) reduced its negative results to -1.5 million Euros, after losses by -1.9 million registered in 2019.

UCI SPPI registered its fifth year of profits (66 thousand Euros), after 82 thousand Euros in 2019, as a consequence of the entity's activity refocus in 2015.

Both Comprarcasa Portugal and UCI LMS in Greece closed the third consecutive year with positive figures, respectively, of 4 and 51 thousand Euros.

7. Risks and uncertainties

With regard to the main risks and uncertainties, we note the following:

- Credit risk: due to the retail nature of the UCI Group's business, and to the derived large dispersion, risks from the credit balance and housing stock do not present significant concentrations in relation to the Group's equity level.
- Market risk: the Group is subject to the juncture of financial, mortgage and real estate markets in the countries where it operates, which have generically shown signs of improvement in 2018.
- Operating risk: operating risks are essentially framed in risk systems of Unión de Créditos Inmobiliarios, S.A, EFC, as they have the same facilities, same IT servers and same systems' access and security levels. Within the management of shareholders' equity of the UCI Group, the operating risk has a consumption of 20.7 million Euros, out of which 20.5 million correspond to the entity Unión de Créditos Inmobiliarios, EFC.
- Risk of litigations: during 2020, the entity has continued managing legal proceedings for claims of clause nullity, being the most relevant reasons related to formalisation expenses, opening fees and the IRPH reference.

During 2020, the average payment period to UCI's suppliers has been of 15 days, within the legally established term of 60 days. Due to the Entity's activity, there are no relevant environmental questions.

Throughout the year, the Entity has not registered investments in research and development, although the Group continues developing IT system within its innovation plans, which for prudential measures have been registered in the caption of overheads.

The Group has not acquired equity stock during 2020.

From December 31, 2020 and until the date of formulation of the present annual accounts, there has not been any event that could significantly affect the Entity's accompanying annual accounts, except for the following.

In the context of the updating of appraisals performed during 2020, the Entity has continued receiving updates of appraisals during 2021. As a consequence, the Entity has proceeded, in 2021, to the accounting recognition of complete definitive ECO appraisals, received in substitution of estimates applied at 2020 closing. At March 11, 2021, the impact in accounting registrations derived from the point above, based on the need to carry out additional allocations, is of 6.1 million Euros.

8. Equity and Solvency Ratios.

The RDL 309/2021 of 11 February, awaiting regulatory development by Bank of Spain, establishes that, in general, the prudential regulation of credit institutions, in particular Regulation 575/2013 of the European Union (CRR), will be applicable to financial credit establishments. This regulation, therefore, entered into force for the UCI Group at July 1, 2020.

Among other aspects, in application of the CRR, the percentage at which average weighted assets are subject increases from 8%, in force at June 30, 2020, to 10.50%. Under the previous regime, the Group presented a solvency coefficient of 11.54% at 2019 closing, and an excess with regard to the minimum of 8% by 192.0 million.

The Group, at 2020 closing, respects new requirements to which it is subject: with a solvency coefficient of 10.66%, exceeding by 14.9 million the new minimum of 10.50%.

Accounting equity amounted to 362.5 million at 2020 closing, representing a reduction of 84.5 million Euros with regard to the 2019 closing. There are three main causes: 53.7 million net, for the impact from the adaptation of the provisioning to Circular 4/2019; 25.7 million correspond to the net results of 2020, and 4.3 million Euros as impact in reserves from payments under contingently convertible obligations issued in 20219.

Subordinated debt computable as second-category shareholders' equity amounted to 104.7 million, in the limit of 2% of average weighted assets, under the new regulation, at the level of the 105 million issued by the parent company UCI, SA. Total computable shareholders' equity, therefore, amounts to 558.2 million, with regard to 634.2 million in 2019, after the application to Voluntary Reserves of results from the year.

The compliance with new solvency levels, after the simultaneous impacts of the entry into force of Circular 4/2019, reflects the robustness of the Group's balance sheet, as a consequence of its prudential management.

9. Group's expected evolution

The health and economic context developed in 2020 has implied an interruption of the dynamism and improvement experienced in the Iberian Peninsula's economies since 2015. At quantitative level, results from the commercial activity, and the markets' excellent response to UCI EFC securitisation operations, and at qualitative level, the Euronext Lisbon award to the best operation of 2020 in the section of 'Sustainable Finance', and the certification Great Place to Work, reveal the entity's ability to adapt to the new environment.

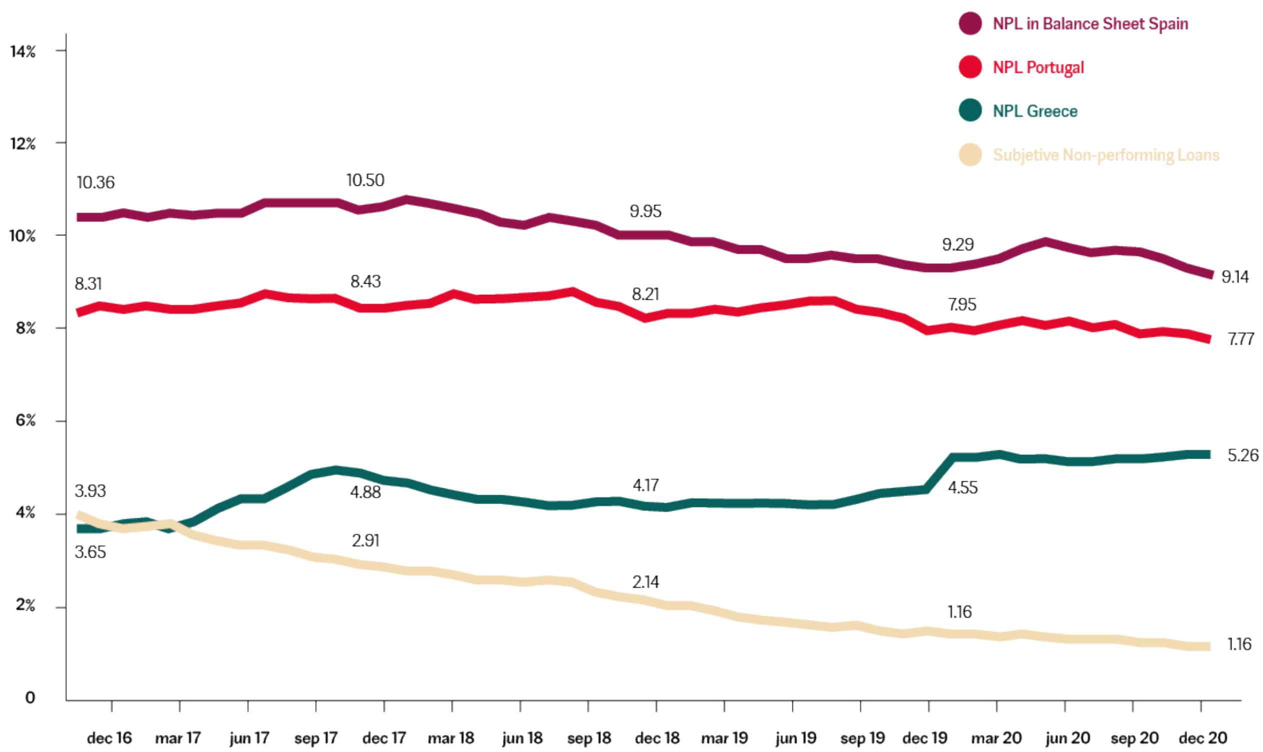
In the next year, a priority aspect for UCI Group will be to accompany those clients who have resorted to one of the moratorium possibilities in their transition towards a normal situation.

UCI Group will actively continue the activity, maintaining a sustainable and responsible management model, focused in facing its clients' real needs, quality and transparency in all processes. On the commercial activity in Spain, as complement to its presence in the channel of real estate professionals, UCI will continue developing its direct channel, particularly through its brand "hipotecas.com". In the product section, the priority will be the development of financial solutions for the rehabilitation and improvement of the homes' energy efficiency, making all the above compatible with an appropriate management of margins, and continuing developing the refinancing autonomy.

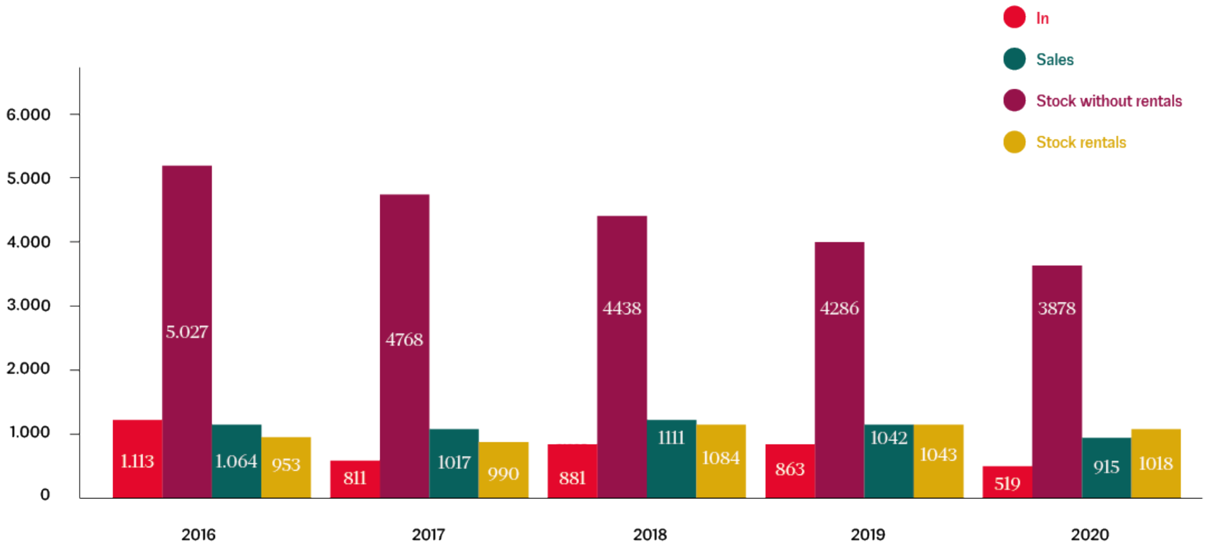
In the portfolio's management, clients' satisfaction, cross-selling, efficiency in the recovery of operations with defaults, the responsible divestment of foreclosed assets and the cost control will continue being the main priorities.

In 2021, UCI will continue developing its refinancing policy in markets, through securitisations, as well as through other financing sources, more easily accessible with the two 'Investment Grade' ratings obtained by the subsidiary UCI EFC in 2018 and 2019 with agencies DBRS and Fitch respectively, as well as the rating obtained by the Group's holding company, UCI, SA, with the agency Fitch in 2019.

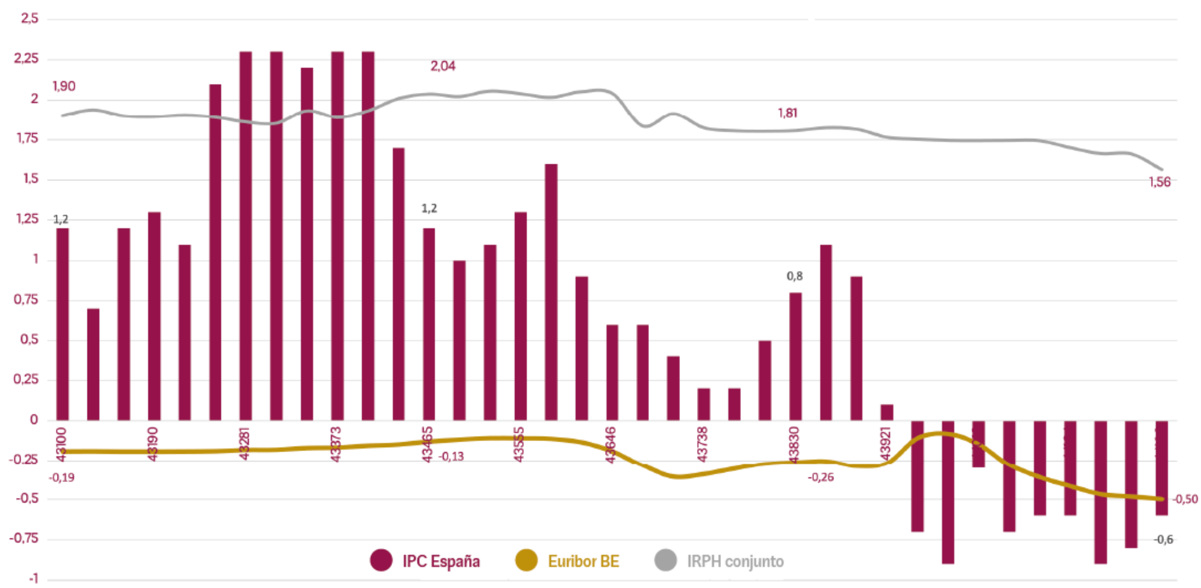
% NPL'S (+90 Days) In balance sheet UCI



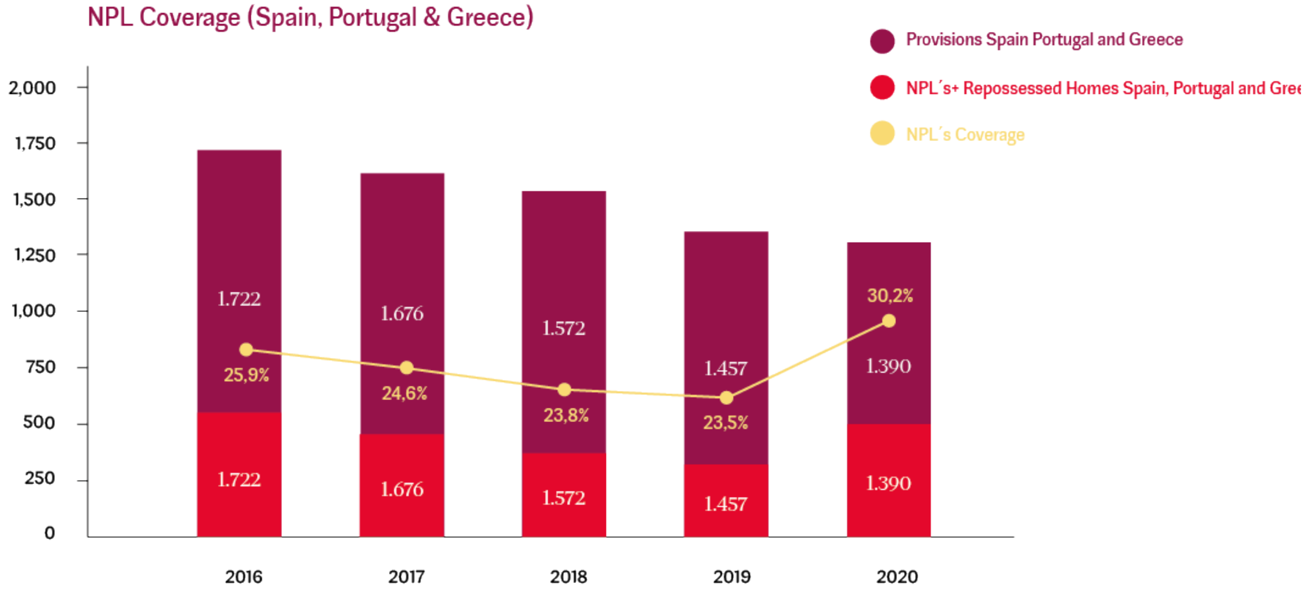
Spain: Nº REO HOMES: Tickets / Sales / Stock property adjudicated



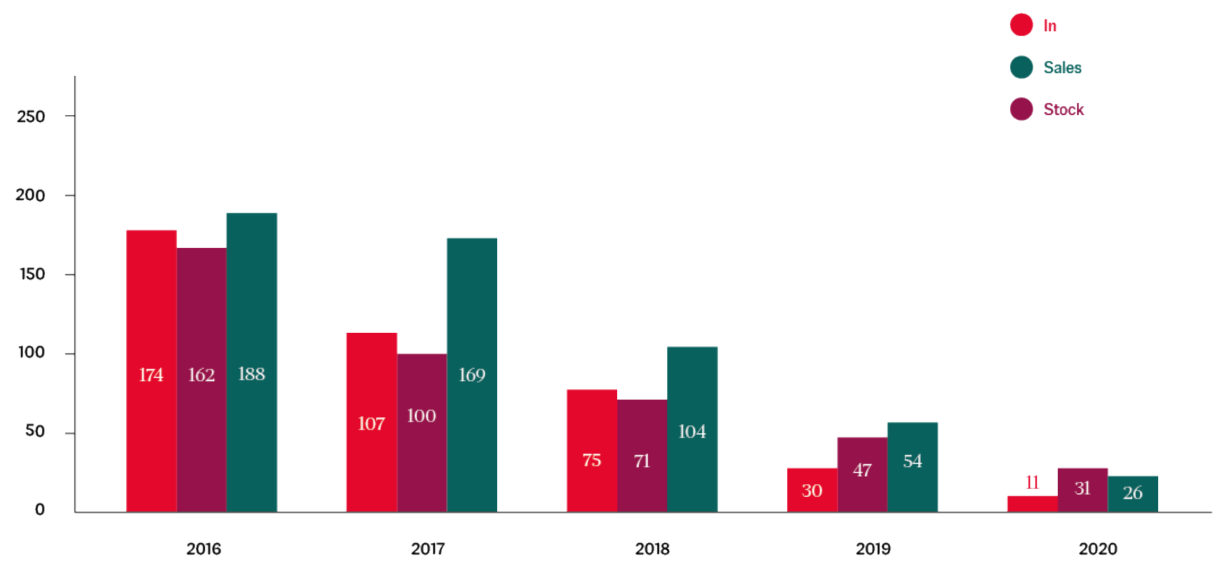
Historic Euribor 12M - IRPH - CPI Spain



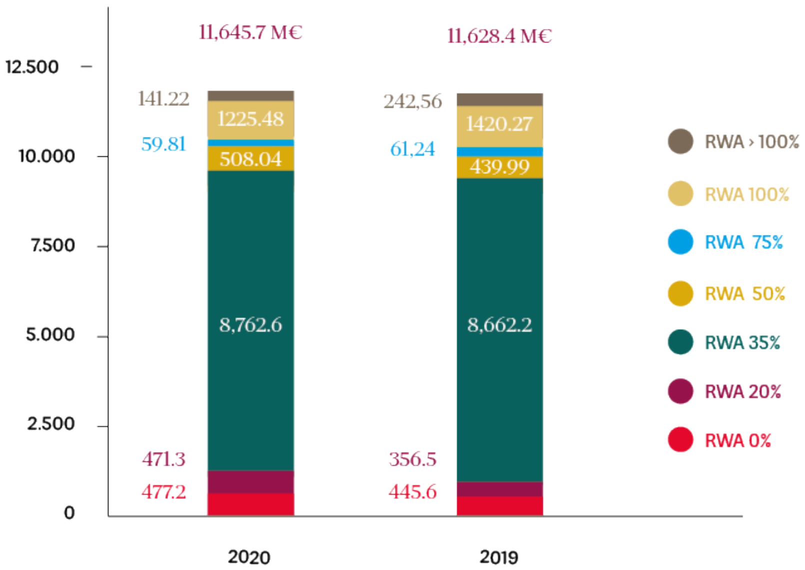
NPL Coverage (Spain, Portugal & Greece)



Portugal: Nº REO HOMES: Tickets / Sales / Stock property adjudicated



Coefficients of own resources UCI Group at 12/31/2020



10. Non-Financial Reporting Statement

By virtue of Law 11/2018, of 28 December, of non-financial information and diversity, UCI Group has elaborated the consolidated non-financial reporting statement related to 2020, which is included as a separate document attached to the consolidated directors' report of 2020, as established on article 44 of the Commercial Code.

Independent Auditor's Report

UCI, S.A.

On the Consolidated Annual Accounts
and Directors' Report
for the year ended at December 31st 2020

Free translation of the auditors' report originally issued in Spanish based on our work performed in accordance with audit regulations in force in Spain and of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Entity in Spain. In the event of a discrepancy, the Spanish-language version prevails.

mazars

Alcalá, 63
28014 - Madrid

+34 915 624 030
www.mazars.es

Independent Auditor's Report on the Consolidated Annual Accounts

To the Shareholders of
UCI S.A.

Opinion

We have audited the consolidated annual accounts of UCI, S.A. (hereinafter, the Parent) and its subsidiaries (together, the Group), which comprise the consolidated balance sheet as at December 31, 2020, and the consolidated income statement, consolidates statement of recognised income and expenses, consolidated statement of changes in equity, consolidated cash flows statement and the notes thereto for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of the Group as at December 31, 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Group (identified in note 2 to the accompanying consolidated annual accounts) and, in particular, with accounting principles and criteria set forth therein.

Basis for opinion

We conducted our audit in accordance with audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the audit of consolidated annual accounts* section of our report.

We are independent of the Group in accordance with ethical requirements, including those regarding independence, that are relevant to our audit of consolidated annual accounts in Spain pursuant to audit regulations in force. In this regard, we have not provided any non-audit services, nor have any situations or circumstances arisen that, under the aforementioned audit regulations, might have affected the required independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most relevant audit matters

Most relevant audit matters are those matters that, in our professional judgement, have been assessed as the most significant risks of material misstatement in our audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Impairment for credit risk and of foreclosed property assets

The estimated impairment of Financial Assets at Amortised Cost and Foreclosed Property Assets is one of the most significant estimates when preparing the accompanying consolidated annual accounts. For the purpose of estimating credit risk protection, Circular 4/2019, of 26 November, of credit institutions, is considered. This Circular takes as reference the credit entities' accounting regulations, either establishing analogous criteria or directly referring to Circular 4/2017, of 27 November, of credit entities.

mazars

The classification of financial assets valued at amortised cost, for the purpose of estimating their impairment, is performed in three categories (stage 1, 2 and 3), based on whether a significant increase has been identified in the credit risk since its initial recognition (stage 2), whether such financial asset represents a credit impairment (stage 3) or whether there are no such circumstances (stage 1). The determination of this classification is a relevant process, given that the calculation of the credit risk protection varies, based on the category where the financial asset has been included.

The impairment calculation process is based on an expected loss model, collectively estimated by the Group. This calculation requires a considerable judgement, being a significant and complex estimate. Expected losses are estimated through internal models that incorporate large databases, macroeconomic scenarios, provisions' parameter estimation, segmentation criteria and automated processes that require taking into consideration past, present and future information. The Group periodically performs recalibrations and contrast tests of its internal models, in order to improve their predictive ability, based on real historical experience.

In order to estimate credit risk hedges, guarantees, real or personal, considered efficient are taken into account. The assessment of the recoverable amount considers the regulations, with an estimate of their value of reference, selling costs and possible discounts. In order to determine the value of real estate guarantees, the reference taken is the different appraisals performed by appraisal entities.

The estimate of the value of property assets originated from the credit activity, foreclosed by the Group through court or through a property swap process, is subject to the abovementioned criteria.

Our audit approach has included both the assessment of the most relevant controls established by the Group, related to the impairment calculation, and the performance of tests of detail and substantive tests. The main procedures performed have consisted, among others, on the following:

- Verification of the different internal control policies and procedures established, as per applicable regulation requirements.

- Review of the credit assets' classification methodology in the three stages defined in the standard, analysing the appropriateness of: (i) the definition of the applied impairment; (ii) the methodology used when estimating the significant increase of the assets' risk for those credit assets classified in stage two. Moreover, the new specific standard, issued by Bank of Spain, related to the moratoriums granted in the context of the pandemic generated by the COVID-19, has been taken into consideration.

- Assessment of the correct functioning of internal models to estimate expected loss provisions. This assessment has implied reviewing the methodology of each parameter used in the calculation of expected credit losses (ECL), reviewing both quantitative and qualitative elements, and verifying their alignment with the requirements of Circular 4/2019 of Bank of Spain. Moreover, we have reviewed that the operations' classification processes have been correctly defined.

- Verification of the different databases used, reviewing their reliability and the coherence of data sources used on calculations.

- Assessment of the review performed on borrowers' files to ensure their appropriate classification and, if applicable, possible impairment.

- Evaluation of criteria and policies established for refinancing and restructuring operations.

- For tests of detail, we have performed:

- Appropriate registration of the first-time application entry in relation to Circular 4/2019.

- Review for a sample of individualised loans of their correct accounting registration and classification, appraisal performed by an independent expert and, if applicable, the corresponding impairment.

- Review for a sample of files of property assets originated from foreclosures and property swaps of their correct accounting registration and classification and, where applicable, the corresponding impairment.

Valuation criteria used and disclosures related to the abovementioned items are included on enclosed notes 11 d), g) and q) and notes 17 and 18 to the consolidated accounts.

Information Technology Risks

The Group's activity and reporting processes are largely dependent from information systems.

Information systems' general internal control framework in relation to the financial reporting processing and accounting registration is considered essential for our internal control assessment.

In this context, we consider that it is necessary to assess the effectiveness of internal control General Controls related to Information Technology systems.

Our audit approach has therefore included the assessment of the most relevant general controls performed by the Group, as well as automatic controls in key processes. The main procedures performed by us have considered, among others, on the followings:

- Tests of main information technology general controls, assessing:

    - Applications' development and maintenance;
    - Security;
    - Governance and functioning of the information systems' area;
    - Authorisation system.

- On automatic controls on key processes of our audit, we have determined which the main business processes are, as well as existing information flows, such as loans' classification as per credit quality, or the generation and registration of revenue from interests, analysing threats and safeguards related to the completeness and accuracy of information.

Other information: Consolidated management report

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

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in conformity with the audit regulation in force in Spain, consists of:

a) Solely verifying that the consolidated non-financial information statement has been provided as established in applicable regulations and, otherwise, reporting on such fact.

b) Assessing and reporting on the consistency of information included in the consolidated management report with the consolidated annual accounts based on the Group's knowledge obtained by us during the audit of the aforementioned consolidated annual accounts, as well

mazars

as assessing and reporting on whether the content and presentation of the consolidated management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that a material misstatement exists, we are required to report that fact

Based on the work performed, described above, we have verified that the non-financial information indicated in section a) above is presented in the separate report "Consolidated non-financial information statement", reference of which is included in the consolidated management report, and that the remaining information contained in the consolidated management report coincides with that of the consolidated annual accounts of 2020 and its content and presentation are in accordance with applicable regulations.

Directors' responsibility for the consolidated annual accounts

Parent's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the Group's consolidated equity, consolidated financial position and consolidated financial performance in accordance with the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis unless the Parent's directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by Parent's directors.

mazars

- Conclude on the appropriateness of Parent's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the entities' financial information or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent's directors, we determine those risks that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless laws or regulation preclude public disclosure about the matter.

Madrid, 30 April 2021

MAZARS AUDITORES, S.L.P.
ROAC Nº S1189

(signed in the original in Spanish)

Breogán Porta Macía
ROAC Nº 22.151

6.2 Consolidated Annual Account and Consolidated Management Report of the Year Endede at 31 December 2020

Free translation of consolidated annual accounts originally issued in Spanish.
In the event of a discrepancy, the Spanish-language version prevails

UCI Hipotecas para vivir

UCI, S.A. and Subsidiaries (UCI GROUP)
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019 (Expressed in thousands of Euros)

ACTIVO	Nota	2020	2019(*)
Cash, cash balances in central banks and other on-demand deposits	16	241,415	181,495
Cash		2	8
Other on-demand deposits		241,413	181,487
Financial assets held for trading		16,437	19,140
Trading derivatives	24	16,437	19,140
Equity instruments		-	-
Debt securities		-	-
Loans and advances		-	-
Financial assets not held for trading compulsorily measured at fair value through profit and loss		-	-
Equity instruments		-	-
Debt securities		-	-
Loans and advances		-	-
Financial assets designated at fair value through profit and loss		-	-
Equity instruments		-	-
Debt securities		-	-
Loans and advances		-	-
Financial assets designated at fair value through other global results		-	-
Equity instruments		-	-
Debt securities		-	-
Loans and advances		-	-
Financial assets at amortised cost	17	10,305,245	10,346,009
Debt securities		-	-

PASIVO Y PATRIMONIO NETO	Nota	2020	2019(*)
Financial liabilities held for trading		20,327	8,519
Derivatives	24	20,327	8,519
Short positions		-	-
Deposits		-	-
Financial liabilities designated at fair value through profit and loss		-	-
Deposits		-	-
Issued debt securities		-	-
Other financial liabilities		-	-
Financial liabilities at amortised cost	23	10,990.915	10,913.392
Deposits of central banks		-	-
Deposits of credit institutions		7,974,345	7,800,310
Deposits of clients		1,139,498	1,551,098
Debt securities		1,873,895	1,561,984
Other financial liabilities		3,177	-
Derivatives - hedge accounting	25	106,627	63,787
Provisions	22	5,927	5,225
Pensions and other post-employment defined benefit obligations		-	-
Other non-current remunerations to employees		-	-
Procedural matters and litigations for outstanding taxes		-	-
Commitments and guarantees granted		-	-
Other provisions		5,927	5,225
Tax liabilities	21	1,472	1,572
Current tax liabilities		1,472	1,572
Deferred tax liabilities		-	-

Loans and advances		10,305,245	10,346,009
Hedging derivatives	25	25	20
Changes in the fair value of hedged elements of a portfolio with hedge of the interest rate risk		-	-
Investments in joint ventures and associates		-	-
Property, plant and equipment		124,389	126,032
Tangible assets	19	7,815	3,976
Property investments	20	116,574	122,056
Of which: Assigned in operating lease			
Intangible assets		2,368	1,474
Goodwill		-	-
Other intangible assets		2,368	1,474
Tax assets	21	125,896	91,783
Current tax assets		6,064	3,641
Deferred tax assets		119,832	88,142
Other assets	22	383,146	353,305
Insurance agreements linked to pensions		-	-
Inventories		-	-
Other assets		383,146	353,305
Non-current assets held for sale	18	261,845	309,230
TOTAL ASSETS		11,460,766	11,428,488
Memorandum item			
Contingent risks		-	-
Contingent commitments	30	22,452	17,195

Other liabilities	22	44,566	32,572
Liabilities included in disposable groups of elements classified as held for sale		-	-
TOTAL LIABILITIES		11,169,834	11,025,067
EQUITY	27	364,867	447,551
Equity			
Capital		98,019	98,019
Paid		98,019	98,019
Share premium		-	-
Equity instruments issued other than capital		-	-
Other equity elements		-	-
Accumulated gains		-	-
Other reserves		292,504	336,650
Profit/(loss) for the period		-25,656	12,882
Minus: Interim dividends		-	-
Other global accumulated results		-73,935	-44,130
Elements that will not be reclassified in results		-	-
Elements that could be r eclassified in results		-73,935	-44,130
Hedging of net investments in businesses abroad		-	-
Currency exchange		-	-
Hedging derivatives. Cash flow hedge reserve	25	-73,935	-44,130
Changes in the fair value of debt instruments measured at fair value through other global results		-	-
TOTAL EQUITY		290,932	403,421
TOTAL EQUITY AND LIABILITIES		11,460,766	11,428,488

(*) Presented solely and exclusively for comparison purposes (See Note 2.b).
Notes 1 to 34 described in the accompanying Notes to the consolidated Financial Statements are an integral part of the consolidated balance sheet at December 31, 2020.

UCI, S.A. and Subsidiaries (UCI GROUP)
CONSOLIDATED PROFIT AND LOSS ACCOUNTS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2020 AND 2019
(Expressed in thousands of Euros)

	Nota	2020	2019(*)
Income from interests	30	213,464	211,264
Financial assets at amortised cost		-	-
Financial assets not held for trading compulsorily measured at fair value through profit and loss		-	-
Financial assets at fair value through other global results		-	-
Financial assets at amortised cost		179,846	194,879
Derivatives - hedge accounting, interest rate risk		15,873	15,311
Other assets		17,745	1,074
(Expenses from interests)	32	76,020	68,988
(Financial liabilities held for trading)		-	-
(Financial liabilities designated at fair value through profit and loss)		-	-
(Financial liabilities at amortised cost)		33,326	36,747
(Derivatives - hedge accounting, interest rate risk)		34,059	31,947
(Other liabilities)		8.635	294
INTEREST MARGIN		137.444	142,276
Income from dividends		-	-
Income from commissions		9,814	9,663
(Expenses for commissions)		-4,858	-4,500
Profit or (-) loss when writing off financial assets and liabilities not measured at fair value through profit and loss, net		9,446	14,825
Financial liabilities at amortised cost		9,446	14,825
Profit or (-) loss for financial assets and liabilities held for trading, net		-374	221
Profit or (-) loss for financial assets and liabilities held for negotiation, net		-	-
Profit or (-) loss for financial assets not held for trading compulsorily measured at fair value through profit and loss, net		-	-
Profit or (-) loss for financial assets and liabilities designated at fair value through profit and loss, net		-	-
Profit or (-) loss for financial assets and liabilities not held for trading, net		-	-
Profit or (-) loss resulting from hedge accounting, net		-	-

Exchange differences [profit or (-) loss], net		-	-
Other operating income		7,899	7,402
Other operating expenses		-	-
GROSS MARGIN		159,371	169,887
Administration expenses		83,449	86,288
Personnel costs	33	34,179	33,946
Other general administration expenses	34	49,270	52,342
Amortisation		6,007	3,638
Provisions or (-) reversal of provisions		735	922
Impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit and loss		85,477	33,217
Financial assets at amortised cost		85,477	33,217
Financial assets at fair value through other global results		-	-
RESULTS FROM THE OPERATING ACTIVITY		-16,297	45,822
Impairment or (-) reversal of the impairment of non-financial assets		18,909	23,044
Property, plant and equipment		15,609	22,334
Property investments		3,300	710
Intangible assets		-	-
Profit or (-) loss when writing off non-financial assets, net		-	-1,167
Profit or (-) loss originated from non-current assets and disposable groups of elements classified as held for sale not admissible as discontinued activities	18	-1,097	-6,622
RESULT BEFORE TAX		-36,303	14,989
(Expenses or (-) income for income tax from continuing activities)	28	-10,647	2,107
RESULT FROM THE YEAR FROM CONTINUING OPERATIONS		-25,656	12,882
Profits (losses) after tax from discontinued activities		-	-
RESULTS FROM THE YEAR		-25,656	12,882

(*) Presented solely and exclusively for comparison purposes (See Note 2.b).
Notes 1 to 34 described in the accompanying Notes to the consolidated Financial Statements are an integral part of the consolidated profit and loss account at December 31, 2020.

UCI, S.A. and Subsidiaries (UCI GROUP)
CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2020 AND 2019
(Expressed in thousands of Euros)

	2020	2019(*)
RESULTS FROM THE PERIOD	(25,656)	12.882
OTHER GLOBAL RESULTS	(34,084)	(36,713)
ELEMENTS THAT WILL NOT BE RECLASSIFIED IN RESULTS	-	-
Actuarial profits (losses) in defined benefit pension plans	-	-
Non-current assets and disposable groups of elements held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other global results, net	-	-
Profits (losses) of hedge accounting of equity instruments at fair value through other global results, net	-	-
Changes in the fair value of financial liabilities at fair value through profit and loss attributable to changes in the credit risk	-	-
Other valuation adjustments	-	-
Income Tax related to elements that will not be reclassified	-	-
ELEMENTS THAT COULD BE RECLASSIFIED IN RESULTS	(34,084)	(36,713)
Hedging of net investments in businesses abroad (effective portion)	-	-
Currency exchange	-	-
Cash flow hedges (effective portion)	(42,578)	(49,256)
Profits (losses) registered in equity	(42,578)	(49,256)
Transferred to results	-	-
Transferred to the initial carrying amount of hedged elements	-	-
Other reclassifications	-	-
Debt instruments at fair value through other global results	-	-
Profits (losses) registered in equity	-	-
Transferred to results	-	-
Other reclassifications	-	-
Non-current assets and disposable groups of elements held for sale	-	-

Other recognised income and expenses	(6,114)	(3,193)
Income Tax related to elements that could be reclassified in results	14,608	15,736
TOTAL RECOGNISED INCOME AND EXPENSES	(59,740)	(23,831)

(*) Presented solely and exclusively for comparison purposes (See Note 2.b).
Notes 1 to 34 described in the accompanying Notes to the consolidated Financial Statements are an integral part of the consolidated statement of recognised income and expenses at December 31, 2020.

UCI, S.A. and Subsidiaries (UCI GROUP)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED AT DECEMBER 31, 2020 AND 2019
(Expressed in thousands of Euros)

	EQUITY								Valuation adjust-ments	TOTAL EQUITY
	Common stock	Share premium	Reserves	Other equity ins-truments	Minus: Treasury shares	Profit/ (loss) for the period	Minus: interim dividend	Total equity		
1. Closing balance at (31/12/2019)	98,019		336,650		-	12,882	-	447,551	-44.130	403,421
Effects from error correction	-	-	-	-	-	-	-	-	-	-
Effects from changes in accounting policies	-	-	-52,845	-	-	-	-	-52,845	-	-52,845
2. Adjusted opening balance	98,019	-	283,805	-	-	12,882	-	394,706	-44,130	350,576
3. Total recognised income and expenses	-	-	-	-	-	-59,740	-	-59,740	-	-59,740
4. Other variations in equity	-	-	8,699	-	-	21,202	-	29,902	-29,805	96
4.1 Capital increases	-	-	-	-	-	-	-	-	-	-
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities in capital	-	-	-	-	-	-	-	-	-	-
4.4 Increase of other equity instruments	-	-	-	-	-	-	-	- -	-	-
4.5 Reclassification from financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification from other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends	-	-	-	-	-	-	-	-	-	-

4.8 Operations with equity instruments (net)	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	12,882	-	-	-12,882	-	-	-	-
4.10 Increases (reductions) for business combinations	-	-	-	-	-	-	-	-	-	-
4.11 Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
4.12 Other increases (reductions) of equity	-	-	-4,279	-	-	34,084	-	29,805	-29,805	-
4.13 Exchange differences	-	-	96	-	-	-	-	96	-	96
5. Closing balance at (31/12/2020)	98,019	-	292,504	-	-	-25,656	-	364,867	-73,935	290,932

UCI, S.A. and Subsidiaries (UCI GROUP)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED AT DECEMBER 31, 2020 AND 2019
(Expressed in thousands of Euros

	EQUITY								Valuation adjust-mentsción	TOTAL EQUITY
	Common stock	Share premium	Reserves	Other equity ins-truments	Minus: Treasury shares	Profit/ (loss) for the period	Minus: interim dividend	Total equity		
1. Closing balance at 31/12/2018 (*)	98,019	-	329,819	-	9,006	-	-	436,844	-9,652	427,192
2. Total recognised income and expenses	-	-	-	-	-23,831	-	-	-23,831	-	-23,831
3. Other variations in equity	-	-	6,831	-	27,707	-	-	34,538	-34,478	60
3.1 Capital increases	-	-	-	-	-	-	-	-	-	-
3.2 Capital decreases	-	-	-	-	-	-	-	-	-	-
3.3 Conversion of financial liabilities in capital	-	-	-	-	-	-	-	-	-	-
3.4 Increase of other equity instruments	-	-	-	-	-	-	-	-	-	-
3.5 Reclassification from financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
3.6 Reclassification from other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-

3.7 Distribution of dividends	-	-	-	-	-	-	-	-	-	-
3.8 Operations with equity instruments (net)	-	-	-	-	-	-	-	-	-	-
3.9 Transfers between equity items	-	-	6,771	-	-6,771	-	-	-	-	-
3.10 Increases (reductions) for business combinations	-	-	-	-	-	-	-	-	-	-
3.11 Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
3.12 Other increases (reductions) of equity	-	-	-	-	34,478	-	-	34,478	-34,478	-
3.13 Exchange differences	-	-	60	-	-	-	-	60	-	60
4. Closing balance at 31/12/2019 (*)	98,019	-	336,650	-	12,882	-	-	447.551	-44.,30	403,421

(*) Presented solely and exclusively for comparison purposes (See Note 2.b).
Notes 1 to 34 described in the accompanying Notes to the consolidated Financial Statements are an integral part of the consolidated statement of changes in equity at December 31, 2020.

UCI S.A. and Subsidiaries (UCI GROUP)
CONSOLIDATED STATEMENTS OF CASH FLOWS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2020 AND 2019
(Expressed in thousands of Euros)

	2020	2019(*)
CASH FLOWS FROM OPERATING ACTIVITIES	54,718	101,992
Profit or loss for the period	-25,656	12,882
Adjustments to profit or loss to obtain cash flows from operating activities	155,105	102,078
Depreciation and amortisation	3,390	3,638
Other adjustments	151,715	98,440
Net increase/decrease in operating assets	90,452	86,648
Financial assets held for trading	595	-15,095
Other financial assets designated at fair value through profit or loss	-	-
Financial assets held for sale	-	-
Loans and receivables	35,832	88,574

Other operating assets	54,025	13.169
Net increase/decrease in operating liabilities	-165,183	-97,006
Financial assets held for trading	-	2.252
Financial liabilities at amortised cost	-161,810	-110,481
Other operating liabilities	-3,373	11,223
Collections/payments for income tax	-	-2,610
CASH FLOWS FROM INVESTING ACTIVITIES	5,202	-47,401
Investment	-47,389	-87,109
Tangible assets	-	-3,404
Intangible assets	-	-860
Non-current assets held for sale and associated liabilities	-	-
Divestment	-47,389	-82,845
Tangible assets	52,591	39,708
Intangible assets	-	-
Non-current assets held for sale and associated liabilities	52,591	39,708
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Investment	-	-
Dividends	-	-
Divestment		
EFFECT OF EXCHANGE RATE CHANGES	-	60
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	59,920	54,651
F. CASH OR CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	181,495	126,844
G. CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	241,415	181,495
MEMORANDUM ITEM:		
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	2	8
Balance of cash equivalent in central banks	-	-
Other on-demand deposits	241,413	181,487
Total cash or cash equivalents at end of the period	241,415	181,495

(*) Presented solely and exclusively for comparison purposes (See Note 2.b).
Notes 1 to 34 described in the accompanying Notes to the consolidated Financial Statements are an integral part of the consolidated statement of cash flows at December 31, 2020.

1. ACTIVITY OF THE ENTITY

UCI, S.A. is the Parent Company of the Participated Group of Affiliated Entities which form part of UCI, S.A. and Subsidiaries (hereinafter, UCI Group). UCI, S.A. was incorporated, for an indefinite period of time, in 1988, when it was inscribed in the Mercantile Registry. Its corporate and tax address is located in Madrid.

The Group's main activity is granting mortgage loans. Its corporate purpose also allows it to carry out the activities of a Financial Credit Establishment.

During 1999 and 2004, the Group opened a Branch in Portugal and Greece respectively to distribute mortgage loans to individuals. The Greek production was paralysed in the last quarter of 2011, and the branch was closed in the first quarter of 2019, reallocating assets to the parent company. The remaining activity is performed on the national territory.

The Parent Company is under the obligation of drawing up its own individual consolidated financial statements, which are also subject to mandatory audit, together with the consolidated financial statements for the Group which include, where applicable, the corresponding holdings in Subsidiaries. The Group's Entities are involved in activities related with the financing of loans.

At December 31, 2020 and 2019, total assets, net equity and results for the year of the Subsidiary UNION DE CRÉDITOS INMOBILIARIOS S.A. E.F.C. represent almost all of the same concepts within the Group.

Summarised below are the individual balance sheet, the individual income statement, the individual statement of recognised income and expenses, individual statement of changes in net equity and individual cash-flow statement for the aforementioned Subsidiary, corresponding to the financial years ended at December 31, 2020 and 2019, prepared in accordance with the same accounting principles and rules and valuation criteria applied to these consolidated financial statements for the Group:

UNIÓN DE CRÉDITOS INMOBILIARIOS, S.A. ESTABLECIMIENTO FINANCIERO DE CRÉDITO, SOCIEDAD UNIPERSONAL
BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019
(Expressed in thousands of Euros)

ASSETS	2020	2019	LIABILITIES AND EQUITY	2020	2019
Cash, cash balances in central banks and other on-demand deposits	155,486	106,275	Financial liabilities held for trading	2,451	4,834
Cash	2	8	Derivatives	2,451	4,834
Other on-demand deposits	155,484	106,267	Short positions	-	-
Financial assets held for trading	15,853	9,080	Deposits	-	-
Trading derivatives	15,853	9,080	Financial liabilities designated at fair value through profit and loss	-	-
Equity instruments	-	-	Deposits	-	-
Debt securities	-	-	Issued debt securities	-	-
Loans and advances	-	-	Other financial liabilities	-	-
Financial assets not held for trading compulsorily measured at fair value through profit and loss	-	-	Financial liabilities at amortised cost	11,244,863	11,301,923
Equity instruments	-	-	Deposits of central banks	-	-
Debt securities	-	-	Deposits of credit institutions	7,371,860	7,457,998
Loans and advances	-	-	Deposits of clients	3,869,826	3,843,759
Financial assets designated at fair value through profit and loss	-	-	Debt securities	-	-
Equity instruments	-	-	Other financial liabilities	3,177	166
Debt securities	-	-	Derivatives - hedge accounting	106,627	63,787
Loans and advances	-	-	Provisions	5,129	4,395
Financial assets designated at fair value through other global results:	-	-	Pensions and other post-employment defined benefit obligations	-	-
Equity instruments	-	-	Other non-current remunerations to employees	-	-
Debt securities	-	-	Procedural matters and litigations for outstanding taxes	-	-
Loans and advances	-	-	Commitments and guarantees granted	-	-
Financial assets at amortised cost	10.683.450	10.831.653	Other provisions	5,129	4,395
Debt securities	-	-	Tax liabilities	1,143	1,352
Loans and advances	10.683.450	10.831.653	Current tax liabilities	1,143	1,352
			Deferred tax liabilities	-	-

Hedging derivatives	25	20
Changes in the fair value of hedged elements of a portfolio with hedge of the interest rate risk	-	-
Investments in joint ventures and associates	-	-
Property, plant and equipment	121,210	122,959
Tangible assets	7,621	3,779
Property investments	113,589	119,180
Of which: Assigned in operating lease	113,589	1,260
Intangible assets	2.052	-
Goodwill	-	1,260
Other intangible assets	2,052	69,275
Tax assets	90,294	1
Current tax assets	4	69,274
Deferred tax assets	90,290	429,334
Other assets	418,270	-
Insurance agreements l inked to pensions	-	-
Inventories	-	431,250
Other assets	418,270	288,321
Non-current assets held for sale	244,113	11,860,363
TOTAL ASSETS	11,730,753	
Memorandum item		-
Contingent risks	-	17,195
Contingent commitments	22,452	

Other liabilities	38,104	28,628
Liabilities included in disposable groups of elements classified as held for sale	-	-
TOTAL LIABILITIES	11,392,956	11,404,753
EQUITY		
Equity	411,732	499,740
Capital	45,852	45,852
Paid	45,852	45,852
Share premium	72,428	72,428
Equity instruments issued other than capital	-	-
Other equity elements	-	-
Accumulated gains	-	-
Other reserves	318,615	366,819
Profit/(loss) for the period	-25,163	14,641
Minus: Interim dividends	-	-
Other global accumulated results	-73,935	-44,130
Elements that will not be reclassified in results	-	-
Elements that could be reclassified in results	-73,935	-44,130
Hedging of net investments in businesses abroad	-	-
Currency exchange	-	-
Hedging derivatives. Cash flow hedge reserve	-73,935	-44,130
Changes in the fair value of debt instruments measured at fair value through other global results	-	-
TOTAL EQUITY	337,797	455,610
TOTAL EQUITY AND LIABILITIES	11,730,753	11,860,363

UNIÓN DE CRÉDITOS INMOBILIARIOS, S.A. ESTABLECIMIENTO FINANCIERO DE CRÉDITO, SOCIEDAD UNIPERSONAL
PROFIT AND LOSS ACCOUNTS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2020 AND 2019
(Expressed in thousands of Euros)

	Nota	2020	2019(*)
Income from interests	30	213,972	211,450
Financial assets at amortised cost		179,846	194,879
Derivatives - hedge accounting, interest rate risk		15,873	15,311
Other assets		18,253	1,260
(Expenses from interests)	32	78,022	70,158
(Financial liabilities at amortised cost)		31,019	36,747
(Derivatives - hedge accounting, interest rate risk)		34,059	31,947
(Other liabilities)		12,944	1,464
INTEREST MARGIN		135,950	141,292
Income from commissions		9,795	9,644
(Expenses for commissions)		-4,858	-4,500
Profit or (-) loss when writing off financial assets and liabilities not measured at fair value through profit and loss, net		9,446	14,825
Financial liabilities at amortised cost		9,446	14,825
Profit or (-) loss for financial assets and liabilities held for trading, net		-374	221
Other operating income		5,315	4,403
GROSS MARGIN		155,274	165,885
Administration expenses		78,367	80,760
Personnel costs	33	32,049	31,837
Other general administration expenses	34	46,318	48,923
Amortisation		5,855	3,500
Provisions or (-) reversal of provisions		735	922
Impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit and loss		88,136	34,110
Financial assets at amortised cost		88,136	34,110
RESULTS FROM THE OPERATING ACTIVITY		-17,819	46,593
Impairment or (-) reversal of the impairment of non-financial assets		18,729	23,040
Property, plant and equipment		15,609	22,334

Property investments		3,120	706
Profit or (-) loss originated from non-current assets and disposable groups of elements classified as held for sale not admissible as discontinued activities	18	594	-6,549
RESULT BEFORE TAX		-35,954	17,004
(Expenses or (-) income for income tax from continuing activities)	28	-10,791	2,363
RESULT FROM THE YEAR FROM CONTINUING OPERATIONS		-25,163	14,641
Profits (losses) after tax from discontinued activities		-	
RESULTS FROM THE YEAR		-25,163	14,641

UNIÓN DE CRÉDITOS INMOBILIARIOS, S.A. ESTABLECIMIENTO FINANCIERO DE CRÉDITO, SOCIEDAD UNIPERSONAL
STATEMENTS OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2020 AND 2019
(Expressed in thousands of Euros)

	Years	
	2020	**2019(*)**
RESULTS FROM THE PERIOD	(25,163)	14,641
OTHER GLOBAL RESULTS	(29,805)	(34,479)
ELEMENTS THAT WILL NOT BE RECLASSIFIED IN RESULTS	-	-
Actuarial profits (losses) in defined benefit pension plans	-	-
Non-current assets and disposable groups of elements held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other global results, net	-	-
Profits (losses) of hedge accounting of equity instruments at fair value through other global results, net	-	-
Changes in the fair value of financial liabilities at fair value through profit and loss attributable to changes in the credit risk	-	-
Other valuation adjustments	-	-
Income Tax related to elements that will not be reclassified	-	-
ELEMENTS THAT COULD BE RECLASSIFIED IN RESULTS	(29,805)	(34,479)
Hedging of net investments in businesses abroad (effective portion)	-	-
Currency exchange	-	-
Cash flow hedges (effective portion)	(42,578)	(49,256)
Profits (losses) registered in equity	(42,578)	(49, 256)
Transferred to results	-	-
Transferred to the initial carrying amount of hedged elements	-	-
Other reclassifications	-	-
Debt instruments at fair value through other global results	-	-
Profits (losses) registered in equity	-	-
Transferred to results	-	-
Other reclassifications	-	-
Non-current assets and disposable groups of elements held for sale	-	-

Income Tax related to elements that could be reclassified in results	12.773	14.777
TOTAL RECOGNISED INCOME AND EXPENSES	(54.968)	(19.838)

UNIÓN DE CRÉDITOS INMOBILIARIOS, S.A. ESTABLECIMIENTO FINANCIERO DE CRÉDITO SOCIEDAD UNIPERSONAL
STATEMENTS OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED AT DECEMBER 31, 2020 AND 2019 (
Expressed in thousands of Euros)

	EQUITY								Valuation adjust-mentsción	TOTAL EQUITY
	Common stock	Share premium	Reserves	Other equity ins-truments	Minus: Treasury shares	Profit/ (loss) for the period	Minus: interim dividend	Total equity		
1. Closing balance at 31/12/2019	45,852	72,428	366,819		-	14,641	-	499,740	-44,130	455,610
Effects from error correction	-	-	-	-	-	-	-	-	-	-
Effects from changes in accounting policies	-	-	-52,845	-	-	-	-	-52,845	-	-52,845
2. Adjusted opening balance	45,852	72,428	313,974	-	-	14,641	-	446,895	-44,130	402,765
3. Total recognised income and expenses	-	-	-	-	-	-54,968	-	-54,968	-	-54,968
4. Other variations in equity	-	-	4,641	-	-	15,164	-	19,805	-29,805	-10,000
4.1 Capital increases	-	-	-	-	-	-	-	-	-	-
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities in capital	-	-	-	-	-	-	-	-	-	-
4.4 Increase of other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification from financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification from other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends	-	-	-10,000	-	-	-	-	-10,000	-	-10,000
4.8 Operations with equity instruments (net)	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	14,641	-	-	-14,641	-	-	-	-

4.10 Increases (reductions) for business combinations	-	-	-	-	-	-	-	-	-	-
4.11 Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
4.12 Other increases (reductions) of equity	-	-	-	-	-	29,805	-	29,805	-29,805	-
5. Closing balance at (31/12/2020)	45,852	72,428	318,615	-	-	-25,163	-	411,732	-73,935	337,797

UNIÓN DE CRÉDITOS INMOBILIARIOS, S.A. ESTABLECIMIENTO FINANCIERO DE CRÉDITO SOCIEDAD UNIPERSONAL
STATEMENTS OF CASH FLOWS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2020 AND 2019
(Expressed in thousands of Euros)

	2020	2019(*)
CASH FLOWS FROM OPERATING ACTIVITIES	61,454	22,926
Profit or loss for the period	-25,163	14,641
Adjustments to profit or loss	105,652	99,918
Depreciation and amortisation	3,240	3,500
Other adjustments	102,412	96,418
Net increase/decrease in operating assets	-42,853	69,785
Financial assets held for trading	594	-8,063
Other financial assets designated at fair value through profit or loss	-	-
Financial assets held for sale	-	-
Loans and receivables	-19,670	90,070
Other operating assets	-23,777	-12,222
Net increase/decrease in operating liabilities	-61,888	-16,418
Financial assets held for trading	-	468
Financial liabilities at amortised cost	-65,354	-174,737
Other operating liabilities	3,466	12,851
Collections/payments for income tax	-	-
CASH FLOWS FROM INVESTING ACTIVITIES	-2,243	-49,196
Investment	-47,925	-84,519
Tangible assets	-1,942	-2,779

Intangible assets	-1,237	-1,203
Non-current assets held for sale and associated liabilities	-44,746	-80,537
Divestment	45,682	35,323
Tangible assets	-	-
Intangible assets	-	-
Non-current assets held for sale and associated liabilities	45,682	35,323
CASH FLOWS FROM FINANCING ACTIVITIES	-10,000	80,000
Investment	-10,000	
Dividends	-10,000	
Divestment	-	80,000
EFFECT OF EXCHANGE RATE CHANGES		
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	49,211	53,370
F. CASH OR CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	106,275	54,731
G. CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	155,486	108,461
MEMORANDUM ITEM:		
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	2	8
Balance of cash equivalent in central banks		
Other financial assets	155,484	108,453
Total cash or cash equivalents at end of the period	155,486	108,461

2. BASES OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

a) Bases of presentation of the consolidated annual accounts

On January 1, 2020, Circular 4/2019 of 26 November, of Bank of Spain, entered into force for financial credit establishments, public and reserved financial reporting standards, and models of financial statements. The reference taken by this Circular is the accounting regulation for credit institutions, either establishing analogous criteria or directly referring to standards of Circular 4/2017, of 27 November. Differences in the nature, scale and complexity of the establishments' activities with regard to credit institutions are translated in a simplified regime of requirements in the financial statements. Such regulations includes requirements set in national accounting regulations, together with International Financial Reporting Standards adopted by the European Union (IFRS-EU) and, in particular, the criteria of the IFRS-EU 9, on financial instruments, including the approach of expected losses to estimate credit risk hedges are incorporated to the accounting regulations of the financial credit establishments.

The abovementioned Circular constitutes the adaptation to the sector of Spanish credit institutions of the International Financial Reporting Standards, adopted by the European Union through Community Regulations, according to Regulation 1606/2002 of the European Parliament and the Council, of July 19, 2002, related to the application of International Accounting Standards, to show the true and fair view of the Entity's equity and financial position at December 31, 2020 and the results of its operations, of recognised income and expenses and of cash flows generated during the year therein ended.

Accordingly, the Group's consolidated financial statements have been formulated by the Directors following the accounting models and criteria established in Circular 4/2019, of 26 November, of Bank of Spain, to express the true and fair view of the consolidated equity and consolidated financial position at December 31, 2020 and of consolidated results from the Group's operations and changes in consolidated equity and cash flows during the year therein ended.

The Directors and their legal consultants have also concluded that the integration of Securitisation Funds performed on the present consolidated financial statements, which have issued liabilities (securitisation bonds) admitted to official trading in official secondary markets, does not constitute per se and therefore does not enforce the formulation of consolidated annual accounts under IFRS, not incurring on article 4 of Regulation 1606/2002 or in the definition of "companies", and since the Group does not keep an effective control on such Securitisation Funds.

The consolidated annual accounts corresponding to 2020 were formulated by the Directors in the Board of Directors' meeting held on March 11, 2021. The Group's consolidated annual accounts and the annual accounts of entities integrated in the Group, corresponding to 2020, will be subject to approval by the General Shareholders' Meeting to be held after the formulation date, and during the first half of 2021. Nevertheless, the Board of Directors understands that such consolidated annual accounts will be approved without changes.

The consolidated annual accounts corresponding to 2019 were formulated by the Directors in the Board of Directors' meeting held on March 24, 2020, which were approved by decision of the General Shareholders' meeting on the same day.

The main accounting and valuation principles and criteria applied in the preparation of the 2020 consolidated annual accounts are indicated on Note 11. All accounting principles and valuation criteria which had a significant effect on said consolidated annual accounts have been applied on their preparation.

Main regulatory changes in the period comprised from January 1 to December 31, 2020, not commented above

Royal Decree 309/2020, of 11 February, on the legal rime of financial credit establishments, modifying the Companies House Regulation, approved by Royal Decree 1784/1996, of 19 July, and Royal Decree 84/2015, of 13 February, developing Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions. This regulation, in general, maintains the previously applicable legal regime, with the corresponding adaptations. It regulates, among others: i) corporate governance environment and remuneration policy, ii) requirements related to solvency and conduct in financial credit establishments, iii) authorisation, registration and activity of financial credit establishments, developing these entities' new authorisation procedure.

Circular 1/2020, of 28 January, of Bank of Spain, modifying Circular 1/2013, of 24 May, of Bank of Spain, on the Risks Information Centre (CIR), which objective is to modify Circular 1/2013 concerning the update of information to be provided to clarify information to be sent in relation to certain operations, to reorganise the presentation of information in certain modules and to introduce an additional dimension, for the purpose of improving the information collected through the CIR with regard to that established withing the Regulation (EU) 867/2016.

Circular 3/2020, of 11 June, of Bank of Spain, modifying Circular 4/2017, of 27 November, to credit institutions, on public and reserved financial reporting standards, and models of financial statements, allowing certain flexibilization concerning the classification and provision of restructured or refinanced operations. This regulation allows financial entities to make a greater use of the flexibility implicit in the EBA Guidelines on credit risk management practices of credit institutions and the registration of expected credit losses (EBA/GL/2017/06). According to this regulation, restructured, refinanced or refinancing credit operations will not necessarily require being classified as normal risk in special surveillance when they do not have to be classified as doubtful risk. That is to say, these operations could continue being classified as normal risk at refinancing or restructuring date, as long as the entity justifies not having identified a significant increase of the credit risk from initial recognition. Moreover, this kind of operations included in category of normal risk in special surveillance shall be reclassified into normal risk as long as the significant increase of the credit risk has been reversed. However, they must continue being identified as restructured, refinanced or refinancing operation until the minimum two-year probationary period concludes, during which the owner must demonstrate a good payment behaviour.

Royal Decree 1178/2020, of 29 December, modifying the Corporate Income Tax Regulation, approved by Royal Decree 634/2015, of 10 July. It introduces modifications in the Corporate Income Tax Regulation, approved by Royal Decree 634/2015, of 10 July, to adapt the regulatory text in force to Circular 4/2017, of 27 November, of Bank of Spain, to credit institutions.

b) Comparison of information

The previous year's consolidated annual accounts are solely and exclusively presented for comparison purposes, with each item of the consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated Financial Statements, related to 2019. Therefore, they do not necessarily correspond to the consolidated annual accounts formulated by the Entity in the previous year.

As indicated above, the Group, when preparing these consolidated annual accounts, has applied for the first time the Circular 4/2019 of 26 November, of Bank of Spain. This has implied certain changes in the classification and valuation of certain accounting items. Additionally, Circular 4/2019 has introduced changes in disclosures and the denomination of certain captions of the financial statements.

In order for the information to be comparable, the information corresponding to 2019, presented in these consolidated annual accounts and solely for the purpose of presenting comparative figures, introduces the appropriate adjustments and reclassifications on balances booked in certain captions of the consolidated financial statements, in compliance with said Circular 4/2019 into new captions therein established.

The following table shows the detail of the reconciliation of the consolidated balance sheet under Circular 4/2004 of Bank of Spain and subsequent modifications at January 1, 2020, distinguishing between impacts for reclassifications of captions and implemented adjustments, for the first application of Circular 4/2019 of Bank of Spain:

Caption 4/2004	December 2019 Circular 4/2004	Reclass.	Adjust-ments	Opening Balance January 1, 2020 Circular 4/2017	Caption 4/2019
Cash and deposits in central banks	8	181,487	0	181,495	Cash, cash balances in central banks and other on-demand deposits
Trading portfolio	19,140	0	0	19,140	Financial assets held for trading
Credit investments	10,527,496	-181,487	-52,451	10,363,558	Financial assets at amortised cost
Hedging derivatives	20	0	0	20	Derivatives - hedge accounting
Non-current assets held for sale	309,230	0	-2,666	306,564	Non-current assets and disposable groups of elements classified as held for sale
Tangible assets	126,032	0	3,643	129,675	Property, plant and equipment
Intangible asset	1,474	0	0	1,474	Intangible assets
Tax assets	91,783	0	4,728	96,511	Tax assets
Other assets	353,305	0	0	353,305	Other assets
TOTAL ASSETS	11,428,488	0	-46,746	11,381,742	TOTAL ASSETS
Trading portfolio	8,519	0	0	8,519	Financial liabilities held for trading
Financial liabilities at amortised cost	10,913,392	0	6,099	10,919,491	Financial liabilities at amortised cost
Hedging derivatives	63,787	0	0	63,787	Derivatives - hedge accounting
Provisions	5,225	0	0	5,225	Provisions
Tax liabilities	1,572	0	0	1,572	Tax liabilities
Other Liabilities	32,572	0	0	32,572	Other Liabilities
TOTAL LIABILITIES	11,025,067	0	6,099	11,031,166	TOTAL LIABILITIES
EQUITY:	447,551	0	-52,845	394,706	EQUITY:
Capital	98,019	0	0	98,019	Capital
Reserves	336,650	0	-52,845	283,805	Other Reserves
Profit/(loss) for the period	12,882	0	0	12,882	Profit/(loss) for the period
ADJUSTMENTS FOR VALUATION:	-44,130	0	0	-44,130	VALUATION ADJUSTMENTS:
TOTAL EQUITY	403,421	0	-52,845	350,576	TOTAL EQUITY
TOTAL LIABILITIES AND EQUITY	11,428,488	0	-46,746	11,381,742	TOTAL LIABILITIES AND EQUITY

The Group, on January 1, 2020, concerning the classification, registration and valuation under Circular 4/2019 of Bank of Spain, has opted to recognise the impact of such regulation in equity.

The most significant adjustments, made by the Group as a consequence of the first application impact in the consolidated financial statements of 2020, are the following:

1. According to Annex IX (Circular 4/2017), the Entity has applied for the first time the financial assets' impairment model that is no longer based in incurred losses, but estimated by expected losses, for credit risk based on IFRS-EU 9, implying the following:

a. Net negative impact in reserves, for an amount of 48.46 million Euros.
b. Increase of value corrections in 52.45 million Euros (decreasing the caption of "Financial assets at amortised cost").
c. Increase of 3.99 million Euros of deferred tax assets.

2. According to Circular 4/2019, financial credit establishments must apply for the first time the accounting criteria for leases of sections 1 to 9 of the first transitory provision of Circular 2/2018, which substitutes the standard 33 of leases of Circular 4/2017 and incorporates the accounting criteria compatible with the IFRS-EU 16, which main difference is the accounting treatment for the lessee, keeping without relevant changes these agreements' registration by the lessor. The Entity has quantified the best estimate of the impact as follows:

a. Increase of captions in "Property, plant and equipment" by 6.1 million Euros for the recognition of the right of use.
b. Increase of "Other financial liabilities" for an amount of 6.1 million Euros for the recognition of obligations derived from lease agreements.

Moreover, balances of captions of other consolidated financial statements of 2019 (profit and loss account, statement of changes in equity and statement of cash flows) referring to portfolios of "Credit investments" and "Trading portfolio" have been reclassified into new captions of the financial statements that have been introduced by the new regulation and which refer to the portfolios of " Financial assets at amortised cost" and "Financial assets held for trading", respectively.

There are no other relevant additional aspect that could significantly affect the comparability of the presented figures, corresponding to the year, with those related to the previous year.

c) Management and impacts of the Covid-19 pandemic

The appearance of the Coronavirus COVID-19 in China and its global expansion to a large number of countries led to its qualification as global pandemic by the World Health Organisation on March 11, 2020. The pandemic has affected and continues adversely affecting the national and international activity and economic conditions, ultimately leading many countries to economic recession.

In view of this pandemic situation, the Group has focused on ensuring the continuity in the business' operating security, as a priority, and on monitoring impacts in the business and in the Group's risks (such as impacts in results, capital, the clients' solvency or liquidity). Additionally, since the beginning, the Group adopted a series of measures to support and ease the payment of loans to its clients, mainly to those sectors most strongly affected by the Covid-19.

In order to mitigate the impact associated to the COVID-19, both Bank of Spain and the European Central Bank and other European and international institutions have made pronouncements aimed to allow more flexibility concerning the implementation of accounting and prudential frameworks. These pronouncements have been taken into consideration by the Group when elaborating its Financial Statements.

The main impacts derived from the pandemic are detailed in the following Notes:

• Note 3 includes information on the consideration of the COVID-19 pandemic in estimates.

• Note 11.g) includes information on the Group's impacts in relation to the classification of certain clients affected by the Covid-19 in the flexibilization of accounting regulations allowed by supervisors.

• Note 17 includes information on initiatives carried out by the Entity to assist affected clients. This includes, among others, information related to the number of operations and the amount corresponding to moratoriums, both public and private, granted by the Group.

Note 13 details the main risks associated to the pandemic, as well as impacts both in the Group's activity and financial results during 2020.

d) Consolidation principles

Subsidiaries

Subsidiaries are entities on which the Group has control. In general, this capacity is stated, although not exclusively, by ownership, direct or indirect, of at least 50% of the political rights on investees or, if such percentage was below 50% or null, if, for example, there are agreements with their shareholders who grant such control to the Group. Control is understood to be the power to manage the financial and operational policies of an entity in which there is a holding, so as to obtain profits from its activities.

It is understood that an entity controls an investee when it is exposed to or has rights to variable returns for its involvement in the investee and has the ability to influence such returns through the power exercised on the investee. The following must concur in order to consider the existence of control:

a) Power: an investor has power on an investee when the investor holds rights in force which provide it with the capacity to direct relevant activities, which are those which significantly affect the investee's yields;

b) Yields: an investor is exposed or has right to variable yields for its involvement in the investee when yields obtained by the investor for such involvement can vary in the basis of the investee's economic evolution. The investor's yields shall be only positive, only negative or simultaneously positive and negative.

c) Relation between power and yields: an investor controls an investee if the investor does not only hold power on the investee and is exposed or has right to variable yields for its involvement in the investee, but also has the capacity to use its power to influence yields obtained for such involvement in the investee.

The financial statements of subsidiaries are consolidated with those of the Group by applying the full consolidation method. Consequently, all significant balances and transactions among consolidated entities and such entities and the Group are eliminated within the consolidation process.

At acquisition of a subsidiary, its assets, liabilities and contingent liabilities are registered at their fair value at acquisition date. Positive differences between the acquisition cost and fair values of identifiable net assets acquired are recognised as goodwill. Negative differences are allocated to profit and loss at acquisition date.

Additionally, the shareholding by minority shareholders on the Group's equity is presented under "Minority shareholders" on the accompanying consolidated balance sheet. Their shareholding on the results for the year is presented on the caption "Results attributed to minority shareholders" on the accompanying consolidated income statement.

The consolidation of results generated by entities acquired during a certain year only takes into account results related to the period comprised between the acquisition date and that year's closing. In parallel, the consolidation of results generated by entities disposed of during a certain year only takes into account those results related to the period from the opening of the year and the date of disposal.

Securitisation funds in which an exposure has been withheld as subordinated financing have been consolidated through the global integration, in order to provide more information, although the control is not held on them, there being alternative accounting presentation options.

Associates

Associates are those over which the Group holds a significant influence, although not a control or joint control. It is assumed that there is a significant influence when 20% or more of voting rights are held, directly or indirectly, on an investee, unless it is possible to clearly demonstrate that there is not such influence.

On consolidated financial statements, associates are valued by the "equity method", that is to say, by the fraction of its net equity representing the Group's shareholding on its capital, after considering dividends perceived from them and other equity eliminations. In the case of transactions with an associated entity, the corresponding profit or loss is eliminated on the Group's percentage over its capital.

The relevant information of Group Entities' investments at December 31, 2020 and 2019 is the following:

NAME AND ADDRESS	SHARE CAPITAL 2020 (in thousands of Euros)	SHARE CAPITAL 2019 (in thousands of Euros)	SHAREHOLDING PERCENTAGE	ACTIVITY
UNIÓN DE CRÉDITOS INMOBILIARIOS. S.A. ESTABLECIMIENTO FINANCIERO DE CREDITO Sociedad Unipersonal C/ RETAMA 3 - MADRID	45.852	45,852	100%	Property financing loans
UCI SERVICIO PARA PROFESIONALES INMOBILIARIOS. S.A. (antes COMPRARCASA SERVICIOS INMOBILIARIOS. S.A. Sociedad Unipersonal) C/ RETAMA 3 - MADRID	635	635	100%	The provision of all types of services related with the property/IT market
RETAMA REAL ESTATE (antes U.C.I. SERVICIOS INMOBILIARIOS Y PROFESIONALES. S.L. Sociedad Unipersonal) C/ RETAMA 3 - MADRID	2,578	2,578	100%	Advice, Management, direction and assistance for companies, as well as the acquisition and sale of real estate
ComprarCasa. Rede de Serviços Imobiliários. SA	275	275	100%	Development of IT activities and services related to the real estate sector, both through Internet and other technologies
UCI–Mediação de Seguros Unipessoal Lda	5	5	100%	Insurance brokerage
UCI Holding Brasil Lda	1,494	1,494	100%	Holding entity. It holds 50% of COMPANHIA PROMOTORA UCI
UCI Hellas Credit and Loan Receivables Servicing Company S.A.	100	100	100%	Management and maintenance of loans granted by financial entities.

The contribution to the Group's results by each entity during 2020 has been the following:

	Unión de Créditos Inmobiliario. SA. EFC								
UCI. SA	Business in Spain	Business in Portugal and Greece	ComprarCasa, Rede de Serviços Imobiliários, S.A.	UCI Servicios para profesionales inmobiliarios S.A.	Retama Real Estate	UCI Mediación de seguros	UCI Holding Ltda	UCI Hellas Credit and Loan Receivables Servicing Company S.A.	Total Consolidated
854	-35,887	10,724	4	66	-1,478	7	3	51	-25,656

The contribution to the Group's results by each entity in 2019 was the following:

	Unión de Créditos Inmobiliario. SA. EFC								
UCI. SA	Business in Spain	Negocio en Portugal y Grecia	ComprarCasa. Rede de Serviços Imobiliários. S.A.	UCI Servicios para profesionales inmobiliarios S.A.	Retama Real Estate	UCI Mediación de seguros	UCI Holding Ltda	UCI Hellas Credit and Loan Receivables Servicing Company S.A.	Total Consolidated
41	6,492	8,149	2	82	-1,915	6	22	3	12,882

In the consolidation process, the full integration method has been applied to integrate the Subsidiaries in the consolidated annual accounts.

Consequently, all significant balances and transactions among Entities that are part of the consolidation perimeter have been written-off during the consolidation process.

3. CHANGES AND ERRORS IN ACCOUNTING CRITERIA AND ESTIMATES

The information included in the present consolidated annual accounts is under the responsibility of the Parent entity's Directors. Estimates, if any, have been used in the present consolidated annual accounts to value certain assets, liabilities, expenses and commitments made by the Parent entity's Senior Management, subsequently ratified by the Directors. Such estimates correspond to the following:

- Losses from impairment of certain financial assets (Note 17 and 18)
- Assumptions used to quantify certain provisions
- Periods of useful life and impairment losses applied to tangible and intangible fixed assets (Notes 19 and 20)
- The fair value of certain unlisted assets (Notes 24 and 25)
- The recoverability of deferred tax assets (Note 29).

On March 11, 2020 the COVID-19 was declared global pandemic by the World Health Organisation (see Note 2.c). The greatest uncertainty associated to the unprecedented nature of this pandemic implies a larger complexity when developing reliable estimates.

Although the abovementioned estimates were based on the best information available at 2020 closing, there could be future events that compelled to their modification (upwards or downwards) in coming years, according to the Circular 4/2019 of Bank of Spain, prospectively, recognising the effects of the eventual change of estimate in the corresponding consolidated profit and loss account.

4. DISTRIBUTION OF RESULTS

The Parent Entity's Board of Directors will propose to the General Shareholders' Meeting the approval of losses from the year and their transfer to previous years' losses.

5. MINIMUM EQUITY

Until December 31, 2013, Circular 3/2008 of Bank of Spain, of 22 May, and successive updates, on the determination and control of minimum equity, regulated minimum equity requirements to be held by Spanish credit entities – both at individual and consolidation level – and the way to determine such equity.

On June 27, 2013, the European Union's Official Gazette published the new regulation on capital requirements (called CRD IV), applicable from January 1, 2014, comprised by the following:

- Directive 2013/36/EU, of 26 June, of the European Parliament and Council, related to the access to the activity by credit entities and investment companies, and the prudential supervision of credit entities and investment companies, modifying Directive 2002/87/EC and derogating Directives 2006/48/EC and 2006/49/EC.

- Regulation EU 575/2013, of 26 June, of the European Parliament and Council, on prudential requirements for credit entities and investment companies, modifying Regulation EU 648/2012.

In Spain, the transposition of the new European regulation has been performed on two stages. On a first stage, Royal Decree Law 14/2013, of 29 November, was published, on urgent measures to adapt the Spanish law to the European Union regulation in supervision and solvency of financial entities, performed a partial transposition of Directive 2013/36/EU to the Spanish law and empowered Bank of Spain, in its final fifth provision, to use options allocated to national competent authorities in Regulation EU 575/2013

In the exercise of authorisation granted by such Royal-Decree Law, Bank of Spain approved Circular 2/2014, of 31 January, on the exercise of several regulatory options contained on Regulation (EU) 575/2013, determining chosen national permanent and transitory options, for its application by credit institutions from the entry into force of such regulation, on January 2014. Subsequently, this Circular was modified with regard to the treatment of the deduction of intangible assets during the transitory period, by Circular 3/2014, of 30 July, of Bank of Spain.

On a second stage, Law 10/2014, of 26 June, was enacted on regulation, supervision and solvency of credit entities, establishing bases for a complete transposition of Directive 2013/36/EU. Subsequently, on February 2015, Royal Decree 84/2015, of 13 February, was published, developing Law 10/2014, of 26 June, on regulation, supervision and solvency of credit entities.

Then, Circular 2/2016, of 2 February, was published, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and to the Regulation (EU) 575/2013.

All the above constitutes the current regulation in force on minimum equity to be held by Spanish credit entities, both at individual and consolidation levels, and the way to determine such equity, as well as several capital self-assessment processes to be applied.

Bank of Spain will have a supervisory function over the Financial Credit Establishments, in agreement with title III Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, with adaptations that, where applicable, are determined by regulation. This competence will be extended to any office or centre, in the Spanish territory or abroad, and, to the extend required by the compliance with functions entrusted to Bank of Spain, to companies integrated in the group of the Financial Credit Establishment.

Finally, according to Royal Decree 309/2020, of 11 February, on article 29, the solvency regime will be applicable to financial credit establishments and consolidable groups of financial credit establishments set in title II of Law 10/2014, of 26 June, and in title II of Royal Decree 84/2015, of 13 February, in its developing standards, with the scope and specialities set in Law 5/2015, of 27 April, and in such Royal Decree.

Concerning financial credit establishments that have the condition of SME, in agreement with the Recommendation 2003/361/EC of the Commission, of 6 May 2003, on the definition of micro-enterprises, small and medium entities, the capital conservation buffers and specific anticyclical capital regulated in articles 44 and 45 of Law 10/2014, of 26 June, and its developing regulation will not be applicable.

Recommendation 2003/361/EC of the Commission, of 6 May 2003, on the definition of micro-enterprises, small and medium entities establishes the following in article 2 of its Annex:

- The category of micro-enterprises, small and medium entities (SME) comprises companies with less than 250 employees and which annual turnover does not exceed 50 million Euros or which general annual balance sheet does not exceed 43 million Euros.

- The category of SME defines a small company as one with less than 50 employees and which annual turnover or general annual balance sheet does not exceed 10 million Euros.

- The category of SME defines a micro-enterprise as a company that hires less than 10 employees and which annual turnover or general annual balance sheet does not exceed 2 million Euros

Therefore, at 2020 closing, the solvency regime established for credit institutions in title II of Law 10/2014, of 26 June, and in title II of Royal Decree 84/2015 is applicable to the UCI Group, with the abovementioned exceptions.

In 2019, UCI Group decided to adopt criteria defined by EU CRR with regard to the compliance with the percentage of 2.5% of "capital conservation buffer".

On April 16, 2019, UCI EFC España performed a transfer of 32 million Euros, in order to allocate share capital to its Branch in Portugal, in agreement with the local regulator, for the purpose of maintaining sufficient solvency with a view to the development of its credit activity in Portugal.

Minimum equity requirements established in the abovementioned regulation are calculated on the basis of the Group's exposure to the credit and dilution risk (based on assets, commitments and other suspense accounts which present risks, according to their amounts, characteristics, counterparts, guarantees, etc.), to the counterparty risk, position risk, and liquidation risk corresponding to the trading portfolio, to the exchange risk (based on the net global exchange position) and operative risk. Additionally, the Group is subject to risk concentration limits established by Regulation.

At December 31, 2020 and 2019, and during such years, computable individual and consolidated equity exceeded those required by the regulation in force at each date, presenting a solvency ratio of 10.66% and 11.87%, respectively

6. INFORMATION BY MARKET SEGMENT AND ADDITIONAL INFORMATION

a) Segmentation by business lines:

The main business of UCI Group is mortgage business, without other significant business lines.

b) Segmentation by geographic scope:

The Group counts with a Branch in Portugal (production of 173 million Euros and 191 million Euros at December 31, 2020 and 2019 respectively) and in Greece, which ended its commercial activity in 2011, but continued granting new credits until 2016, in order to finance sales of certain REOs. It was closed at the end of the first quarter of 2019, reallocating assets to the parent company. The remaining activity is held in the national territory.

c)Agency contracts

Neither at 2020 and 2019 closings, nor throughout such years, has the Group held "agency contracts" in force on the way they are contemplated under article 22 of Royal Decree 1245/1995, of July 14, of the Ministry of Economy and Treasury.

d) Coefficient of minimum reserves

At December 31, 2020 and 2019, both the Group and the Parent Entity exempt are from complying with this coefficient, as they do not acquire responsible funds from the public..

7. REMUNERATION AND DUTY TO LOYALTY OF THE ENTITY'S DIRECTORS AND KEY MANAGEMENT PERSONNEL

The remuneration for members of the Board of Directors is included under the heading Personnel Costs in the accompanying consolidated income statement for an amount of 134 thousand Euros (102 thousand Euros in 2019).

At the date of formulation of the consolidated annual accounts, the Board members of UCI, S.A. and persons related to them, as defined by article 231 of the Corporate Enterprises Act, have not communicated to other Board members any situation of conflict, direct or indirect, with the Entity's interest.

Remuneration of key personnel and Board members as Directors

Salary remunerations perceived in 2020 by professionals comprised on the Entity's key personnel and by Board Members as Directors amounted to 2,683 thousand Euros (2,836 thousand Euros in 2019), fully corresponding to fixed remuneration.

There have not been any severance payments to key personnel in 2020 or in 2019, except for an amount of 59 thousand Euros related to 2019.

For the purposes of the accompanying data, key personnel refers to employees who meet the requirements indicated on section 1.d) of the 62nd Regulation of Circular 4/2017.

Commitments for pensions, insurances, credits, guarantees and other concepts

The Group's Directors have not been granted with commissions for pensions, credits, guarantees or other concepts.

8. ENVIRONMENTAL IMPACT

The Group considers that it has adopted the appropriate measures with regard to the protection and improvement of the environment and the minimisation, as applicable, of environmental impact, complying with the regulations on this aspect. During 2020 and 2019, the Group has not made any significant investment of an environmental nature and neither has it considered it necessary to register any provision for risks and charges of an environmental nature, neither does it consider that there any material contingencies with regard to the protection and improvement of the environment.

9. AUDIT FEES

Fees for the audit of the Group's consolidated annual accounts, included under the heading of External Services in the accompanying 2020 consolidated Income statement have amounted to 103,062 Euros (91,713 Euros in 2019). In 2020, fees for other services delivered by the auditor or other network entities have amounted to 18.8 thousand Euros (18.8 in 2019), regardless of their invoicing period.

10. SUBSEQUENT EVENTS

From December 31, 2020 and until the date of formulation of the present consolidated annual accounts, there has not been any event significantly affecting the Entity's accompanying consolidated annual accounts, except for the following.

In the context of the appraisals' updating process performed during 2020, the Group has continued receiving updates of appraisals during 2021. Accordingly, the Group, in 2021, has recognised in accounts the completed definitive ECO appraisals received in substitution of estimates applied at the 2020 closing. At March 11, 2021, the impact in accounting registrations derived from the above, based on the need to make additional allocations, is of 6.1 million Euros.

11. APPLIED ACCOUNTING PRINCIPLES AND STANDARDS AND VALUATION CRITERIA

The most significant accounting policies and rules and measurement basis applied in drawing up these consolidated annual accounts are described below:

a) Principle of accrual

These consolidated annual accounts, except as applicable in respect of the cash flows statements, have been drawn up based on the real flow of goods and services, regardless of their date of payment or receipt.

b) Other general principles

The consolidated annual accounts have been drawn up on the historic cost basis, although modified by financial assets and liabilities (including derivatives) at fair value.

The preparation of the consolidated annual accounts requires the use of certain accounting estimates. Likewise, this requires Management to exercise its judgement in the process of applying the Group's accounting policies. These estimates could affect the amount of the assets and liabilities and the breakdown of contingent assets and liabilities at the date of the consolidated annual accounts and the amount of income and costs during the period for the consolidated annual accounts. Although these estimates are based on Management's best knowledge of the current and foreseeable circumstance, the end results might differ from these estimates.

c) Financial derivatives

Financial derivatives are instruments that, in addition to providing a profit or a loss, can allow, under certain conditions, compensation of all or part of the credit and/or market risks associated with balances and transactions, using as underlying components interest rates, certain indices, prices of some securities, cross rates of exchange for different currencies or other similar references. The Group uses traded financial derivatives in organised markets (OTC).

Financial derivatives are used for trading with customers who request this, for the Management of the risks in the Group's own positions (hedging derivatives) or to benefit from changes in the prices of these. Financial derivatives that cannot be considered as being for hedging are considered as trading instruments. The following are the conditions for a financial derivative to be considered as being for hedging

i) The financial derivative must cover the risk of variations in the value of assets and liabilities as a result of changes in the interest rate and/or exchange rate (cover for fair values), the risk of alterations to the estimated cash flows originating in financial assets and liabilities, highly probable foreseen commitments and transactions (cash flow hedge) or the risk of net investment in a foreign business (hedge of net investments in foreign business).

ii) The financial derivative should effectively eliminate any some risk inherent to the component or position covered throughout the full period of hedging. Consequently, it is to have prospective effectiveness, effectiveness at the time of contracting the hedging under normal conditions, and retrospective effectiveness, sufficient evidence that the effectiveness of the hedging is to be maintained throughout the life of the hedged component or position.

The effectiveness of the hedging provided by the derivatives defined as hedge, is to be duly documented by means of the tests of effectiveness, which is the tool that proves that the differences produced by changes in market prices between the hedged component and its hedging is maintained at reasonable parameters throughout the life of the operations, thereby complying with the forecasts established at the moment of contracting.

If this is not the case at any moment, all associated operations in the hedging group are to be transferred to trading instruments and be duly reclassified in the balance sheet.

iii) It is adequately documented in the effectiveness tests that the contracting of the financial derivative took place specifically to serve as hedging for certain balances or transactions and the form in which it was intended to achieve and measure this effective hedging, provided that this is form is consistent with the management of the Group's own risks.

Hedging may be applied to individual components or balance or to portfolios of financial assets and liabilities. In this last case, the set of financial assets or liabilities to be hedged should share the same type of risk, this being understood to be complied with when the sensitivity to changes in the interest rate for the individual components hedged is similar. It is considered that the hedging is highly effective when it is expected, both prospective and retrospectively, at the beginning and throughout its life, that the changes in cash in the hedged item that is attributable to the hedged risk are almost fully offset by changes in the fair value or in the cash flows for the hedging instrument. A hedging is considered to be highly effective when the hedging results have oscillated within a range of variation of 80% to 125% with regard to the result for the hedged item..

The Entity normally uses interest rate swaps for hedging variations in interest rates, mainly with the two shareholders of the Group. Hedges are performed by homogeneous groups with a derivative for each transactions or hedged group of transactions, and under the same conditions of reference, term, etc., as the hedged component.

d) Financial assets

A financial asset must be initially classified in one of the two following categories:

- Financial assets which contractual conditions lead, at specific dates, to cash flows that solely consist in payments of principal and interests on the amount of the outstanding principal.

- Other financial assets.

For the purpose of this classification, a financial asset's principal is its fair value at initial recognition, which could change throughout the financial asset's life; for instance, if there are reimbursements of principal. Moreover, interest is the sum of the consideration for the temporary money value, for financing and structure costs, and for the credit risk associated to the amount of outstanding principal during a specific period, plus a profit margin.

Financial assets are classified, for valuation purposes, in the following portfolios, based on the abovementioned aspects:

i) Financial assets at amortised cost:

This category includes financial assets that meet the two following conditions:

- They are managed with a business model which objective is to hold them to perceive contractual cash flows.

- Their contractual conditions lead to cash flows at specific dates, which are solely payments of principal and interests on the amount of outstanding principal.

This category includes the investment originated in the typical credit activity, such as cash amounts disposed of and to be amortised by clients for loan or deposits given to other entities, whichever its legal instrumentation, debt securities that meet these two conditions, as well as debts contracted by buyers of goods or users of services that constitute a part of the entity's business.

After initial recognition, financial assets classified in this category are valued at amortised cost, which must be understood as the acquisition cost, corrected by reimbursements of principal and the portion allocated to the profit and loss account, using the effective interest rate method, of the difference between the initial cost and the corresponding value of reimbursement at maturity. Also, the amortised cost is decreased by any reduction of value impairment, directly recognised as a decrease of the amount of assets or through a corrective account or value compensating item.

The effective interest rate is the discount rate that exactly matches the value of a financial amount of a financial instrument to its estimated cash flows during the expected life of the instrument, based in its contractual conditions such as options for early repayment, of ampliation, of surrender and similar, but not considering expected credit losses. The calculation will include all commissions, transaction costs and other premiums or discounts obtained that are an integral part of the instrument's return or effective cost, according to standard 38 of Circular 4/2017.

For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the commissions that, because of their nature, can be assimilated with an interest rate. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing for all items up until the date on which the reference interest rate is due to be reviewed once more.

ii) Financial assets at fair value through other global results:

This category includes financial assets that meet the two following conditions:

- They are managed with a business model which objective combines the perception of contractual cash flows and its sale.

- Contractual conditions lead to cash flows at specific dates that are solely payments of principal and interests on the amount of outstanding principal.

Financial assets' income and expenses at fair value through other global results are recognised according to the following criteria:

- Accrued interests or, where applicable, accrued dividends will be registered in the profit and loss account.

- Exchange differences will be booked in the profit and loss account in the case of monetary financial assets, and in other global results in the case of non-monetary financial assets.

- Instruments' impairment losses, or profits in their subsequent recovery, will be recognised in the profit and loss account and, in the case of equity instruments, in other global results.

- Other value changes will be recognised in other global results.

When a debt instrument at fair value through other global results is written off from the balance sheet, the accumulated profit or loss in equity will be reclassified into results from the period. However, when such write-off is performed on an equity instrument at fair value through other global results, this amount will not be reclassified into the profit and loss account, but to an item of reserves.

iii) Financial assets compulsorily at fair value through profit and loss:

A financial asset is compulsorily classified in the portfolio of financial assets at fair value through profit and loss as long as, due to the business model for its management or due to the characteristics of its contractual cash flows, it should not be classified in any of thew abovementioned portfolios.

This portfolio is in turn subdivided into the following:

- Financial assets held for trading.

Financial assets held for trading are those that have been acquired in order to realise them at the short term, or are part of a portfolio of financial instruments identified and jointly managed, for which recent actions have been performed to obtain profits at the short term. Also, financial assets held for trading are derivatives that do not meet the definition of financial guarantee contract, and have not been designated as accounting hedge instruments.

- Financial assets not held for trading compulsorily measured at fair value through profit and loss.

This portfolio classifies the remaining financial assets compulsorily measured at fair value through profit and loss.

Fair value changes are directly booked in the profit and loss account, distinguishing, for instruments other than derivatives, between the portion allocable to the instrument's accrued returns, booked as "Income from interests and similar income", applying the effective interest rate method, or as dividends, depending on its nature, and the rest is registered as results from financial operations, in the corresponding caption.

iv) Hedging derivatives, including financial derivatives acquired or issued by the Entity, which qualify to be considered accounting hedge.

In financial assets designated as hedged items and with accounting hedging, the value differences are reflected taking the following criteria into account:

- On fair value hedging, the difference arising both from the hedging components and the components hedged and in which the hedged risk is referred to, this is recognised directly in the income statement.

Valuation differences corresponding to the ineffective portion of cash flow and net investments in foreign operations are recognised directly in the income statement.

- In cash flow hedges, the effective portion of the valuation differences arising on the value of the hedging instrument is recognised temporarily under the heading for valuation adjustments in Equity.

- In hedges for net investment in foreign operations, the valuation differences arising from the effective hedging of the items hedged are recognised temporarily in Equity under valuation adjustments.

In these last two cases the valuation differences are not recognised as results until the gain or loss on the hedged item are recognised in the income statement or until the maturity date of the hedged item.

- For interest rate risk fair value hedging in a financial instruments portfolio, the gains or losses that arise from the valuation of the hedging instruments are recognised directly in the income statement, whereas gains or losses due to fluctuations in the fair value of the amount hedged, and with regard to risk hedged, are recognised in the income statement using as counter entry the heading for Adjustments to financial assets through macro-hedging.

- In cash flow hedges for the interest rate risk in a financial instruments' portfolio, the effective portion of the change in value of the hedging instrument is recognised temporarily under the heading for Adjustments to Equity until the moment at which the forecast transactions take place, from which time these are recorded in the income statement. The fluctuations in value in hedging derivatives for the ineffectiveness of these are reflected directly in the income statement.

v) Investments in subsidiaries, joint ventures and associates, including equity instruments in group entities or associates.

Insurance agreements linked to pensions that correspond to rights to the reimbursement enforceable from insurance entities of a portion or the totality of the required disbursement to cancel a defined benefit obligation when insurance policies do not meet the conditions to be considered a plan's asset.

vi) Fair value of OTC financial derivatives is the sum of future cash flows originated on the instrument and discounted at valuation date, using methods recognised by financial markets.

vii) Investments in subsidiaries, joint ventures and associates are booked at acquisition cost, corrected, where applicable, by eventual impairment losses.

Reclassification between portfolios of financial instruments

Reclassifications between portfolios of financial instruments are exclusively performed when an entity changes its business model to manage financial assets, in which case all affected assets will be reclassified, according to the following:

If the Entity reclassifies a debt instrument from the portfolio of amortised cost to the portfolio of fair value through profit and loss, the Entity must estimate the fair value at reclassification date. Any profit or loss arisen from the difference between the prior amortised cost and the fair value will be recognised in the profit and loss account:

- If the Entity reclassifies a debt instrument from the portfolio of fair value through profit and loss to amortised cost, the asset's fair value at reclassification date will be the new carrying gross amount.

- If the Entity reclassifies a debt instrument from the portfolio of amortised cost to fair value through other global results, the Entity must calculate the fair value at the reclassification date. Any profit or loss arisen from differences between the prior amortised cost and the fair value will be recognised in other global results. The effective interest rate and the estimation of expected credit losses will not be adjusted as a result of the reclassification

- If a debt instrument is reclassified from the portfolio of fair value through other global results to amortised cost, the financial asset will be reclassified at the fair value at reclassification date. The accumulated profit or loss at reclassification date in other global accumulated results of equity will be cancelled, using as counterpart the asset's carrying amount at reclassification date. Thus, the debt instrument will be valued at reclassification date as if it always had been valued at amortised cost.

- If the Entity reclassifies a debt instrument from the portfolio of fair value through other global results to fair value through profit and loss, the financial asset will continue being measured at fair value. The profit or loss previously accumulated in «other global accumulated results» of equity will be transferred to results of the period at reclassification date.

- Such reclassifications will be prospectively performed from the reclassification date, not restating the previously recognised profits, losses or interests.

- In this sense, and according to the applicable regulation, no reclassification of financial instruments has been performed during 2020 and 2019, other than those made to adapt to Circular 4/2019 and therefore to Circular 4/2017.

e) Financial liabilities

Financial liabilities are classified in the balance sheet according to the following criteria:

i) Financial liabilities held for trading:

Los financial liabilities held for trading include financial liabilities that have been issued in order to reacquire them at the short term or those that are part of a portfolio of financial instruments jointly identified and managed, for which recent actions have been made to obtain profits at the short term. It also includes short-term positions as a consequence of firm sales of securities received in reverse repurchase loans, in loans of securities or in guarantee with selling right, as well as derivatives that not meet the definition of financial guarantee contract or have been designated as accounting hedge instruments.

Fair value changes are directly booked in the profit and loss account, distinguishing, for instruments other than derivatives, between the portion allocable to the instrument's accrued returns, booked as interests, applying the effective interest rate method, and the rest, registered as results from financial operations, in the corresponding caption.

ii) Financial liabilities designated at fair value through profit and loss:

This category includes financial liabilities that are not part of financial liabilities held for trading, and that have been designated in an irrevocable manner at initial recognition. Such designation shall only be made in the case of hybrid financial instruments that meet the conditions for their designation; if, when doing so, an accounting asymmetry is eliminated or significantly reduced in the valuation or in the recognition resulting, otherwise, from the valuation of assets or liabilities, or of their profits or losses, on different bases; or if more relevant information is obtained in the case of a group of financial instruments that is being managed and which return is assessed at fair value, according to a documented risk management or investment strategy, and information is provided on such group according to the fair value to key management. Variations in these instruments' fair value are registered in the profit and loss account.

iii) Financial liabilities at amortised cost:

Financial liabilities at amortised cost correspond to financial liabilities not included in categories above, and which respond to the typical funds capturing activities of financial entities, whatever their instrument form and maturity date.

In particular, this category includes the capital with a nature of financial liability that corresponds to the amount of issued financial instruments which, having a legal nature of capital, do not meet requirements to be qualified as equity for accounting purposes. Basically, they are issued shares that do not incorporate political rights and which profitability is established based on a fixed or variable interest rate.

After initial recognition, they are valued at amortised cost, applying analogous criteria to the financial assets at amortised cost, registering accrued interests, calculated at the effective interest rate method, in the profit and loss account.

iv) Changes in the fair value of hedged elements of a portfolio with hedge of the interest rate risk correspond to the balancing entry for the amounts credited to the corresponding income statement with their origin in the valuation of the financial instruments portfolio that are effectively hedged against interest rate risks through fair value hedging derivatives.

vi) Hedging derivatives that include the financial derivatives acquired or issued by the Entity that qualify by being considered as being accounting hedging.

vii) Liabilities included in disposable groups of elements classified as held for sale, corresponding to credit balances originated in non-current assets and disposable groups of elements classified as held for sale.

viii) Equity having the substance of a financial liability including the amount of the financial instruments issued by the entity that, although equity for legal purposes, do not meet the requirements for classification as equity and which correspond basically to non-voting shares issued and with their yield established based on a rate of interest, fixed or variable. Financial liabilities are measured at their amortised cost unless the Entity has designated these as fair value financial liabilities designated at fair value through profit and loss, should they meet the conditions for it

Consequently, the fair value of financial instruments at December 31, 2020 and 2019, broken down by types of financial assets and liabilities, is presented under the following levels:

- Level 1: Financial instruments which fair value has been determined by taking their listing on active markets, without performing modifications on such assets.

- Level 2: Financial instruments which fair value has been estimated on the basis of prices listed on organised markets for similar instruments or through the use of other valuation techniques, where all significant inputs are based on directly or indirectly observable market data.

- Level 3: Instruments which fair inputs has been estimated through the use of valuation techniques where a significant variable is not based on observable market data. An input is considered as significant when it is important when determining the fair value as a whole.

	Thousands of Euros			
	Carrying Value	2020		
		LEVEL 1	LEVEL 2	LEVEL 3
Financial assets				
Cash, cash balances in central banks and other on-demand deposits	241,415	-	2	241,413
Financial assets held for trading	16,437	-	16,437	-
Financial assets at amortised cost- Loans and advances	10,305,245	-	10,305,245	10,305,245
Hedging derivatives	25	-	25	-
Non-current assets held for sale	261,845	-	-	261,845
Financial liabilities				
Financial liabilities held for trading	20,327	-	-	-
Financial liabilities at amortised cost	10,996,276	-	20,327	10,996,276
Hedging derivatives	106,627	-	106,627	-

	Thousands of Euros			
	Carrying Value	2019		
		LEVEL 1	LEVEL 2	LEVEL 3
Financial assets				
Cash, cash balances in central banks and other on-demand deposits	181,495	-	8	181,487
Financial assets held for trading	19,140	-	19,140	-
Financial assets at amortised cost- Loans and advances	10,346,009	-	-	10,346,009
Hedging derivatives	20	-	20	-
Non-current assets held for sale	309,230	-	-	309,230
Financial liabilities				
Financial liabilities held for trading	8,519	-	8,519	-
Financial liabilities at amortised cost	10,913,392	-	-	10,913,392
Hedging derivatives	63,787	-	63,787	-

f) Transfers and write off of financial instruments from the consolidated balance sheet

Transfers of financial instruments are accounted for by taking into account the form under which the transfer of the risks and rewards associated with the financial instruments transferred on the basis of the following criteria:

i)If the risks and benefits are substantially transferred to third parties, as in unconditional sales, sales with an agreement to repurchase them at their fair value at the repurchase date, sales of financial assets with a purchased call option or written put option that is deeply out of the money, securitisations of assets in which the transferor does retain a subordinated debt or grant any type of credit enhancement to new holders, etc., the financial instrument is written off from the consolidated balance sheet with simultaneous recognition of any right or obligation retained or created in the transfer.

ii) If rights and benefits associated with the transferred financial instrument are substantially retained, as in the sale of financial assets under an agreement to repurchase these for a fixed price or the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, etc., the financial instrument transferred is not written off from the consolidated balance sheet and continues to be measured under the same criteria used before the transfer. However, an associated financial liability is recognised for an amount equal to the consideration received, which is measured subsequently at its amortised cost, as is the income for the transferred financial asset and not written off and the costs of the new financial liability.

iii) If neither the risks nor benefits associated with the transferred financial instrument are neither transferred or substantially retained, as in the sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisations in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, etc., a distinction is made between the following:

- Where the Group does not retain control over the financial instrument transferred, in which case the transferred financial instrument is written off from the consolidated balance sheet and any right or obligation retained or created as a consequence of the transfer is recognised.

- Where the Group retains the control over the transferred financial instrument, in which case it continues to recognise the transferred financial asset in the consolidated balance sheet for an amount equal to its exposure to value changes that might be experience and a financial liability associated with the transferred financial asset is recognised. The net amount of the transferred asset and the associated liability shall be the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost or the fair value of the rights and obligations retained, if the transferred asset is valued at fair value

Accordingly, financial assets are only written off in the consolidated balance sheet when the cash flows they generate have been extinguished or when their inherent risks and benefits are substantially transferred. Similarly, financial liabilities are only written off when the obligations they generate have been extinguished or when they are acquired with the intention of either cancelling or re-placing them.

The accounting treatment indicated is applied to all asset transfers since January 1, 2004, and not to previous ones.

g) Impairment of financial assets

A financial asset is considered to be impaired and, accordingly, its carrying value is corrected to reflect the effect of its impairment, when there is objective evidence of events that lead to the following:

i) In the case of debt instruments, including credits and debt securities, a negative impact in future cash flows that were estimated when formalising the transaction, due to the materialisation of a credit risk.

ii) In the case of off-balance exposures that comprise credit risk, when expected flows are below contractual cash flows, in case of provision of commitment or expected payments, in the case of granted financial guarantees.

iii) In the case of investments in joint ventures and associates, which carrying value cannot be recovered.

As a general criterion, the adjustment to the book value of financial instruments due to impairment is charged to the income statement for the period in which the impairment becomes evident and recoveries of previously recognised impairment losses, if any, are recognised in the income statement for the period in which the impairment ceases to exist of is reduced. When the recovery of any recognised impairment is considered remote, the amount of the impairment is derecognised in the balance sheet, although the Entity may take the necessary actions to seek collection of this amount until its rights are extinguished by expiry of the statute of limitations period, cancellation or other causes.

Impairment losses in debt instruments at amortised cost are recognised against a corrective account of provisions that reduces the asset's carrying amount, whereas hedges for impairment losses in exposures that comprise credit risk other than debt instruments are registered as a provision in the caption «Provisions for commitments and guarantees granted» of liabilities of the balance sheet. Allocations and reversals of such hedges are charged to captions of «Impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit and loss - Financial assets at amortised cost» and «Provisions or (-) reversal of provisions» respectively of the profit and loss account.

When the recovery of any registered amount is considered as remote, it is written off from the balance sheet, regardless of actions that may be followed by the Entity to try to achieve its collection, until the rights are definitively extinguished, due to statute-barred reasons, cancellation or other causes.

The amount of impairment losses experiences by debt instruments measured at amortised cost coincides with the negative difference between their corresponding carrying values and the current values of their expected future cash flows.

The following is taken into consideration when estimating debt instruments' future cash flows:

1. The totality of amounts expected to be obtained throughout the instrument's remaining life; even, where applicable, of those that could originate from guarantees available (after deducting the necessary costs for its granting and subsequent sale). At the impairment loss the estimated possibility of interests' collection is considered;

2. The different types of risk to which each instrument is subject; and

3. The circumstances at which collections are expected to be received.

Subsequently, such cash flows are updated at the instrument's effective interest rate (if it had a fixed contractual rate) or at the contractual effective interest rate at the date of update (when variable), as long as estimated flows are subsequent to 12 months.

Specifically concerning impairment losses caused by the materialisation of the risk of bad debt of those compelled to payment, a debt instrument suffers impairment for bad debt when a debasement in the payment capacity of the corresponding party is evidenced, either revealed through default or for other reasons.

The assessment process of these assets' possible impairment losses is performed as follows:

Individually: for all significant debt instruments and for those that, not being significant, are not subject to being classified in homogeneous groups of instruments with similar characteristics, based on the type of instrument, sector of activity of the debtor, and geographic area of activity, type of guarantee and ageing of overdue amounts.

Collectively: the Entity establishes different classifications of operations, based on the nature of those compelled to payment, the operation's situation, ageing of default, etc. and sets for each one of these groups of risk the impairment losses ("identified losses") that should be recognised in the annual accounts.

Circular 4/2017 gas included the impairment model of "expected losses", applied to financial assets measured at amortised cost and to financial assets measured at fair value through other global accumulated results, except for investments in equity instruments; and to financial guarantee contracts and loan commitments irrevocable by the Entity. Likewise, the impairment model excludes all financial instruments measured at fair value through profit and loss.

The standard IFRS9 classifies financial instruments in three categories, which depend on the evolution of their credit risk from initial recognition. The first category includes operations when initially recognised (Stage 1), the second includes operations for which a significant increase of credit risk from initial recognition has been identified (Stage 2), and the third includes impaired operations (Stage 3).

For implementation purposes, the following definitions have been taken into consideration:

- Impaired operations (Stage 3).

It has been considered that there is non-compliance in the following situations:

• Defaults above 3 or more monthly payments (delays)
• Refinanced operations that include contractual clauses that delay the operation's reimbursement through regular payments, such as the existence of waiting periods above two years for the principal's amortisation.
• Refinancing operations underpinned in an inappropriate payment plan.
• Operations in which a contentious proceeding has been initiated.
• Operations with a doubtful complete recovery and which do not present any overdue amount with an ageing above ninety days.
• Refinancing, refinanced or restructured operations which, during the probationary period, are refinanced or restructured or have overdue amounts with an ageing above thirty days.

- Significant risk increase (Stage 2)

Stage 2 includes instruments with some of the following circumstances:

• Operations not refinanced or deferred. with a default above 1 monthly payment (delay).

• Refinancing or restructuring operations which do not show evidence of impairment, that is to say, with 0 delays.

- Operations normal risk (Stage 1): operations without evidence of risk. This Stage includes non-contentious operations, which have not been deferred or refinanced, and which do not have delays.

In order to mitigate the impact associated to the COVID-19, both Bank of Spain and the European Central Bank have made pronouncements aimed to allow more flexibility regarding the implementation of accounting frameworks, mainly focused on preventing the automatic use of indicators and assumptions that, even if reasonable until now, have been inappropriate in the context of the COVID-19. Thus, Bank of Spain, in line with the EBA communications, has allowed a greater use of the flexibilization concerning the classification of certain deferred or refinanced operations, serving as basis to estimate their credit risk hedges.

In line with these recommendations from supervisors, the Entity has classified in Stage 1 certain clients to whom moratoriums (deferrals) have been granted, during 2020, and which before the impact of the Covid-19 had had a good payment behaviour and, as a consequence of the crisis generated by the pandemic, have had a transitory liquidity issue.

Thus, the Entity has established certain thresholds to assess this good payment behaviour prior to the Covid-19 and to maintain clients who meet such criteria in Stage 1, instead of Stage 2 or Stage 3. This has implied "savings of provisions" at 2020 closing, for an amount of 7.3 million Euros, in comparation with the lack of application of this flexibilization of the regulation.

Therefore, the impairment based on each classification of financial instruments, indicated above, is the following:

Stage-1: Without significant increase of risk: the value correction for losses of these financial instruments is calculated as expected credit losses in the following twelve months.

Stage-2: Significant increase of risk: when a financial asset's credit risk has significantly increased from the initial recognition, the value correction for this financial instrument's losses is calculated as the expected credit loss throughout the asset's life.

Stage-3: Impaired: when there is objective evidence that the financial asset is impaired, it is transferred to this category, in which the value correction for this financial instrument's losses is calculated as expected credit loss throughout the asset's life.

Failed risk: this category will include operations for which there are no reasonable expectations of recovery. The classification in this category will be paired by the recognition in results of losses for the operation's carrying amount, and by the asset's full write-off. In any case, operations with 48 delays or more will be registered.

Thus, according to the Entity's internal model, and as established by the regulation applicable a the Entity, a distinction is made of the following concepts of expected losses:

• Expected losses at 12 months: they are the expected credit losses resulting from possible events of non-compliance within the 12 months following the date of presentation of the financial statements; and

• Expected losses throughout the operation's life: they are expected credit losses resulting from all possible events of non-compliance throughout the financial instrument's expected life.

Expected losses derive from the following parameters:

- PD: estimated probability of non-compliance in each period.
- EAD: total amount of an operation or set of operations that could enter into default.
- LGD: estimated loss in case of non-compliance, as difference between contractual cash flows and those expected to be received, included the market value of collaterals associated to the loan's operations.

h) Recognition of income and expenses

In general, interest income and expense and similar items are recognised for accounting purposes on the basis of their period of accrual using the effective interest rate method. Interests accrued for debtors classified as doubtful are settled to results at collection date, which is an exception to the general criterion.

Commission income and expense for financial services, independently of their contractual denomination, are classified into the following categories that determine their allocation in the income statement:

i) Credit commissions: commissions that are an integral part of the return or effective cost of a financing operation. These commissions are perceived in advance, and could be classified in three types:

a. Commissions received for the creation or acquisition of financing operations that are not valued at fair value through profit and loss. These commissions will be deferred and recognised in the profit and loss account throughout the operation's life as an adjustment of the return or effective cost of the operation in the same caption as products or financial costs, that is to say, "income from interests" and "expenses from interests".

These commissions could include remunerations for activities such as the assessment of the borrower's financial situation, the evaluation and registration of personal guarantees, real guarantees and other guarantee agreements, the negotiation of the operation's conditions, the preparation and processing of the documents and the transaction's closing.

b. Commissions agreed as compensation for the financing concession commitment, when such commitment is not valued at fair value through profit and loss and the entity is likely to enter into a specific loan agreement. The income recognition for these commissions will be deferred, allocating it to the profit and loss account throughout the financing operation's expected life as an adjustment in the return or effective cost of the operation. If the commitment expires and the entity does not perform the loan, the commission will be recognised as an income at expiry date.

c. Commissions paid in the issuance of financial liabilities measured at amortised cost. They will be included together with related direct costs, which will not include costs derived from the right to deliver a service, in the financial liability's carrying amount, allocating it to the profit and loss account as an adjustment to the operation's effective cost.

ii) Non-credit commissions: they are those commissions derived from the delivery of financial services other than financing operations, and are distributed in two types.

a. Commissions related to the execution of a service delivered over time: income is registered in the profit and loss account over time, measuring the advance towards the complete compliance with the execution obligation, according to section 15 of standard 15 of Circular 4/2017.

b. Commissions related to the delivery of a service executed at a given moment: these commissions are accrued when the client obtains the control over the service, as in cases of commissions for subscription of securities, for currency exchange, for advice or syndication of loans when, in this last case, the entity does not withhold any part of the operation for it, or withholds it under the same risk conditions as the remaining participants.

Related direct costs are all those costs that would have not been incurred if the operation had not been agreed.

Personnel costs

Personnel costs include all of the Group's social liabilities and obligations, compulsory or voluntary, accrued at each moment, recognising obligations for extraordinary payments, holidays and variable remunerations, as well as associated expenses.

Remunerations at short term: this kind of remunerations are valued, without update, by the amount payable for services received, generally registering them as personnel costs for the year and including them on an account under liabilities of the balance sheet for the difference between the total accrued expense and the amount satisfied at year end.

Severances: according to the legislation in force, the Entity is compelled to settling severance payments to employees who are dismissed without a justified cause. At year end, the Entity does not count with a plan to reduce its personnel which would lead to a necessary provision for this concept.

i) Compensation of balances

Debtor or creditor balances originated in transactions that, contractually or by legal obligation, have the possibility of compensation and, if the intention is to settle these for their net amount or for the asset to be realised and the liability settled simultaneously, are presented in the consolidated balance sheet at their net amount.

j) Financial guarantees

Financial guarantees are those contracts under which the Group is compelled to pay specific amounts on behalf of a third party in the event of the latter not doing so, irrespective of their legal nature, such as, among others, a guarantee, a financial or technical guarantee and irrevocable documentary credit issued or confirmed by the Group.

Financial guarantees are classified based on the credit risk attributable to the customer or to the transaction and, if appropriate, considering the need for provisions. This credit risk is determined by applying similar criteria to those established for debt instruments measured at their amortised cost.

If it was necessary to constitute a provision for financial guarantees, commissions to be accrued, which are registered in the caption of Accruals of Liabilities in the consolidated balance sheet, are reclassified into the corresponding provision.

k) Income tax

Corporate Income Tax is considered as an expense and is recognised under the Corporate Income Tax heading in the consolidated income statement, except when it results from a transaction recognised directly in Equity, and from a combination of businesses in which the deferred tax is recognised as an additional equity item.

The Corporate Income Tax expense is determined as the tax payable on the taxable profit for the year, after taking into account the variations in timing differences, deductions and rebates and tax losses. The tax assessment basis for the year may differ from the net result for the year as presented in the consolidated income statement since it excludes income or expense items which are taxable or deductible in other years and the items that never are.

Deferred tax assets and liabilities correspond to tax payable or recoverable on differences between the carrying amounts of assets and liabilities in the annual accounts and their related tax bases. These amounts are recognised using the liability method in the consolidated balance sheet and quantified by applying the timing difference or credit corresponding to the tax rates that are expected to apply in the period when it is recovered or settled.

A deferred tax asset, as advance tax, credit for deductions and rebates and credit for tax losses, are recognised provided that it is probable that the Group obtains sufficient taxable profits in the future against which it can be made effective. It is considered probable that the Group will obtain sufficient taxable profits in the future when, among other cases:

i) There are deferred tax liabilities that can be cancelled in the same year that the deferred tax asset is realised or in a later year in which the existing tax loss can be compensated or produced by the advanced tax.

ii) Negative tax assessment bases have occurred due to identified causes which are unlikely to be repeated.

The deferred tax assets and liabilities recognised are reviewed at each year-end in order to ascertain whether they still exist and appropriate adjustments made.

In 2013, Royal Decree 14/2013 was published, on certain tax aspects. As a result, short-term asset differences shall become an account receivable before the Tax Authorities, if:

- It is possible to generate sufficient future profits to offset such short-term differences;

- Other scenarios of losses, liquidation or bankruptcy are contemplated;

- Due to the fact that the 18-year legal period foreseen for said deferred taxes has been reached without compensation, as a consequence of the lack of sufficient profits, and therefore, these could be converted into Debt Securities or similar.

This monetisation enables such deferred taxes to become accounts receivable, even in the worst scenario possible, where they shall not be used as a consequence of ongoing losses, liquidation, bankruptcy or a mixture therein.

This regulation has been developed, in turn, in article 34 of the Corporate Income Tax Law under these terms.

Tax assessment bases, as well as deferred tax assets, which at December 31, 2020 approximately amount to 120 million Euros (88 million Euros at December 31, 2019), are expected to be recovered with expected future profits, according to the Group's Business Plan.

l) Operating leases

The single accounting model for lessees requires the recognition of assets and liabilities of all lease agreements. The standard establishes two exceptions to the recognition of lease assets and liabilities, which could be applied in the cases of short-term agreements and to those with a low-value underlying asset.

In order to determine whether an agreement constitutes a lease or is another type of agreement, such a service delivery agreement, the compliance with the two following conditions is analysed: (i) the good is identified in the agreement, and (ii) the contracting party that receives the good has the right to control its use.

The lease term will be equal to the non-revocable lease period, adding periods covered by the option to extend the lease, if there is a reasonable certainty that the lessee will exercise this option, as well as periods covered by the option to terminate the lease, if there is a reasonable certainty that the lessee will not exercise it.

In operating lease operations, the property of the leased good and substantially all risks and benefits that befall the good remain with the lessor.
When the Entity acts as lessor in operating lease operations, the acquisition cost of leased goods is presented in the caption "Property, plant and equipment".

These assets are amortised according to policies adopted for similar property, plant and equipment for own use, and the income originated from lease agreements is linearly recognised in the profit and loss account in the caption "Other operating income".

When the Entity acts as lessee and agreements have a term below 12 months or the underlying asset is of scarce value, these agreements' expenses will be registered in the caption "Administration expenses - Other general administration expenses" of the profit and loss account.

When the Entity act as lessee and agreements have a term above 12 months or the underlying asset is not of scarce value, the Entity registers in the balance a lease liability in the caption "Financial liabilities at amortised cost – other financial liabilities" and an asset for the right of use, which will be measured as follows:

	At agreement's inception	Subsequently
Lease liability	It is valued at the current value of lease payments that are not paid at such date, using as discount rate the interest rate, called "additional financing rate", that would have to be paid by the Entity to borrow, with similar term and guarantee, the necessary funds to obtain a good of a similar value than the right-of-use asset in a similar economic environment. However, in the case where such update is of scarce materiality, the entity values the liability, without updating the flows, for the purpose of simplifying the estimate and subsequent treatment.	It is valued at amortised cost, using the effective interest rate method, and is remeasured (with the corresponding adjustment in the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes in an index or rate, or in the case of a new assessment of the agreement's options.
Right-of-use asset	It is valued at cost and includes the amount of the lease liability's initial valuation, payments made at inception or before, initial direct costs and those for dismantling or rehabilitation expected to be incurred when there is an obligation to bear them.	It is linearly amortised and is subject to any impairment loss, where applicable, according to the treatment established for the remaining tangible and intangible assets.

m) Property, plant and equipment

Tangible assets for own use correspond to the property, plant and equipment that have a continued use by the Group and property, plant and equipment acquired under finance leases. They are valued at their acquisition cost less the corresponding accumulated depreciation and, as applicable, less any impairment loss determined by comparing the net carrying amount with the corresponding recoverable amount.

Depreciation is calculated systematically using the straight-line method over the years of estimated useful life for the assets on the basis of their acquisition cost less their residual value.

The Group, reviews, at least at every year-end, the estimated useful lives of property, plant and equipment for own use with a view to detecting any significant changes therein. If such changes are detected, the useful lives are adjusted by correcting the depreciation charge to be recognised in the consolidated income statement in future years on the basis of the new estimated useful life.

Upkeep and maintenance costs, relating to property, plant and equipment for own use, are charged to the consolidated income statement for the year in which they are incurred.

n) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are considered to be identifiable when they are separable from other assets because they can be disposed of, rented or held individually or which arise as a consequence of a contract or other type of legal transaction. An intangible asset is recognised when, in addition to satisfying the above definition, the Group considers that it is probable that future economic benefits will be generated by this asset and its cost can be reliably estimated.

Intangible assets are recognised initially at their acquisition of production cost and are measured subsequently at cost less, where applicable, any accumulated depreciation and any impairment loss.

In all cases, the Group recognises for accounting purposes any loss that might arise in the recognised value for these assets arising from impairment with the corresponding charge in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for tangible assets.

o) Property, plant and equipment - Property investments

This caption of the accompanying balance sheet includes lands, buildings and other constructions held by the Entity to be exploited under lease, in order to generate capital gains at their sale, or for both purposes, instead of for own purpose in the production or supply of goods or services for administration purposes.

Property investments are registered at acquisition price, which includes costs directly allocable to the transaction and those necessary for them to be operational.

Extension or improvement costs which imply an increase in these assets' profitability are incorporated as higher value. On the other hand, maintenance and repair costs which do not improve their use or extend their useful life are allocated to the profit and loss account when incurred.

Amortisation is calculated on the acquisition cost, less their residual value, following the linear method on the basis of the estate's estimated useful life.

The Entity will value, at the date of the financial statements, whether there are signs, both internal and external, that an asset could be impaired, such as significant falls of its market value, evidence of the element's obsolescence, and increases in the interest rates that could materially affect the asset's recoverable amount. In such case, the entity will estimate the asset's recoverable amount and, independently, at least on an annual basis. For these purposes, the recoverable amount is the highest amount of the following: the fair value minus the necessary selling costs, and its value in use.

A property investment will be impaired when its carrying amount exceeds its recoverable amount, in which case such impairment will be recognised in the profit and loss account, reducing the asset's carrying amount to its recoverable amount.

p) Provisions and contingent liabilities

Provisions are considered to be the Group's present obligations arising from past events that are considered to be clearly specified at the balance sheet date, but which are uncertain as to their amount or moment of cancellation, on the settlement of which and in order to be cancelled the Group expects to incur an outflow of resources embodying economic benefits. These obligations can arise for the following reasons:

i) A legal or contractual provision.

ii) An implicit or tacit obligation arising from a valid expectation created by the Group with third parties with regard to the assumption of certain types of responsibilities. These expectations are created when the Group publicly accepts responsibilities, are derived from past behaviour or business policies in the public domain.

iii) The practically certain evolution of regulations on certain aspects, in particular with draft legislation that the Group cannot elude.

Contingent liabilities are the Group's possible obligations arising as a consequence of past events, whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the Group's control. Contingent liabilities include the Group's present obligations when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or for which the amount, in extremely rare cases, cannot be quantified in a sufficiently reliable manner.

Provisions and contingent liabilities are classified as probable when it is more plausible that they will occur than otherwise, possible when it is less plausible that they will occur than otherwise and remote when the likelihood is extremely rare.

The Group's consolidated annual accounts include all the material provisions in respect of which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual accounts but are disclosed unless it is considered remote that there will be an outflow of resources embodying economic yields.

Provisions are quantified on the basis of the best information available on the consequences of the events giving rise to them and are estimated at each year-end. They are used to meet the specific obligations for which they were recognised and are fully or partially reversed when said obligations cease to exist or are reduced.

q) Non-current assets held for sale

Non-current assets and disposable groups of elements classified as held for sale that correspond to the carrying value of individual items, integrated in a disposal group or that are part of a business unit held to be disposed of (discontinued operations) and which sale is highly probable, in such assets' current conditions, in the term of one year, to be counted from the date of the annual accounts. Consequently, the recovery of the carrying amount value of these items, which may be of a financial nature, will probably take place through the proceeds obtained on their disposal.

In the case of the property assets granted or received as payment of debts, they are initially recognised at the lowest amount between: the financial asset's updated carrying value applied and the fair value at the moment of granting or reception of the asset, minus estimated selling costs. The financial asset's applied carrying value is updated at granting date, treating the granted estate as real guarantee and taking into account the corresponding credit risk hedges in agreement to its classification prior to the delivery. For these purposes, the collateral will be valued at its updated fair value (minus selling costs) at the granting date. This carrying amount will be compared with the previous carrying amount and the difference will be recognised as a hedge increase.

Additionally, the granted asset's fair value is obtained through appraisal, assessing the need to apply a discount therein, derived from the asset's specific conditions or the market situation for these assets, and in any case, deducting selling costs estimated by the entity.

Following the initial recognition, these property assets granted or received in payment of debts, classified as "Non-current assets and disposable groups of elements classified as held for sale and the liabilities included in such groups" are valued at the lowest amount between: their updated fair minus estimated selling costs and their carrying value, being able to recognise an impairment or reversal of impairment for the difference, if applicable.

Non-current assets and disposable groups of elements classified as held for sale are not amortised as long as they remain in this category.

Profit and loss generated in the disposal of non-current assets and disposable groups of elements classified as held for sale and liabilities included in disposable groups of elements classified as held for sale, as well as impairment losses and, where applicable, their recovery, are recognised in the caption "Profits or losses originated from non-current assets and disposable groups of elements classified as held for sale not admissible as discontinued activities" of the consolidated profit and loss account. The remaining income and expenses corresponding to such assets and liabilities are classified in items of the consolidated profit and loss account according to their nature.

Variations of the carrying value of elements included in the caption of "Non-current assets and disposable groups of elements classified as held for sale" are registered with counterpart in the caption "Other global accumulated results". Non-current assets and disposable groups of elements are classified as held for sale.

r) Valuation of accounts in foreign currency

At initial recognition, accounts payable and receivable in foreign currency are translated to the functional currency by using the exchange rate at recognition date, understood as the exchange rate for immediate delivery. After initial recognition, the following rules are applied to translate balances from foreign to functional currency:

(i) Monetary assets and liabilities are translated to average exchange rate at the date of annual accounts.
(ii) Non-monetary items valued at historical cost are translated to the exchange rate at acquisition date.
(iii) Non-monetary items valued at fair value are translated to the exchange rate at the date in which fair value is determined.
(iv) Income and expenses are translated by applying the exchange rate of the date of transaction. Nevertheless, the period's average exchange rate is used for all transactions carried out throughout such period, unless in case of significant variations. Depreciations are translated to the exchange rate applied to the corresponding asset.

Exchange differences in the translation of accounts payable and receivable in foreign currency are generally registered on the consolidated income statement.

s) Consolidated statement of cash flows

The consolidated statement of cash flows uses certain concepts defined as follows:

(i) Cash flows refer to additions and deletions of cash and equivalents, understood as short-term investments of high liquidity and low risk of value alterations.
(ii) Operating activities, typical within the Group, and other activities which shall not be qualified as investment or financing activities.
(iii) Investment activities corresponding to the acquisition, disposal or use by other means of long-term assets and other investments not included within cash and equivalents.

(iv) Financing activities which cause changes in the size and composition of equity and liabilities included within the operating activities.

t) Consolidated statement of changes in equity

The consolidated statement of changes in equity presented on these consolidated annual accounts shows the total variations in equity during the year. This information is, in turn, broken down into two statements: consolidated statement of recognised income and expenses and consolidated statement of changes in equity. The main characteristics of the information contained on both parts of the statement are explained below:

Consolidated statement of recognised income and expenses

This part of the consolidated statement of changes in equity presents income and expenses generated by the Group as a consequence of its activity during the year, distinguishing among those registered as results in the consolidated income statement for the year and other income and expenses directly registered on equity, in accordance with the regulation in force.

Therefore, this statement presents the following:

(i) Results for the year.

(ii) Net amount of income and expenses transitorily recognised as valuation adjustments in equity.

(iii) Net amount of income and expenses definitively recognised in equity.

(iv) Corporate income tax accrued for concepts included on captions i) and ii) above.

(v) Total recognised income and expenses, calculated as the sum of the sections above.

Variations of income and expenses recognised in equity as valuation adjustments are broken down as follows:

i) Profit (loss) for valuation: it includes the amount of income, net of expenses originated within the year, directly recognised in equity. Amounts recognised in the year of this account are maintained therein, although, during the same year, they are transferred to the income statement at initial value of other assets or liabilities, or reclassified into another item.

(ii) Amounts transferred to the income statement: it includes the amount of profit or loss previously recognised in equity, even on the same year, which are recognised on the income statement.

(iii) Amount transferred at initial value of hedged items: it includes the amount of profit or loss from valuation, previously recognised in equity, even in the same year, which are recognised on the initial value of assets or liabilities as a consequence of cash flow hedging.

(iv) Other reclassifications: it includes the amount of transfers during the year among items of adjustments from valuation as per criteria established by the regulation in force.

Amounts on these items are presented at their gross quantity, showing their corresponding tax effect under the caption "Corporate income tax" of the statement.

Consolidated statement of changes in equity

This part of the consolidated statement of changes in equity shows all changes in equity, including those originated in changes in accounting criteria and error corrections. Therefore, this statement shows a reconciliation of the accounting value at opening and closing date of all items included within equity, grouping movements based on their nature, under the following items:

i) Adjustments from changes in accounting criteria and error corrections: it includes changes in equity originated as a consequence of the retroactive re-expression of balances in the annual accounts originated in changes in accounting criteria or error corrections.

(ii) Income and expenses recognised during the year: it includes, in aggregate, the aforementioned total amount of items registered in the statement of recognised income and expenses.

(iii) Other variations in equity: it includes the remaining items registered in equity, such as increases or decreases of the allocation fund, distribution of results, transactions with treasury stock, payments with capital instruments, transfers among items on the equity, and any other increase or decrease in the consolidated equity.

12. CUSTOMER SERVICE AND MONEY LAUNDERING

CUSTOMER SERVICE

Order ECO 734/2004, of 11 March, of the Ministry of Economy, established, among others, the obligation for customer care services and departments of financial entities to elaborate an annual report explaining their activities, in the terms contained in article 17 of such Order, establishing the compulsory inclusion of a summary of such report in the Notes to the Financial Statements of such financial entities. Additionally, if there is a figure of Customers' Ombudsman, such legal text establishes these same obligations, always for clarification purposes of activities performed during the year.

During 2020, the total number of complaints/claims was of 4,832, which implies an increase by 43% with regard to the number of claims received in 2019.

These 4,832 claims received have been presented as follows:

- 3,788 processed by the Customer Service.
- 232 processed by the Customers' Ombudsman.
- 812 processed and rejected.

Bank claims received and admitted to process were of 4,022.

The most significant reasons for the total complaints / claims filed during 2020 were as follows:

- Operation's processing expenses.
- Disagreement with the application of the IRPH as review reference.
- Delay interests, loan's early termination and commissions, including opening fees.

We note that the abovementioned reasons have been included on joint or individual claims, sometimes reiterated by clients.

At December 31, 2020, 3,694 complaints/claims had been solved and 328 await resolution.

Furthermore, it should be noted that, out of all received claims, a total of 24 have been filed before Bank of Spain's Entities Department (24 in 2019). Also, and although they are properly not claims, 32 information claims have been filed before the CIRBE Service (in 2019, 51 information requests).

At December 31, 2020, complaints/claims have been solved as follows:

- Favourable to the customer:	378
- Unfavourable to the customer:	3,316
- Not accepted:	0

In the case of claims solved in favour of the client, in 37 cases economic rights were acknowledged for the client. In addition to claims processed by the Customer Service and Customer's Ombudsman (SAC), clients' economic rights have been acknowledged in other claims, for several reasons, directly processed by the Entity, implying a cost, in 2020, of 16,568.22 Euros (9,473.74 Euros in 2019).

Criteria considered in the resolution of claims are mainly based on the following aspects:

- Adaptation and compliance with the applicable regulation in force at all times.
- Compliance with assumed contractual obligations, by each of the parties' signature in the contract (client and Entity).
- Information provided by the Entity to the client, both in the pre-contractual stage and throughout the contract's validity.
- Adaptation to banking best practices.
- Situation posed by the client, in particular in cases of vulnerability or risk of exclusion caused by the economic crisis or unforeseen situations.

Thus, when solving claims, not only objective facts are considered (such as the applicable standard and best banking practices), but also the personal situation communicated by the client, trying to reach a solution adapted to each client's specific circumstances.

With regard to claims posed by customers for payment difficulty, since the Entity adhered to the Best Practice Code, clients are informed and responded based on these regulations and best banking practices.

Additionally, a basic principle of the SAC is the protection of the client's interest and, in compliance with this principle, agreements have been offered and reached with clients to solve at their satisfaction pretensions considered on their claims. Furthermore, in cases where the claim has been escalated to the Entities Department (DCE) of Bank of Spain, specific actions performed by the SAC have also focused on rectifying the entity's performance, in favour of consumers. Accordingly, in 2020, the DCE has accepted the Entity's rectifications in 3 files, therefore adapting the entity's performance to best banking practices.

We note that the Market Conduct and Claims Department of Bank of Spain approved the new SAC Regulation, which regulates its operations, duties and functions, and which is made available to clients and UCI employees in all offices opened to the public, as well as in UCI webpage and in the Banking Client Portal of Bank of Spain.

Lastly, it should be noted that the Entity has additionally received lawsuits from clients, which most significant reasons coincide with those filed before its customer care department. UCI Management considers that provisions allocated in relation to these procedures are appropriate at December 31, 2020.

MONEY LAUNDERING

Regulation compliance and money laundering prevention

During 2020, UCI Group has continued performing the necessary follow-up on the field of Regulation Compliance and Money Laundering Prevention, including the application of necessary measures in the estate selling activity, within the framework of Law 10/2010 on Money Laundering Prevention, all the above in order to control its reputational and operative risk.

From the general point of view of compliance, as to the regulations, ethics, good corporate governance and management of claims, UCI has continued performing adaptations and monitoring as necessary, especially to maintain good results in the number and processing of claims and to be able to establish internal policies establishing deontological criteria and mitigating the risk of regulation non-compliance in the performance of the activity.

These policies are subject to the due internal communication, are made available to employees and are specified on the following documents and procedures: Code of Ethics; Procedure on Ethical Alert (whistle-blowing), Money Laundering Prevention Manual, Catalogue of Operations with Money Laundering Risk on credit entities and in the real estate activity, Catalogue of Good and Bad Practices in the financing and real estate activities, or the Manual on Criminal Risk Prevention, Client's Interest Protection Policy, Anti-Corruption Policy and Gift Policy. Furthermore, during 2020, UCI has carried out training actions in Compliance (Criminal Risk, Money Laundering Prevention, Data Protection, International Penalties and Seizures, Competition Right and anti-corruption training), and internal dissemination actions have been performed on contents related to Compliance.

In relation to the money laundering prevention device, the fundamental working lines have been the following:

- Follow-up of measures intended to improve identification and knowledge of the end customer, both in financing and in the real estate sectors (KYC), in the knowledge of the supplier (KYS) and the knowledge of the intermediary (KYI). Adaptation and spreading of the KYS procedure, as well as adequacy and adaptation of the outsourcing procedure for essential services to the EBA guidelines. Review and adequacy of the Money Laundering Prevention Manual.

- Follow-up of an alert management system for operations potentially suspected as money laundering, on the financing and real estate sectors, notwithstanding subsequent detailed analysis of each file.

- During 2020, a total amount of 720 alerts have been analysed in Spain (656 in 2018), out of which 5 were communicated to the OCI and 2 to the SEPBLAC (22 and 5, respectively, during 2019). In Greece, 14 alerts have been analysed during 2020 (8 during 2019), none of which have been communicated tot he local Regulator in 2020 or 2019. In Portugal, 226 alerts have been analysed (231 during 2019), out of which 1 has been communicated to the local Regulator (1 in 2019).

- Continuous monitoring. In addition to the abovementioned alerts, during 2020, loan operations in force in Spain have undergone continuous monitoring. 1,830 alerts originated from the continuous monitoring have been analysed, out of which 31 were communicated to the OCI and 3 to the SEPBLAC.

- Training company collaborators and new employees in money laundering prevention measures.

- Performing an Audit on the money laundering prevention system, conducted by an External Expert, foreseen by Law 10/2010.

- Internal verification of the money laundering prevention system by the Internal Audit Department of UCI.

In relation to the prevention of the criminal risk of legal persons (Criminal Corporate), during 2020, the implemented device as been reviewed and all personnel has been trained (in order to provide an appropriate communication on this matter) and defined processes have been monitored, so as to avoid this risk, according to the Manual for the Prevention of Criminal Risk and the Code of Ethics.

13. CREDIT RISK

INTRODUCTION

As the supreme management body, the Board of Directors establishes the Group's risk policy and supervises compliance with this. The Board of Directors determined the operating limits and the delegation of powers for credit risks, market risks and structural risks.
One of the pillars on which the activity of a Financial Entity is sustained is correct risk management. Control over this is the guarantee for the survival of our business over the course of time. The main objectives in risk management are the following:

- Optimise the relation between the assumed risk and profitability.
- Adapt capital requirements to risks assumed by the Group. For the Group, it is essential to establish a capital planning to ensure its long-term solvency, so as not to commit its business model or risk profile.

In the Group, risk management is carried out with regard to the origin of the risk. Because of the Group's business, there is a main distinction among the following:

- Credit Risk (in which the customer credit risks are concentrated, over 90% of the total risk)
- Market Risk
- Operating Risk

All of these are handled and mitigated with all of the latest techniques currently available.

The Group has drawn up management plans in accordance with the needs derived from the different types of risk. The understanding of risk management has a continuous process has led to the management processes for each risk, with the measurement tools for their administration, appraisal and monitoring, as well as to the definition with suitable circuits and procedures, which are reflected in management manuals or in the Credit or Recollection Committees.

Grouped below by headings are the different matters that, in the most material manner, distinguish risk Management and Control within the UCI Group.

CREDIT RISK MANAGEMENT

Internal organisation

The Board of Directors has delegated to the Credit Risk Committee, comprising the Chairman and the General Director, the operating decisions that, based on their profile, do not have their decision delegated to other executive levels. The Board has established that the Credit Risk Committee can decide on transactions for any amount.

At the executive level within the Risk Directorate, it is the National Authorisation Centre (N.A.C.) is the body responsible for the decisions on all files.

In order to provide ourselves with a consolidated, consistent and solid database, UCI has opted to centralise the codifying process, thereby avoiding the appearance of multiple criteria with regard to the interpretation of data to be codified. One of the main consequences of this form of organisation is the suitability of the databases with regard to the elaboration of our scoring model. This process is integrated in the N.A.C., which reports directly to the Risk Director.

In order to ensure quality in codifying, the N.A.C. is periodically submitted to controls by the Policies and Methods Department and the Internal Audit Department.

Most decisions are taken in a centralised manner in the N.A.C.

Risk analysts from the N.A.C. decide transactions based on their authorisations. Those exceeding such authorisations are submitted to the decision by the N.A.C. Committee or to the Risk Committee, as appropriate.

The activity carried out by the area is monthly reviewed from the point of view of equipment productivity, decision quality, assumed risk levels and transformation rates, in order to meet the established standards.

In addition to the N.A.C., there are other departments that outline the organisational plan for Risk Management in UCI.

The Policy and Method Department, dependent on the Risk Directorate, is entrusted with the responsibility of defining and implementing the policies and procedures to be followed in putting together a loan, its processing and decision. Similarly, it is responsible for the training, supervision and control for the correct application of policies and procedures, both in our agencies and in the N.A.C.

The Agents' Department, integrated under this same directorate, is in charge of monitoring, controlling and encouraging the administrative agency network with which we work. They are also responsible for the proper application of our selection policy from the point of view of legal security for transactions.

And, finally, the Valuation Department is responsible for supervising the activities carried out for us by the valuation firms, giving decisive support for those transactions that require a technical report.

The quality of the setting-up, analysis and decision processes for loan dossiers, as well as those corresponding to the Agency and Valuation Departments have obtained the AENOR certification in Spain for compliance with the Spanish Standard UNE-EN ISO 9001:2008 in March 2003, and which is extended throughout the commercial network. Each year, follow-up audits are performed. The certification is renewed every three years; the last renewal is from 2018.

Control over external collaborators

In UCI, risk control is present in all the phases for processing a dossier and affects not just the internal management units but also included those tasks delegated to our external collaborators.

This also allows us to have the administration agencies network connected by computer with our central systems, with vertical integration in our management system.

It should be noted that, for UCI, the administrative agencies do not merely perform administrative procedures, but are also empowered by UCI and are responsible for the proper legal handling of our transactions, being responsible for the following processes, among others: searching and analysing property register information, preparing and carrying out the signing process, acting as representatives with powers of attorney from our entity, filing deeds in the corresponding registries, cancelling charges prior to our mortgage appearing in the registry so as to guarantee this having first call, settling taxes and sending the deeds for filing once all the appropriate controls have been carried out so as to guarantee the risk levels established .

It is important to point out that the success of their task depends to a great extent on the control processes established in the management systems designed by UCI for this activity.

Furthermore, the valuation process is also subject to control and supervision by our systems without this detracting from the valuation companies' total liberty for determining the value of the security.

The interconnection of our respective computer systems allows us to establish automatic quality controls that go beyond the simple requirement for a minimum demanded valuation amount. Among other aspects, these controls cover re-locatability, the adaptation of the asset to demand, community costs, the need for alterations, the regime to which is subject, the possible presence of third parties with preferential rights, etc.

Any anomaly detected requires the dossier to be sent to the N.A.C. for a further decision in which the risk factors arisen in the valuation are considered.

Scoring model and risk cost

Since its creation, one of UCI's most constant concerns has been to try and create a model for the performance of our loan portfolio. In 2015, the Entity set up in Spain the eighth version of the scoring model constructed in a historical record of homogeneous events since 1999.

This model, more granular in its scaling than the previous ones, makes it possible to discriminate between different categories in customers in respect of homogeneous payment behaviour, anticipating the probability of default.

Scoring forms an integral part of the selection parameters when it comes to selecting a given risk.

In order to complete the view of the risk associated with our dossiers, we have designed a provisional risk cost that allows us to quantify the expected loss on a dossier based on their score and the percentage of financing with regard to the guarantee's value.

Such risk cost is included in our pricing model so as to be able to manage individually the financial conditions to be assigned to the dossier based on its risk.

In Portugal, a fifth version of the scoring version was implemented in 2020, specific for the individual activity in Portugal, built on the real payment behaviour experience of UCI customers since the beginning. Portugal represented 7% of credit risks within UCI, S.A., E.F.C. at the end of 2008, 8% at the end of 2011, 10.8% at the end of 2019 and 10.9% at the end of 2020.

In order for UCI to count with early measurements of the credit risk, there are three basic elements: expected loss, probability of default and severity.

The expected loss in percentage terms with regard to risk exposure would be formulated as follows:

Expected loss % = Probability of default % x Severity %

Additionally, the economic capital, apart from depending on the same components as the expected loss, also depends on other elements, such as the confidence level taken as reference point, as the correlation or degree of diversification in the portfolios.

• Probability of default: Default is understood to be a delay in payment of an obligation of more than 90 days, a definition that coincides with the Basle II document. The horizon for calculating this probability is three years. It should be noted that the higher the section, the lower the probability of non-payment. The historic records prepared are used to study how this probability varies in relation to the points assigned in the scoring and other possible relevant axes (for example, age of the operation).

• Severity: This is defined as the anticipated estimate of final loan losses in the event of a default. Its complementary aspect is the recovery rate, which can be calculated as the difference between 100% and the severity level. In addition to the effectiveness of the recovery process, the elements that affect this are the type of product involved and the guarantees linked with the transaction (mortgage or credit insurance in the case of UCI). In order to have estimates for severity it is necessary to have historical and homogenous databases that make it possible to analyse the result of the procedures for recovery in accordance with different segmentation criteria. On this point, development has been completed for the database for the historical analysis of the recoveries for UCI in Spain in accordance with customers' scoring sections. The information collected dates back to 1993 in Spain. In Portugal, the same process has been performed with exploitation of data generated since 2004.

Expected losses: Expected losses were adjusted, during 2020, in line with the sections and scoring, new information was available from the historical databases for risks integrating all of the risk exposure information along with their probability estimates for non-payment and severity discriminated by portfolios. Expected losses from the portfolio of new transactions for mortgage loans generated in Spain, in 2020, account for 8 bp (10.7 bp in 2018).

Credit risk mitigation

The duties of the Audit Committee and of the Internal Audit Department include ensuring the appropriate compliance with risk control policies, methods and procedures, guaranteeing that they are appropriate, effectively implemented and regularly reviewed.

The Risk policies' internal audits review the client's payment capacity and the focus on a better client profile, analysing whether the granting of credits adapts to the entity's internal policies, to guidelines established by the Board of Directors, to the compliance with the solvency assessment based on the EBA Guidelines (European Banking Authority), to Circulars of Bank of Spain, and to other applicable regulations.

Concentration risk

The Group performs ongoing monitoring of the degree of concentration of the different credit risk portfolios under the dimensions it considers most relevant: geographic areas, economic sectors and customer groups. The Board of Directors establishes the risk policies and reviews the approved exposure limits for adequate management of the concentration risk.

Due to the mortgage activity sector in which the Group operates, the lending activity is dispersed throughout the Spanish Autonomous Regions and Portuguese regions (through loans formalised by the Branch in such country), the greatest degree of concentration being in the promoter risk operations in Spain, where the risk formalised may amount to over one million Euros, a figure that is not significant in any case.

The Group is subject to Bank of Spain regulation on major risks, which are those exceeding 10% in computable equity. According to the regulations in force, no individual exposure, including all kinds of credit risk, should exceed 25% of the Group's equity. At December 31, 2020 and 2019, there was no risk above the indicated limits.

Policies established to dispose of foreclosed assets or received as payment for debts (debt property swap) include the trading of assets through professionals from the real estate sector. The Group's strategy for each of these non-current assets held for sale could include improvement or reform works, in collaboration with professionals responsible for their trading. The purpose of strategies is to optimise these assets' disposal terms and prices, in coherence with the evolution of the real estate market.

The Group's concentration risk by activity and geographical area at December 31, 2020 is the following:

CONCENTRATION RISK BY ACTIVITY AND GEOGRAPHICAL AREA (carrying values) TOTAL ACTIVITY	TOTAL 31.12.2020	Spain	Rest of European Union	America
1. Credit institutions	-	-	-	-
2. Public Administrations	-	-	-	-
3. Other financial institutions	-	-	-	-
4. Non-financial companies and individual employers	7,255	7,255	-	-
4.1 Real estate construction and development	7,255	7,255	-	-
4.2 Construction of civil works	-	-	-	-
4.3 Other purposes	-	-	-	-
4.3.1 Large companies	-	-	-	-
4.3.2 SMEs and individual employers	-	-	-	-
5. Other homes and non-profit institutions serving households	10,297,990	8,927,536	1,370,454	-
5.1 Homes	10,297,886	8,927,432	1,370,454	-
5.2 Consumption	-	-	-	-
5.3 Other purposes	104	104	-	-
TOTAL	10,305,245	8,934,791	1,370,454	-

The Group's concentration risk by activity and geographical area at December 31, 2019 was the following:

CONCENTRATION RISK BY ACTIVITY AND GEOGRAPHICAL AREA (carrying values) TOTAL ACTIVITY	TOTAL 31.12.2019	Spain	Rest of European Union	America
1. Credit institutions	-	-	-	-
2. Public Administrations	-	-	-	-
3. Other financial institutions	-	-	-	-
4. Non-financial companies and individual employers	6,820	6,820	-	-
4.1 Real estate construction and development	6,820	6,820	-	-
4.2 Construction of civil works				-
4.3 Other purposes				-
4.3.1 Large companies				-
4.3.2 SMEs and individual employers				-
5. Other homes and non-profit institutions serving households	10,339,189	8,992,281	1,346,908	-
5.1 Homes	10,339,036	8,992,131	1,346,905	-
5.2 Consumption				-
5.3 Other purposes	153	150	3	-
TOTAL	10,346,009	8,999,101	1,346,908	-

Risks associated to the coronavirus pandemic (COVID-19)

The COVID-19 pandemic has adversely affected, and is expected to continue affecting, the worldwide economy and the activity and national economic conditions, leading many countries to an economic recession. Among other negative impacts, such countries are undergoing generalised increases of the levels of unemployment and falls in production, while public debt has increased, due to measures of support and expense implemented by the authorities. Also, there has been an increase of debt defaults, both by companies and individuals, volatility in financial markets, volatility of exchange rates and falls in the value of assets and investments, all adversely affecting the Entity's results in 2020 and which could continue affecting it in the future, although to a lesser extent than in the current year.

Also, the Group has been affected and could continue being affected in the future by measures or recommendations adopted by the authorities in the banking sector, such as reductions of interest rates of reference, the relaxation of prudential requirements, adoption of moratorium measures for banking clients (such as those included in Royal Decree Law

11/2020 in Spain, as well as in the sector agreement with ASNEF, adhered by the Entity and which, among others, allows loan debtors to extend maturities and to defer payments of principal and/or interests) and other payment facilities granted to clients, such as refinancing or restructuring operations.

At the beginning of the COVID-19 pandemic, the Group experienced a decrease of activity. For instance, the granting of new loans to individuals significantly decreased from the beginning of the State of Alert decreed by the Government of the different lockdowns declared by the different Governments of the Autonomous Communities or the State Government. However, once the strict lockdown ended, the rhythm of granted loans underwent a significant upturn.

Moreover, the Entity faces several risks, such as a higher risk of impairment of its assets (including financial instruments measured at fair value, which could suffer important fluctuations), a possible significant increase of and a negative impact in the Entity's financing cost.

Moreover, in several Autonomous Communities, businesses' opening hours were reduced and the teams who deliver central services have worked remotely. Although these measures have been gradually reversed, due to the ongoing expansion of the COVID-19 pandemic, it is not clear how much time will be required to fully resume the normal operation.

Therefore, at 2020 closing, the main impacts derived from the crisis caused by the Covid-19 have been the following:

(i) An increase of the risk cost associated to the credit investment, mainly due to the deterioration of the macroeconomic environment, such as the increase of unemployment, which has entailed an increase of the caption in the profit and loss account "Impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit and loss - financial assets at amortised costs", with regard to the previous year.

(ii) A reduction of production and of the granting of financing to clients, mainly due to the impact in the reduction of private consumption, and to more restrictive risk concession measures implemented by the Entity as a consequence of the generalised situation, deriving on a reduction of the Entity's gross margin, in 2020, explained by the decrease of the margin of interests, the income from interests for financial assets at amortised cost, and income from commissions.

The final magnitude of the impact of the COVID-19 pandemic in the business, the Entity's financial situation and results will depend on uncertain future events, including the intensity and persistence in time of the consequences derived from the pandemic. However, the Board of Directors considers that the Entity counts with a high level of solvency and with appropriate control measures to manage its business in the current environment.

Refinancing and restructuring operations - Restructuring/refinancing policy

The UCI Group, within a responsible credit and collection policy, has established a corporate policy which refers to those operations where the customer has presented, or is expected to present, difficulties to face his/her payment obligations under the contract terms in force and, therefore, it could be advisable to temporarily modify the operation in force or even to formalise a new operation.

This policy is applicable to countries where UCI operates and to all customers, adapting to the local needs and standards and always subordinated to the compliance with local regulations applicable. Its principles include the following:

Solutions proposed to the client must be appropriately used, and its use must not distort the recognition of defaults.

The solution must focused in the recovery of all due amounts, recognising as soon as possible the amounts which are considered unrecoverable, if any. Delaying the immediate recognition of losses would be contrary to management good practices.

The restructuring operation will be designed from the client's comprehensive management perspective

If the client has more than one operation with UCI, the following aspects must be addressed:

• The client's risk will be assessed as a whole, regardless of the situation of each individual loan.

• If possible, all operations will be grouped and assigned with the highest level of guarantee possible.

• The determination of monthly charges will be adjusted to monthly payments of all loans. Also, all consolidable income of the family unit will be added so as to verify that the affordability rate keeps the most appropriate proportion.

• The proposed solution will generally imply the cancellation of all available amounts not disposed of.

An operation can be restructured several times (concatenation)

The succession of restructuring operations, in general, will be conditioned to the correct payment behaviour in the previous operation or when, due to the variation of personal/labour/economic circumstances, it was sufficiently evidenced that the lack of compliance is due to these circumstances, as per the client's new situation.

The restructuring or refinancing operation must not imply an increase of the risk with the client

• The proposed solution must not imply granting additional financing to the client and cannot be used to finance other debts or as cross-selling instrument.

• In refinancing operations, the increase of the necessary amount to face formalisation expenses will be admitted when it is evidenced that it will be possible to pay the proposed instalment or when new guarantees are contributed.
• The restructuring or refinancing operation must always contemplate the maintenance of existing guarantees and, where possible, to improve them and/or extend their coverage. New guarantees or real guarantees will not only mitigate severity, but shall reduce the probability of lack of compliance.

Payment condition for ordinary interests

Instalments established in the restructuring operation must comply, in general, at least, with the operation's ordinary interests. Interest's waiting periods must be appropriately justified on the basis of the operation's risk.

Cautions in restructuring and refinancing operations

• When assessing the convenience of the solution's proposal, it is necessary to ensure that this proposal's results exceed those expected to be obtained if the debt was not newly negotiated.

• The analysis of guarantees and the possible future evolution is an especially relevant element when assessing restructuring and refinancing operations.

• Avoid the fact that the solution's possibility incentives defaults.

• If debt restructuring and refinancing products provide more advantageous conditions for the client than the ordinary operation, there is a true risk for the client to observe an advantage in the lack of compliance of obligations. Therefore, the design of UCI policy and products avoid communicating to the client that the lack of compliance of obligations is rewarded.

• The application of rigorous and selective criteria is especially relevant in massive and/or public actions.

Traceability of operations

• It is necessary for systems to keep record of operations subject to restructuring, so as to identify them, such as when the client has had difficulties. All data in origin must be considered in case they are subsequently necessary.

• Systems identify those operations which origin has been a restructuring or refinancing process, in order to appropriately distinguish them from those originated in an ordinary admission process, and to be able to perform a differentiated analysis of both types of operations.

• The Entity keeps record of the relation between original and new operations, if any, being able to determine the debt's distribution between the different origin operations.

The restructuring and refinancing operation cannot imply an improvement of classification as long as there is not a satisfactory experience with the client

• Improvements in classification shall be applied as long as a minimum relation has been held with the client so as to ensure a reasonable knowledge of the new situation.

• This relation must be sufficiently satisfactory and enable the verification of an acceptable improvement in the client's payment capacity.

Restructuring and refinancing operations in category of normal risk will be held identified as such and classified dentro of the category Normal Special Surveillance until their extinction if conditions defined in section 100 of annex IX of Circular 4/2017 are not met

• That it is concluded that, after an exhaustive review of the owner's equity and financial situation, that financial difficulties are not expected.

• That a minim two-year term has elapsed from the date of formalisation of the refinancing or restructuring operation, or, if later, from the date of reclassification from the category of doubtful risk.

• That the owner has paid accrued instalments of principal and interests from the date at which the refinancing or restructuring operation was formalised, or, if later, from the date of reclassification from the category of doubtful. Additionally, the following would be necessary:

- That the owner has satisfied, through regular payments, an amount equivalent to all amounts (principal and interests) overdue at the date of the refinancing or restructuring operation, or which were written off as a consequence of such operation, or

- That other objective criteria have been verified, demonstrating the owner's payment capacity, being more appropriate based on the operations' characteristics.

Therefore, the existence of contractual clauses that delay the reimbursement, such as principal's waiting periods, will imply that the operation remains identified as refinancing, refinanced or restructured operation, until the criteria described in this letter are met.

• That the owner does not have any other operation with amounts due more than thirty days at the end of the probationary period.

Therefore, when all requirements above are met, the operations will no longer be identified in the financial statements as refinancing, refinanced or restructured operations, regardless of whether the information on modifications made in the operations is duly included in the entity's databases, in application of the principle of traceability, and it is declared to the Risks Information Centre.

Quantitative information required by Circular 6/2012 of Bank of Spain

Below, we include the quantitative information required by Circular 6/2012, of Bank of Spain, in relation to restructured/refinanced operations in force at December 31, 2020 and 2019. In this sense, the abovementioned Circular makes the following definitions:

• Refinancing operation: it is an operation that, whichever its owner or guarantees, is granted or used for economic or legal reasons related to financial difficulties –real or expected– of the owner (o owners) to reimburse one or several operations granted by the entity or by another group entities, to the owner (o owners) or to other group companies, or through which such operations are fully or partly up to date in payment, in order to facilitate the debt's payment (principal and interests) to owners of reimbursed or refinanced operations because they are not able, or are not expected to be able, to meet the conditions in due time and manner.

• Restructured operation: it is an operation that, for economic or legal reasons related to financial difficulties of the owner (or owners), existing or expected, financial conditions are modified in order to facilitate the debt's payment (principal and interests) because the owner is not able, or is expected not to be able, to appropriately comply in good time with its conditions, even when such modification was expected by contract. In any case, restructured operations are those in which a deduction is made or goods are received to reduce the debt, or in which conditions are modified to extend the maturity period, vary the amortisation chart to decrease the amount of instalments at the short term, or to decrease their frequency, or to establish or extend the waiting period for the principal, interests or both, except when it is possible to evidence that the conditions are modified for reasons other than the owners' financial difficulties and these conditions are analogous to those applied in the market at the date of modification to operations granted to owners with similar risk profile.

The detail of their respective coverage at December 31, 2020 is the following:

	2020						
	TOTAL (thousands of Euros)						
	Full mortgage guarantee		Other real guarantees		Without real guarantee		Accumulated impairment or accumulated losses in the fair value due to the credit risk
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1. Credit institutions	-	-	-	-	-	-	-
2. Public Administrations	-	-	-	-	-	-	-
3. Other financial entities and individual employers (financial business activity)	-	-	-	-	-	-	-
4. Non-financial companies and individual employers (non-financial business activity)	-	-	4	692	0	0	359
of which: financing of the real estate construction and development (including land)	-	-	4	692	0	0	359
5. Other homes	191	12,937	9,411	1,332,413	207	2,951	240,548
Total	191	12,937	9,415	1,333,105	207	2,951	240,907

	2020						
	Of which: DOUBTFUL (thousands of Euros)						
	Full mortgage guarantee		Other real guarantees		Without real guarantee		Accumulated impairment or accumulated losses in the fair value due to the credit risk
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1. Credit institutions	-	-	-	-	-	-	-
2. Public Administrations	-	-	-	-	-	-	-
3. Other financial entities and individual employers (financial business activity)	-	-	-	-	-	-	-
4. Non-financial companies and individual employers (non-financial business activity)	-	-	4	692	0	0	359
of which: financing of the real estate construction and development (including land)	-	-	4	692	-	-	359
5. Other homes	81	5,393	6841	1,001,298	329	8,233	221,962
Total	81	5,393	6845	1,001,990	329	8,233	222,321

The detail of their respective coverage at December 31, 2019 is the following:

2020							
	TOTAL (thousands of Euros)						
	Full mortgage guarantee		Other real guarantees		Without real guarantee		Accumulated impairment or accumulated losses in the fair value due to the credit risk
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1. Credit institutions	-	-	-	-	-	-	-
2. Public Administrations	-	-	-	-	-	-	-
3. Other financial entities and individual employers (financial business activity)	-	-	-	-	-	-	-
4. Non-financial companies and individual employers (non-financial business activity)	-	-	4	692	0	0	359
of which: financing of the real estate construction and development (including land)	-	-	4	692	0	0	359
5. Other homes	191	12,937	9,411	1,332,413	207	2,951	240,548
Total	191	12,937	9,415	1,333,105	207	2,951	240,907

2020							
	Of which: DOUBTFUL (thousands of Euros)						
	Full mortgage guarantee		Other real guarantees		Without real guarantee		Accumulated impairment or accumulated losses in the fair value due to the credit risk
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1. Credit institutions	-	-	-	-	-	-	-
2. Public Administrations	-	-	-	-	-	-	-
3. Other financial entities and individual employers (financial business activity)	-	-	-	-	-	-	-
4. Non-financial companies and individual employers (non-financial business activity)	-	-	4	692	0	0	359
of which: financing of the real estate construction and development (including land)	-	-	4	692	-	-	359
5. Other homes	81	5,393	6841	1,001,298	329	8,233	221,962
Total	81	5,393	6845	1,001,990	329	8,233	222,321

Operations which, after the refinancing or restructuring, have been classified as doubtful in 2020 and 2019 are the following:

REFINANCING AND RESTRUCTURING BALANCES IN FORCE 31.12.2020	Full mortgage guarantee		Other real guarantees		Without real guarantee		TOTAL	
	No. oper.	Gross amount	No. oper.	Gross amount	No. oper.	Gross amount	No. oper.	Gross amount
Homes	1,174	156,595	891	160,932	68	1,617	2,133	319,144
Of which: loans guaranteed by residential estates	1,174	156,595	891	160,932	68	1,617	2,133	319,144
Non-financial companies	2	178	-	-	-	-	2	178
Of which: small and medium entities	2	178	-	-	-	-	2	178
Total	1,176	156,773	891	160,932	68	1,617	2,135	319,322

REFINANCING AND RESTRUCTURING BALANCES IN FORCE 31.12.2019	Full mortgage guarantee		Other real guarantees		Without real guarantee		TOTAL	
	No. oper.	Gross amount	No. oper.	Gross amount	No. oper.	Gross amount	No. oper.	Gross amount
Homes	2,505	370,312	1,250	240,818	140	3,911	3,895	615,041
Of which: loans guaranteed by residential estates	2,505	370,312	1,250	240,818	140	3.911	3,895	615,041
Non-financial companies	3	550	-	-	-	-	3	550
Of which: small and medium entities	3	550	-	-	-	-	3	550
Total	2,508	370,862	1,250	240,818	140	3,911	3,898	615,591

Total financing operations granted to customers at December 31, 2020 and 2019, detailed by counterpart, were the following:

CREDIT DISTRIBUTION TO CLIENTS BY ACTIVITY (carrying value) AT 31.12.2020				Credit with real guarantee. Loan to value				
	TOTAL	Of which: Real estate guarantee	Of which: Other real guarantees	LTV<=40%	40%< LTV<=60%	60%< LTV<=80%	80%< LTV<=100%	LTV>100%
1 Public Administrations	-	-	-	-	-	-	-	-
2 Other financial institutions	-	-	-	-	-	-	-	-
3 Non-financial companies and individual employers	385,906	3,607	8,504	342	2,380	885	-	8,504
3.1 Real estate construction and development (b)	12,111	3,607	8,504	342	2,380	885	-	8,504
3.2 Construction of civil works	-	-	-	-	-	-	-	-
3.3 Other purposes	373,796	-	-	-	-	-	-	-
3.3.1 Large companies (c)		-	-	-	-	-	-	-
3.3.2 SMEs&individual employers (c)	373.796	-	-	-	-	-	-	-
4 Other homes and non-profit institutions serving households	10,297,544	9,005,297	1,292,247	1,455,949	2,691,279	2,868,920	1,989,150	1,292,247
4.1 Homes (d)	10,297,440	9,005,297	1,292,143	1,455,949	2,691,279	2,868,920	1,989,150	1,292,143
4.2 Consumption (d)	-	-	-	-	-	-	-	-
4.3 Other purposes (d)	104	-	104	-	-	-	-	104
TOTAL	10,683,450	9,008,904	1,300,751	1,456,291	2,693,659	2,869,805	1,989,150	1,300,751
MEMORANDUM ITEM								
Refinancing, refinanced and restructured operations	1,348,993	12,937	1,333,105	3,516	3,257	3,597	2,567	1,333,105

CREDIT DISTRIBUTION TO CLIENTS BY ACTIVITY (carrying value) AT 31.12.2019				Credit with real guarantee. Loan to value				
	TOTAL	Of which: Real estate guarantee	Of which: Other real guarantees	LTV<=40%	40%< LTV<=60%	60%< LTV<=80%	80%< LTV<=100%	LTV>100%
1 Public Administrations								
2 Other financial institutions								
3 Non-financial companies and individual employers	6,820	3,156	3,664	312	2,118	726	-	3,664
3.1 Real estate construction and development (b)	6,820	3,156	3,664	312	2,118	726	-	3,664
3.2 Construction of civil works								
3.3 Other purposes								
3.3.1 Large companies (c)								
3.3.2 SMEs&individual employers (c)								
4 Other homes and non-profit institutions serving households	10,339,189	8,591,910	1,747,279	1,339,030	2,461,637	2,700,286	2,090,957	1,747,279
4.1 Homes (d)	10,339,036	8,591,910	1,747,126	1,339,030	2,461,637	2,700,286	2,090,957	1,747,126
4.2 Consumption (d)								
4.3 Other purposes (d)	153		153					153
TOTAL	10,346,009	8,595,066	1,750,943	1,339,342	2,463,755	2,701,012	2,090,957	1,750,943
MEMORANDUM ITEM								
Refinancing, refinanced and restructured operations	3,500,739	2,612.534	859,119	189,499	711,697	964,423	746,915	859,119

14. MARKET RISK MANAGEMENT

In the markets and treasury area, the UCI Group manages the market risks that affect managed assets or liabilities. The Board of Directors periodically establishes the delegated limits and checks that they are properly applied. Likewise, loss limits and other control measures are established. The management of limits is made with a broad series of indicators and alert signals that have as their objective the anticipation and proper monitoring of interest rate risks and of liquidity.

Assets and Liabilities interest rate gap

The UCI Group analyses Financial Margin sensitivity to variations in interest rates, which are analysed by a Committee meeting twice a month for this purpose. This sensitivity is conditioned by time lags in maturity rates and changes to the interest rates that arise between the different balance sheet items, or off balance sheet with securitisation funds, which represent an imbalance in cash-flow to the entity. Investments are managed through hedging so as to maintain these sensitivities within the target range set in the Committees. The measures used by UCI to control the interest risk are Rate Gap analysis and the financial margin sensitivities in the managed portfolio.

Interest Rate Gap analysis deals with the time lags between the reviews of maturity for assets and liabilities under management and allows concentrations of interest risk in the different maturities to be detected.

Financial margin sensitivity measures the impact on results of the interest rate gaps for a given period with a displacement of the interest rate curve.

The main asset item sensitive to interest rates refers to the clients' portfolio in the balance, out of which 79.90% is at variable rate (83.73% at December 31, 2019), 11.52% is a mixed rate (8.31% at December 31, 2019), with a first period at fixed rate and subsequent reviews at variable rate, and 8.58% (7.96% at December 31, 2019) at strict fixed rate.

Within credits granted with variable rate, 82.50% review its rate each half year (82.86% at December 31, 2019) and 17.50% each year (17.14% at December 31, 2019).

Management of the interest rate risk pursues a double objective: reducing the impacts of interest rate variations on the financial margin and protecting the Group's economic value. Accordingly, financial instruments are used such as securitisation bonds (Spain) or "cash" dispositions with shareholders (Spain, Portugal and Greece), and financial derivatives also formalised with Shareholders (interest rate swaps).

Liquidity Risk

The management and control of the liquidity risk aims to ensure compliance with payment commitments under the best possible conditions for the UCI Group in the different countries in which it has a presence.

The liquidity risk is associated with the Group's capacity for financing acquired commitments at reasonable market prices, as well as being able to carry out its business plans with stable sources of finance. The measure used for controlling the liquidity risk is the liquidity gap, which provides information on the contractual cash in-flows and out-flows over the life of the loans.

In order to mitigate the liquidity risk, since its beginnings UCI has had a recurrent policy for going to the capital markets through the securitisation of its loan assets. Accordingly, the holders of securitisation bonds support the liquidity risk up until loan maturities. Since 1994, UCI has issued 26 securitisation funds in Spain for an initial overall amount of 18,527 million Euros, mostly in capital markets, including the most recent issuances of RMBS Prado I to Prado VII and the first issuance of green bonds in Portugal with RMBS Green Belem 1, all for an amount of 3,540 million Euros, which at December 2020 represented 4,996 million Euros (4,710.65 million Euros at December 31, 2019) or 46% of the overall balance it manages in Spain, financed to maturity by the capital markets (50.89% in 2019).

In 2008, UCI carried out its first self-securitisation transaction UCI 18, where UCI subscribed all bonds by financing the mortgage loan portfolio, in particular those of highest qualification AAA which were eligible for liquidity transactions with the ECB. On July 18, 2018, mortgage shares were acquired, and the Fund was subsequently terminated.

More recently, on June 15, 2020, the Entity decided to acquire mortgage investments and to subsequently proceed to terminate the Fund Prado I.

As a consequence of the need of counting with two rating with a minimum rating of at least "A" granted by two different rating agencies to be able to access to the condition of eligible assets in ECB liquidity operations, most securitisation bonds have lost such condition. However, bonds of Prado I, II, III, IV (series A), V (series A), VI (series A), VII (series A), as well as series A and B of Belem 1, are eligible assets.

For the remaining balance sheet assets, UCI manages refinancing with treasury lines with its two reference Shareholders: BNP Paribas and Banco de Santander; UCI branch in Portugal is directly financed by its parent company in Spain.

The liquidity gap contemplates the classification of the outstanding capital of financial assets and liabilities by maturity terms, taking as references the outstanding periods between the corresponding date and their contractual maturity dates. At December 31, 2020 and 2019, the liquidity gap is the following:

31.12.2020	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	TOTAL
ASSETS:							
Cash, cash balances in central banks and other on-demand deposits							
Cash	2	-	-	-	-	-	2
Other on-demand deposits	241,213	-	-	-	-	-	241,213
Financial assets at amortised cost							
Loans and advances	37,144	80,098	386,585	1,416,038	1,485,757	6,899,623	10,305,245
Total Assets	278,359	80,098	386,585	1,416,038	1,485,757	6,899,623	10,546,460
LIABILITIES:							
Deposits of Credit institutions	2,249,520	2,729,800	1,930,658	260,684	165,503	451,520	7,787,685
Deposits to clients	3,339	6,678	25,759	137,383	137,383	828,956	1,139,498
Marketable debt securities	5,460	10,920	42,120	224,639	224,639	1,366,117	1,873,895
Subordinated liabilities	266					186.394	186.660
Total Liabilities	2,258,585	2,747,398	1,998,537	622,706	527,525	2,832,987	10,987,738
Difference Assets minus Liabilities	-1,980,226	-2,667,300	-1,611,952	793,332	958,232	4,066,636	-441,278

31.12.2019	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	TOTAL
ASSETS:							
Cash, cash balances in central banks and other on-demand deposits							
Cash	6	2	-	-	-	-	8
Other on-demand deposits	181,487	-	-	-	-	-	181,487
Financial assets at amortised cost							
Loans and advances	35,642	76,810	370,513	1,359,341	1,425,660	7,339,591	10,607,557
Total Assets	217,135	76,812	370,513	1,359,341	1,425,660	7,339,591	10,789,052
LIABILITIES:	2,470,304	2,272,965	2,131,605	538,413	218,461	88,562	7,720,310
Deposits of Credit institutions	5,295	10,591	40,850	217,869	217,870	1,058,623	1,551,098
Deposits to clients							
Marketable debt securities	4,327	8,653	33,376	178,005	178,005	1,159,618	1,561,984
Subordinated liabilities	247	-	-	-	-	79,753	80,000
Total Liabilities	2,480,173	2,292,209	2,205,831	934,287	614,336	2,386,556	10,913,392
Difference Assets minus Liabilities	-2.263.038	-2,215,397	-1,835,318	425,054	811,324	4,953,035	-124,340

15.OTHER MARKET RISKS: OPERATING RISK MANAGEMENT

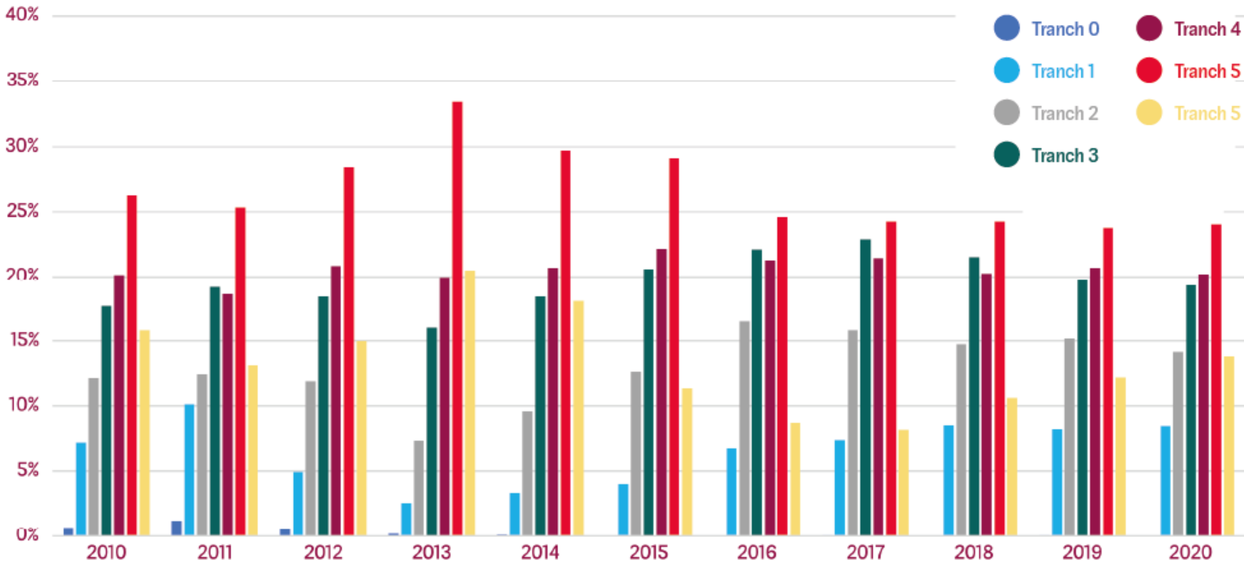
UCI follows closely the development of the standards on this risk as presented in the Basle II agreements, approved in June 2004, progressing in its project for identifying, mitigating, managing and quantifying operating risk. On this aspect and within the overall ISO 9001:2000 quality certification project, the entity has continued to computerise all risk events and incidents of any type, setting up a database that will make it possible in the future to model and quantify the level of operating risk present in all business and support areas.

The analysis of defaults contained in the losses and incidents database has made it possible to introduce improvements in controls and procedures with immediate results in the reduction of losses derived from operating risk.

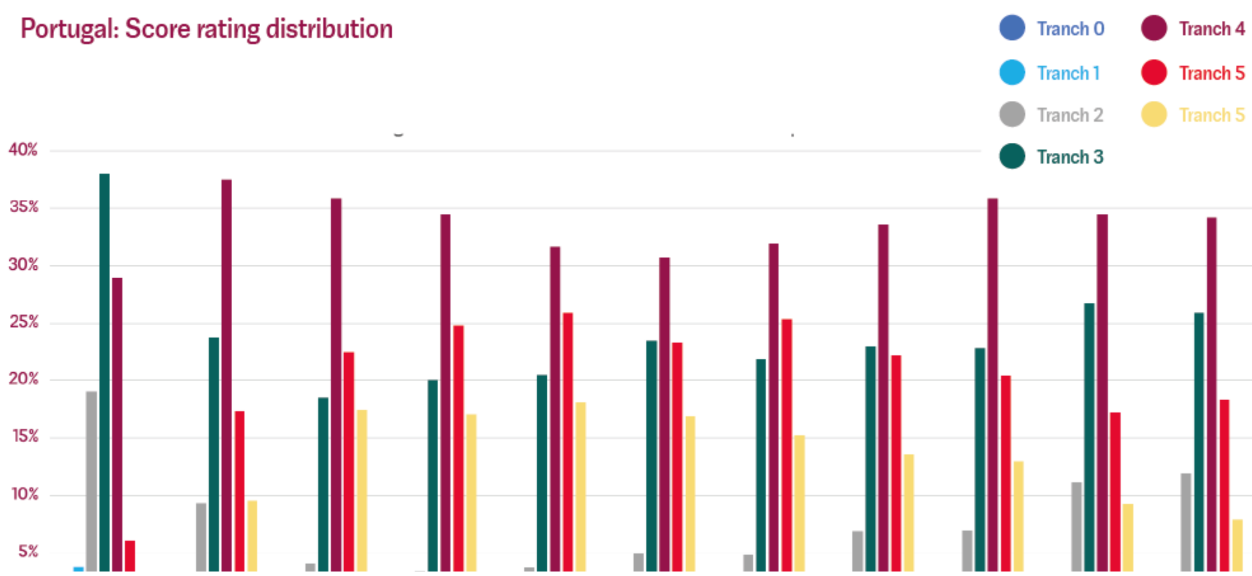
The parameterisation of the different types of operating risk can be classified in accordance with the following matrix

Type	Origin
•Processes	Operating errors, human errors
•Fraud and activities	Events of a criminal nature, unauthorised activities, unauthorised internal activities
• Technology	Technical failures in computers, applications or communications
• Human Redources	Failures in the Human Resources policy, in safety and health in the workplace, etc.
• Commercial Practices	Product defects and bad sales practices
• Disasters	Events (natural, accidental or deliberate
• Suppliers	Breach of contracted services

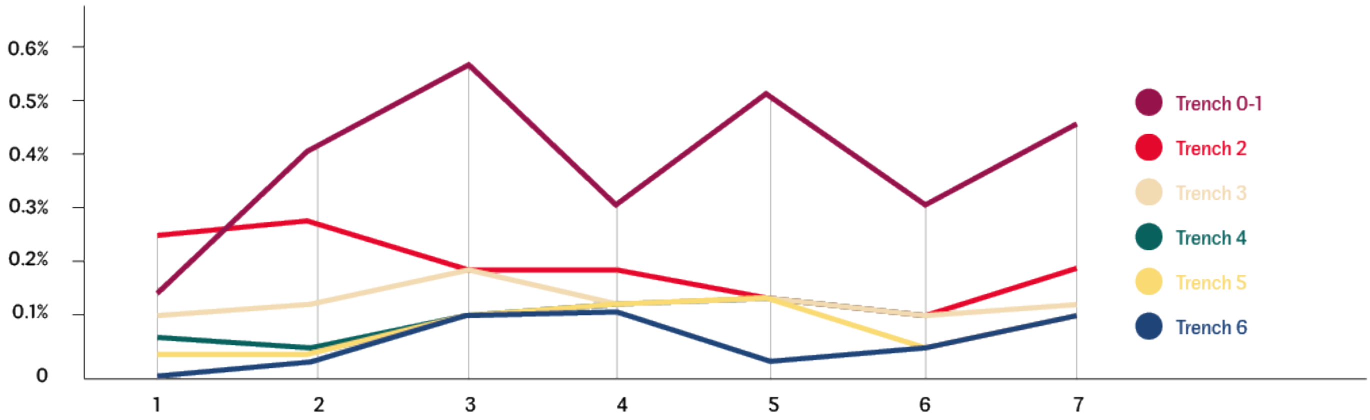
Spain: Score rating distribution



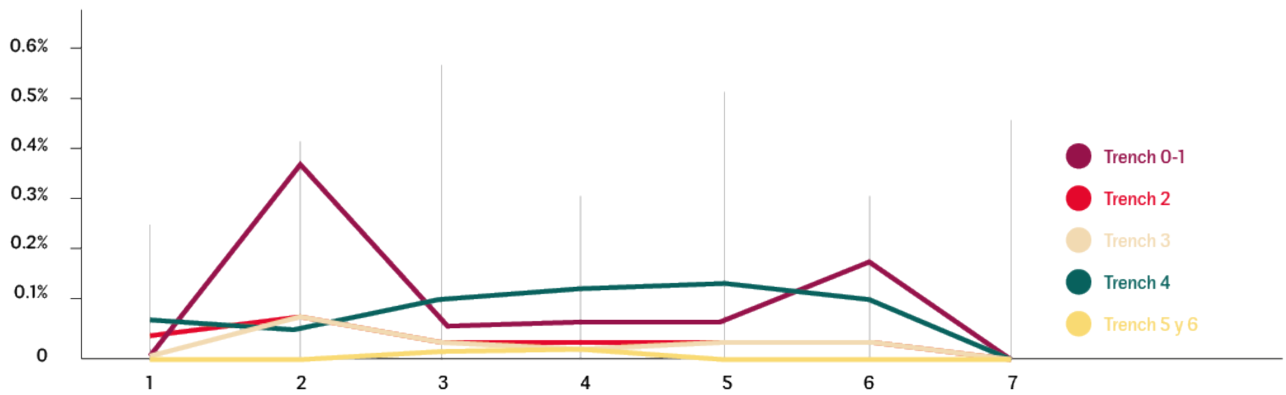
Portugal: Score rating distribution



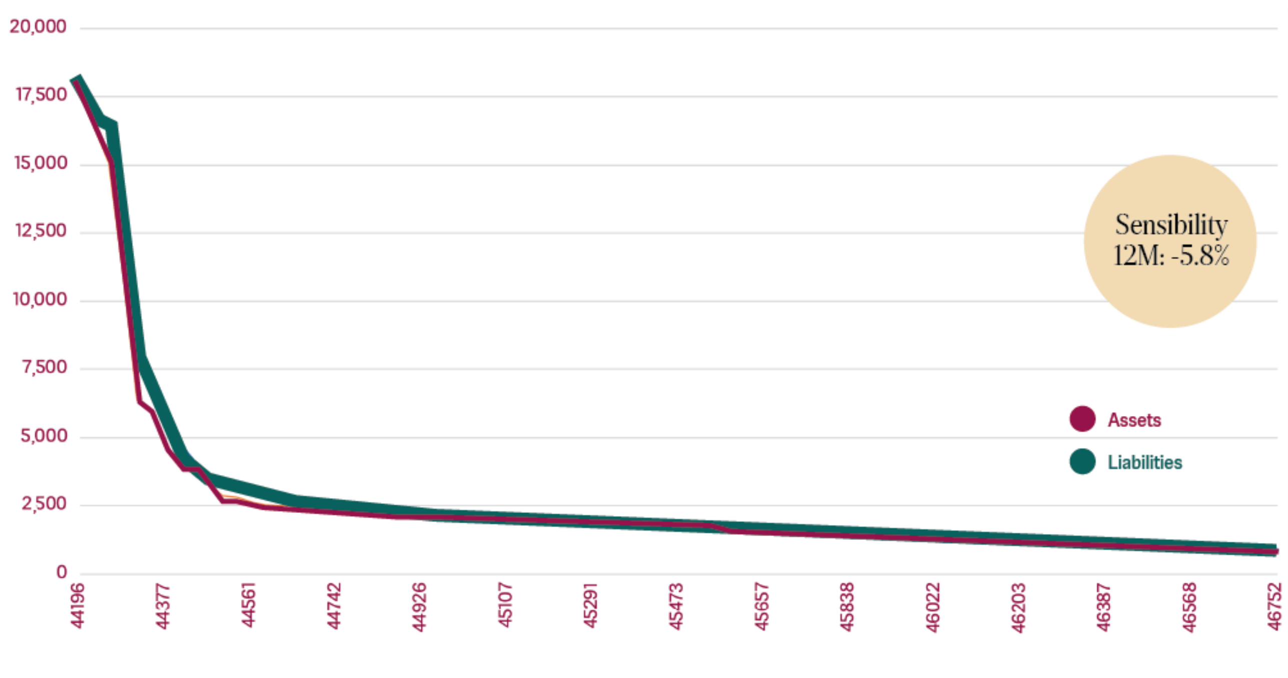
Probability of default by scoring tranches. Years 2010-2020 Spain



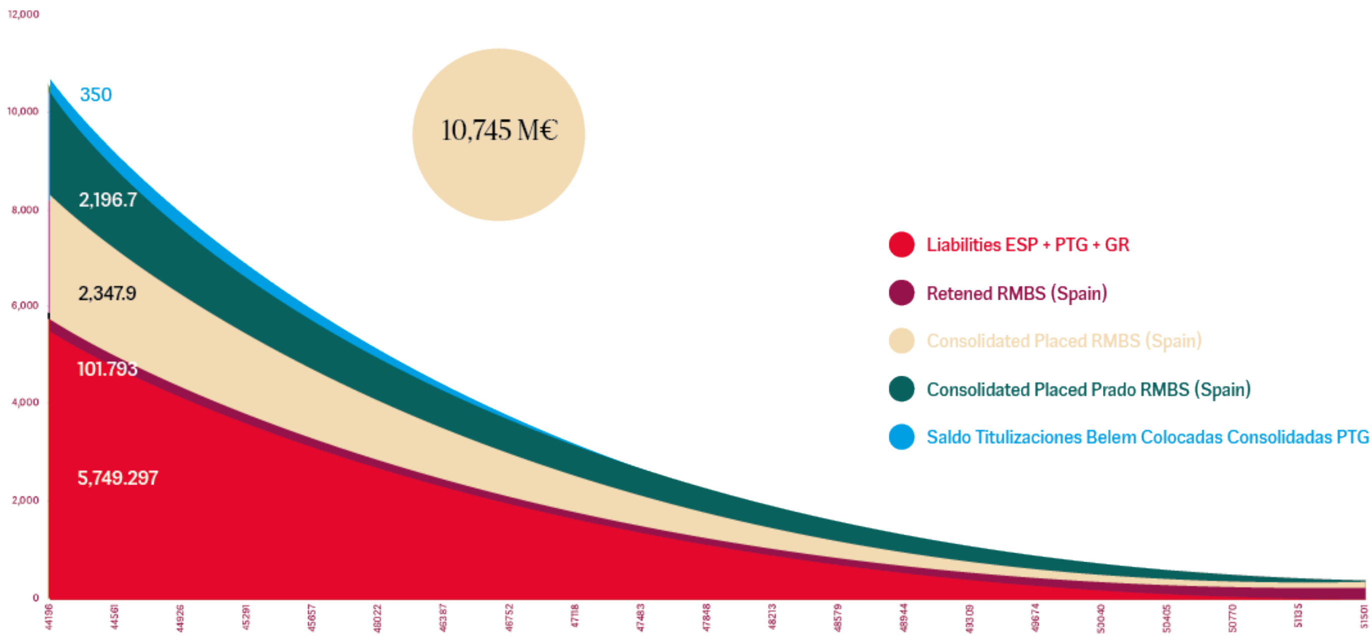
Probability of default by scoring tranches. Years 2010-2020 Portugal



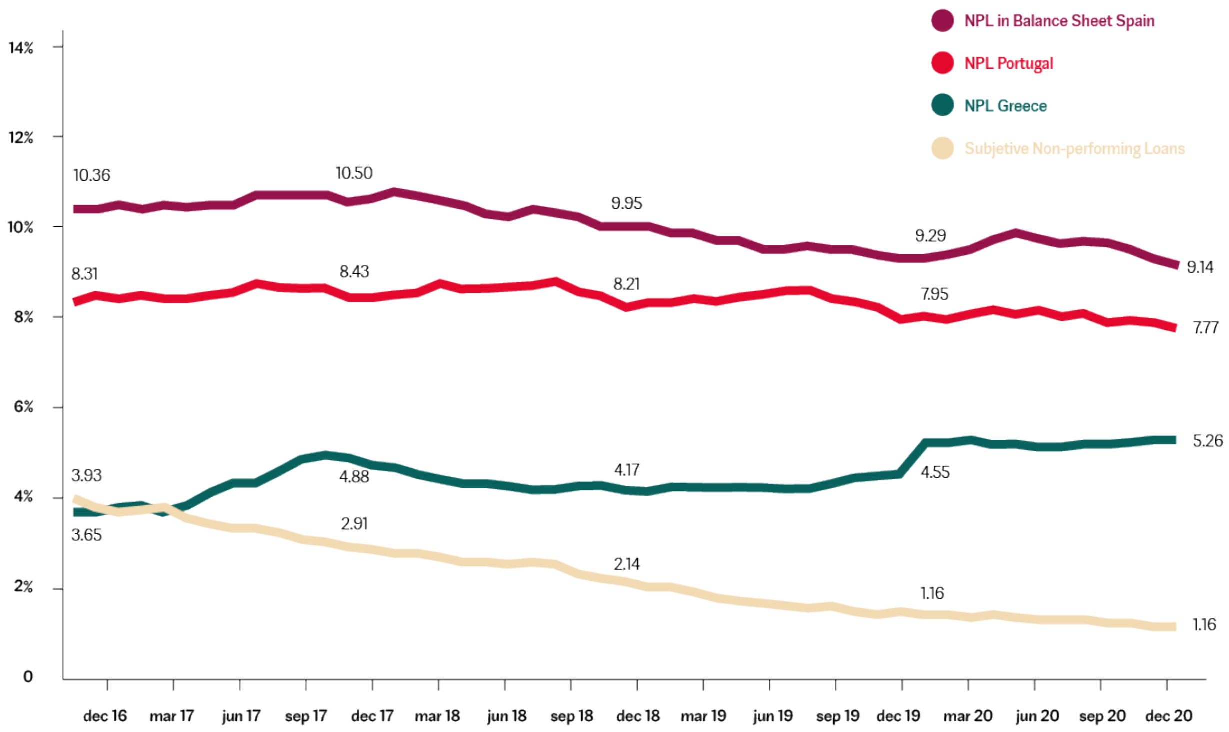
Consolidated interest rate risk coverage 2019 (M€)



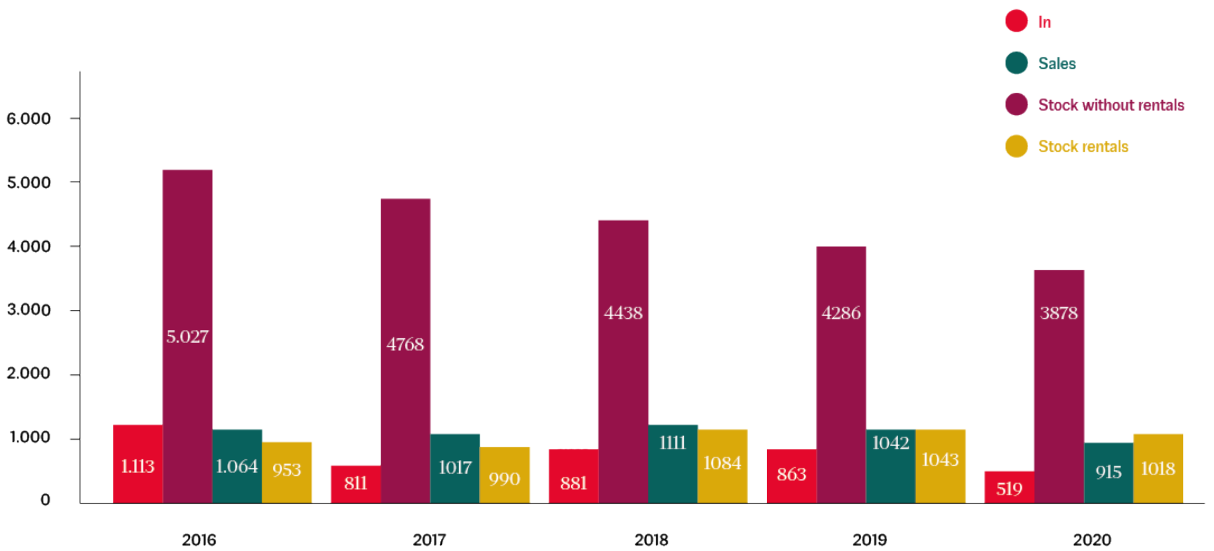
Downbreak outstanding managed loans balance and secured 2019 (Managed Loans Spain, Portugal, Greece)



% NPL'S (+90 Days) In balance sheet UCI



Spain: Nº REO HOMES: Tickets / Sales / Stock property adjudicated



16. CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER ON-DEMAND DEPOSITS

The composition of the balance of caption “Cash, cash balances in central banks and other on-demand deposits” is shown below:

	31.12.20	31.12.19
Cash	2	8
Other on-demand deposits	241,413	181,487
	241,415	181,795

The totality of this caption’s amount per maturity of the residual term is considered on demand.

17. FINANCIAL ASSETS AT AMORTISED COST

The detail of this caption’s balance is shown below, based on the modality and situation of operations:

	31.12.20	31.12.19
Per modality and credit situation:	9,250,804	9,281,133
Other term loans	1,394,383	1,326,224
Doubtful assets	10,645,187	10,607,557
Assets’ impairment corrections	(388,140)	(292,347)
Valuation adjustments accrued interests	21,794	25,077
Valuation adjustments commissions	26,404	5,722
Per modality and credit situation:	10,305,245	10,346,009

The carrying value registered above, not considering the portion corresponding to "Other valuation adjustments", represents the Entity's maximum credit risk exposure level in relation to financial instruments therein included.

The detail of the balance of loans and advances to customers is the following:

	31.12.20	31.12.19
Resident debtors with real guarantee	6,771,197	6,598,884
Non-resident credit with real guarantee	1,581,243	1,473,672
Doubtful debtors	1,394,383	1,326,224
Other term debtors	897,947	1,205,555
Debtors on demand and others	417	3,222
	10,645,187	10,607,557

The balance of the account "debtors with real guarantee" represents the non-overdue risk on loans granted that are guaranteed by mortgages in favour of the Group.

The balance on the account "other term debtors" represents the non-overdue risk on loans granted that are not guaranteed by mortgages in favour of the Group.

The detail of the Loans and prepayments to customers by residual term at December 31, 2020 and 2019 is as follows:

	31.12.20	31.12.19
On demand	36,200	35,642
From 1 to 3 months	78,211	76,810
From 3 to 6 months	378,098	370,513
From 6 months to 1 year	1,378,292	1,359,341
From 1 year to 5 years	1,448,017	1,425,660
More than 5 years	7,326,369	7,339,591
	10,645,187	10,607,557

The following table shows the variation in the balance of provisions covering impairment losses of assets integrated in the balance of caption “Financial assets at amortised cost - Loans and advances” of the accompanying consolidated balance sheets at December 31, 2020 and 2019:

	Impairment losses (thousands of Euros)			
	Stage 3	Stage 2	Stage 1	Total
Balances at January 1, 2020 (*)	(298,399)	(29,389)	(17,010)	(344,798)
Allocations charged to profit/(loss) of the period	(168,486)	(33,754)	(14,751)	(216,991)
Recoveries of allocations charged to results	92,784	39,332	10,312	142,428
Net allocations of the period	(75,702)	5,578	(4,439)	(74,563)
Other variations	30,303	773	145	31,221
Balances at December 31, 2020	(343,798)	(23,038)	(21,304)	(388,140)

(*) Out of which 52,451 thousand Euros correspond to the provision's increase for the first application impact of the internal credit risk model IFRS9 (See Note 2.1)

	Impairment losses (thousands of Euros)			
	Stage 3	Stage 2	Stage 1	Total
Balances at January 1, 2018	(276,094)	(11,919)	(37,229)	(325,242)
Allocations charged to profit/(loss) of the period	(60,980)	(13,297)	-	(74,277)
Recoveries of allocations charged to results	39,222	10,005	9,775	59,002
Net allocations of the period	(21,758)	(3,291)	9,775	(15,275)
Other variations	48,170	-	-	48,170
Balances at December 31, 2019	(249,682)	(15,211)	(27,454)	292,347

The Group, during 2020 and 2019, has calculated the corresponding provisions on default transactions which count with real estate guarantees, taking into account the updated guarantee's value, and according to the credit risk model based on estimating the credit risk by considering expected losses.

Moreover, the Group's Directors, in agreement with the fourth point of the First transitory provision of Circular 4/2019, have updated appraisals of reference for all real guarantees and assets granted or received in payment for debts, which required complete individual appraisals, by virtue of Order ECO 805/2003, of 27 March, according to points 78 to 85 and 166 of Annex 9 of Circular 4/2017.

Measures adopted credit risk Covid-19 in relation to clients

The Group has taken measures to ease the payment by those clients most affected by the Covid-19, through the concession of moratoriums, both public, according to Royal Decrees-Law 8/2020 and 11/2020, and private moratoriums.

Amounts of public and sectorial moratoriums (in force and completed) granted by the Entity, as well as the number of credits in both measures at 2020 closing are the following:

Public Moratoriums				Sectorial Moratoriums			
In force (millions of Euros)	Completed (millions of Euros)	Total	No. Credits	In force (millions of Euros	Completed (millions of Euros)	Total	No. Credits
138	517	655	5,069	586	23	609	4,890

The adoption of moratorium measures for clients (such as those included in Royal Decree Law 11/2020, as well as sectorial private moratoriums) implies the temporary suspension, total or partial, of contractual obligations, in a way that these are deferred to a specific period of time, extending the loan or credit's amortisation period for the same period.

Sectorial moratoriums are applied from the date of the entity's adhesion to the sectorial bargaining agreement of ASNEF, on June 9, 2020. However, if requested by the client, the application of the moratorium could have a retroactive effect from March 14, 2020.

Customer loan and credit operations have mainly been granted to individuals, residents in the Spanish territory.

Note 14 provides the detail of maturities of items integrated on these captions' balances in the accompanying consolidated balance sheet. Moreover, rates applicable to assets that accrue interests are detailed on Note 14. The return generated by such assets, during 2020 and 2019, is included on Note 31.

Financial assets individually determined as impaired

Below, we present the detail, at December 31, 2020 and 2019, classified by segment, of those assets individually considered as impaired, on the basis of their individualised analysis (therefore, not including impaired financial assets on the basis of a collective assessment process of possible losses):

		Thousands of Euros	
		31.12.20	31.12.19
Individuals:			
Real guarantees			
	Mortgage	1,367,423	1,298,808
	Securities	-	-
	Other	-	-
No guarantee		16,892	16,871
Developers:			
Real guarantees		-	-
	Mortgage	10,068	10,545
	TOTAL	1,394,383	1,326,224

Financial assets overdue and not impaired

Below, we present the detail of overdue financial assets not considered as impaired by the entity at December 31, 2019 and at December 31, 2018, classified by type of financial instruments:

	Thousands of Euros	
	31.12.20	31.12.19
Per type of counterpart	417	3,222
Public Administrations	-	-
Other resident sectors	417	2,861
Other non-resident sectors	-	361
TOTAL	417	3,222

Credit risk with real estate construction and development

At December 31, 2020 and 2019, financing aimed to real estate construction and development amounted to 17,483 and 19,011 thousand Euros, out of which 10,590 and 10,545 thousand Euros were impaired assets, respectively.

The amounts above correspond to financing granted for construction and real estate promotion. As a consequence, and according to instructions from Bank of Spain, the debtor's CNAE has not been taken into account. This implies, for example, that if the debtor is: (a) a real estate company, but dedicates the granted financing to other than construction or real estate promotion, it is not included on these charts; and (b) a company which main activity is not construction or real estate, but the credit is used to finance estates aimed to real estate promotion, it is included on these charts.

The quantitative information on real estate risk at December 31, 2020 is the following, in thousands of Euros:

	Gross amount	Excess on guarantee value	Specific hedges
Credit risk	12,946	5,330	5,691
Defaulter	10,068	4,967	5,512
Subjective doubtful	-	-	-
Normal	2,878	363	179
Memorandum item			
Generic coverage fund	-	-	-
Failed	-	-	-

The quantitative information on real estate risk at December 31, 2019 was the following, in thousands of Euros:

	Gross amount	Excess on guarantee value	Specific hedges
Credit risk	12,676	8,324	6,895
Defaulter	10,545	6,109	6,697
Subjective doubtful	-	-	-
Normal	481	142	205
Memorandum item			
Generic coverage fund	-		-
Failed	-		-

The chart below details the real estate credit risk based on the type of associated guarantees:

	31.12.2020	31.12.2019
Without specific guarantee	-	-
With mortgage guarantee	12,946	12,676
Finished buildings - houses	10,064	9,780
Finished buildings - others	-	-

Buildings under construction-houses	250	257
Buildings under construction-others	-	-
Land-urbanised land	2,632	2,639
Land-others	-	-

Retail mortgage portfolio risk

The quantitative information regarding the retail mortgage portfolio at December 31, 2020 and 2019 is the following:

	31.12.2020	31.12.2019
Credit to acquire houses	10,631,409	10,595,013
Without mortgage guarantee	93,898	90,264
Doubtful	16,902	16,871
With mortgage guarantee	10,537,511	10,504,749
Doubtful	1,367,413	1,298,808

Ranges of loan to value (LTV) of the retail mortgage portfolio at December 31, 2010 are the following:

	LTV<=40%	40%< LTV<=60%	60%< LTV<=80%	80%< LTV<=100%	LTV>100%
Live credits to acquire houses. With mortgage guarantee	2,502,696	2,556,294	1,675,187	1,382,483	2,514,749
Doubtful credits to acquire houses. With mortgage guarantee	188,205	336,386	385,035	72,638	385,149

Ranges of loan to value (LTV) of the retail mortgage portfolio at December 31, 2019 were the following:

	LTV<=40%	40%< LTV<=60%	60%< LTV<=80%	80%< LTV<=100%	LTV>100%
Live credits to acquire houses. With mortgage guarantee	1,338,860	2,462,052	2,703,389	2,119,490	1,880,958
Doubtful credits to acquire houses. With mortgage guarantee	18,705	63,903	173,697	300,967	741,536

Securitisation operations

The value of assets securitised before January 1, 2004, which were written off from the consolidated balance sheet and remained outstanding at December 31, 2020 and 2019 amounts to 101,793 and 115,415 thousand Euros respectively.

On April 2020, the Green Securitisation Fund "Belem 1" was performed in UCI EFC branch of Portugal, for an amount of 392 million Euros, out of which Portuguese branch holds the totality of Tranche C bonds, for an amount of 35.2 million Euros. Moreover, the Group acquired part of Tranche B for an amount of 25.5 million Euros.

Additionally, on November 2020, the Securitisation Fund Prado VII was constituted, for an amount of 515 million Euros, out of which the Group company UCI EFC holds the totality of bonds on tranches B and C and a portion of bonds on tranche A, for a total amount of 108.1 million Euros. Moreover, the Group company UCI EFC has granted a subordinated loan to the fund for an amount of 11.1 million Euros.

Also, on June 2020, the Step-up call of the Securitisation Fund Prado I has been exercised, implying its early cancelation.

During 2018, the Group company UCI EFC transferred mortgage loans to the securitisation fund, for a total value of 428 million Euros, representing 100% of principal and ordinary interests from each sold loan. The Securitisation Fund, through its Managing Entity, issued Mortgage Securitisation Bonds and assets, for an amount of 351 million Euros. The company provided such securitisation with a subordinated loan, for an amount of 10.25 million Euros and also withheld securitisation bonds by 42.8 and 34.2 million Euros in classes B and C, respectively.

During 2017, the Group company UCI EFC transferred securitisation funds Prado IV and Prado V, mortgage loans from its portfolio, for a total value of 390 million Euros and 415 million Euros, respectively, representing 100% of the principal and ordinary interests of each sold loan. Securitisation funds, through its Managing Entity, performed an issuance of Mortgage Securitisation Bonds and assets, for an amount of 305 million Euros and 339 million Euros respectively. The entity has granted in both securitisations a subordinated loan for an amount of 9.9 and 10.9 million Euros respectively, and as withheld securitisation bonds for an amount of 85 and 76 million Euros respectively.

The chart below shows a detail of balances registered on the accompanying balance sheets at December 31, 2020 and 2019, associated to these securitisation operations, where the Entity as withheld substantial risks and benefits:

(In thousands of Euros)	2020	2019
Asset Securitisation Fund UCI 10	78,256	87,492
Asset Securitisation Fund UCI 11	133,427	146,782
Asset Securitisation Fund UCI 12	195,963	213,432
Asset Securitisation Fund UCI 14	368,249	398,260
Asset Securitisation Fund UCI 15	444,423	480,186
Asset Securitisation Fund UCI 16	604,167	663,687
Asset Securitisation Fund UCI 17	526,820	581,033
Asset Securitisation Fund Prado I	-	326,020
Asset Securitisation Fund Prado II	373,601	404,053
Asset Securitisation Fund Prado III	312,209	337,317
Asset Securitisation Fund Prado IV	309,933	333,574
Asset Securitisation Fund Prado V	330,699	358,878
Asset Securitisation Fund Prado VI	362,044	389,566
Asset Securitisation Fund Prado VII	508,227	-
Asset Securitisation Fund Belem 1	349,964	-
TOTAL	4,897,982	4,720,280

18. NON-CURRENT ASSETS HELD FOR SALE

This caption contains the tangible assets represented by foreclosed assets in respect of unpaid loans that have been claimed through legal procedures.

The movement on these assets during 2020 and 2019 was the following:

	31.12.18	Additions	Write-offs	Reclassifi-cation	31.12.19	First application	Additions	Write-offs	Reclassifi-cation	31.12.20
Foreclosed assets	433,203	82,845	-93,820	-16,130	406,098	-	45,792	-79,504	-13,531	358,855
Provisions foreclosed assets	-96,923	-33,439	32,520	974	-96,868	-2,666	-20,319	21,848	995	-97,010
	336,280				309,230					261,845

Moreover, this caption of the balance sheet included, at December 31, 2019, a prepayment to suppliers, for an amount of 2,547 thousand Euros.

The amount booked as reclassification corresponds to estates that, during 2019, have been reclassified into the caption of Property investment of the consolidated balance sheet (note 20).

The sale of estates in 2020 has implied profits on the net book value by 7,876 thousand Euros (profits of 2,891 thousand Euros in 2019). This amount is booked in the caption "Impairment or (-) reversal of the impairment of non-financial assets", registering the rest in the caption "Profit or (-) loss originated from non-current assets and disposable groups of elements classified as held for sale not admissible as discontinued activities" of the accompanying profit and loss account.

The quantitative information regarding foreclosed assets at December 31, 2020 is the following

	Accounting item value	Hedging
Property assets originated from financings to real estate construction and development companies	5,845	(2,945)
Finished buildings: housing or others	5,149	(2,759)
Buildings under construction: housing or others	-	-
Land: urbanised land and others	696	(186)
Property assets originated from mortgage financing to families to acquire houses	400,252	(93,923)
Other foreclosed property assets		
Equity instruments, participations and financings to non-consolidated companies holding such assets		

The quantitative information regarding foreclosed assets at December 31, 2019 was the following

2020	Less than 3 years	More than 3 years	Total
Finished buildings	216,520	140,982	357,502
Buildings under construction	-	-	-
Land	-	1,353	1,353

2019	Less than 3 years	More than 3 years	Total
Finished buildings	176,315	228,786	405,101
Buildings under construction	-	-	-
Land	107	890	997

When clearing assets held on the balance sheet, Circular 4/2017 has been applied, considering appraisals performed by independent third parties. The valuation methods used on appraisals are described on Order ECO/0805/2003 of 27 March, on valuation standards for estates and certain rights for financial purposes, reviewed by Order EHA/3011/2007, of 4 October.

During 2020 and 2019, as well as in previous years, the Group has carried out certain selling operations for non-current assets held for sale and disposition groups where it has financed the purchaser for the amount necessary to perform the acquisition.

Loans granted by the Entity, during 2020, to finance this kind of operations amounted to 59,100 thousand Euros (56,713 thousand Euros during 2019).

The outstanding balance of this kind of financing at December 31, 2020 and 2019 amounted to 688,958 and 668,317 thousand Euros, respectively.

The average percentage financed for operations of this kind, outstanding at December 31, 2020 and 2019, corresponds to the one established by the Group on concession policies on the credit risk.

19. PROPERTY, PLANT AND EQUIPMENT

The detail of these headings in the accompanying consolidated balance sheets at December 31, 2020 and 2019 is the following:

	31.12.18	Additions	Write-offs	31.12.19	First Application	Additions	Write-offs	31.12.20
Assets in own use	31,531	3,404	-	34,935	6,099	2,052	-4,577	38,509
Accumulated amortisation	-28,731	-2,228	-	-30,959	-	-3,803	4,068	-30,694
	2,800			3,976				

The amount of fully-depreciated elements accounts for a total of 17,599 thousand Euros (16,572 thousand Euros in 2019).

According to Circular 4/2019, financial credit establishments must apply accounting criteria defined on Circular 2/2018 for leases. In this sense, the main effect derives from the first application impact booked by the entity, for leasing the building of the Madrid headquarters where the activity is developed (see Note 2.1).

20. PROPERTY INVESTMENTS

The composition and variations during the year in accounts included in this caption of the accompanying consolidated balance sheet are the following:

	31.12.18	Additions	Write-offs	31.12.19	First Application	Additions	Write-offs	31.12.20
Property investments	122,759	15,156	-9,195	128,720		12,536	-11,579	129,677
Accumulated amortisation of property investments	-4,000	-1,410	404	-5,006		-1,684	678	-6,012
Impairment corrections	-1,210	-708	260	-1,658	-2,456	-3,294	317	-7,091
	117,549			122,056				116,574

Additions in 2020 and 2019 correspond to the reclassification of elements booked in Non-current assets held for sale of the consolidated balance sheet. They are houses to be exploited under lease.

Income derived from property investments to be leased has amounted to 2.7 million Euros (2.8 million Euros at December 31, 2019) and operating expenses for all associated concepts have been of 5,997 thousand Euros (3,563 thousand Euros at December 31, 2019), out of which 4,978 thousand Euros (2,117 thousand Euros at December 31, 2019) correspond to amortisation and value corrections. These operating expenses are presented in the accompanying profit and loss account, as per nature.

The Group had contracted several insurance policies to cover risks to which these investments are subject. The Entity considers that these policies' coverage is sufficient.

21. TAX ASSETS AND LIABILITIES

The detail of these headings in the accompanying balance sheets at December 31, 2020 and 2019 is the following:

	Assets 2020	Assets 2019	Liabilities 2020	Liabilities 2019
Current taxes	6,064	3,641	1,472	1,572
Deferred taxes	119,832	88,142	-	-
For commissions	-	-		
For derivatives	31,687	18,914		
For impairment corrections	58,603	50,360		
Tax credits	29,542	18,868		
	125,896	91,783	1,472	1,572

As a consequence of the Corporate Income Tax regulations applicable to the Entity, certain differences arose in the financial years 2020 and 2019 between accounting and tax criteria recorded in deferred taxes when calculating and recognising the corresponding Corporate Income Tax.

22. OTHER ASSETS AND OTHER LIABILITIES

The detail of the caption of "Other assets" at December 31, 2020 and 2019 mainly includes the variable commission accrued by each Securitisation fund as an operative result of such Fund, and calculated as the difference between income and expenses, based on the principle of accrual accounting criterion applicable by the Entity on its balance sheet.

The incorporation of the variable accrued and unpaid commission by each one of these Securitisation funds to the Financial Statements of UCI E.F.C. implied retroactively registering such fund's operative results. This fact leads to the registration, at December 31, 2020, of an asset by 368 million Euros (352 million Euros at December 31, 2019), related to the variable commission payable for all securitisation funds which assets have been incorporated to the Balance sheet, given that these assets' risks and benefits have not been substantially transferred.

On the basis of prudence criteria, applied for assets granted or received as payment of debts included on securitisation funds, criteria contemplated on Circular 4/2017 which are fully applied by UCI to the entire asset portfolio on its balance sheet, Directors estimate that such amount will be recovered on coming years.

The principle applicable by the Group for each fund which assets continue being written off from the balance sheet is the cash criterion. Payment factors for these funds' variable commissions are determined by operative functioning standards defined on the corresponding issuance leaflets for such funds.

Also, this caption includes balances booked as provision for a total amount of 5,927 thousand Euros (5,225 thousand Euros in 2019) and which provision is included under caption of "other provisions" on the accompanying annual accounts.

The detail of the balance of Other Liabilities, at December 31, 2020 and 2019, is the following:

	31.12.20	31.12.19
Accruals	23,503	16,855
Other concepts	21,063	15,717
TOTAL	44,566	32,572

Information on payment deferrals to suppliers.

In compliance with Law 31/2018, of 3 December, which modifies the Corporate Enterprises Act to improve the corporate governance, modifying the third additional provision of Law 15/2010, of 5 July, on modification of Law 3/2004, of 29 December, developed by resolution of January 29, 2016, of the Spanish Institute of Accounts and Audit (ICAC), on information to be incorporate in annual accounts in relation to the average payment period to suppliers in trading operations, the following chart presents information related to payment deferrals to suppliers in trading operations. Due to the Entity's activities, the required information on the average payment period basically corresponds to payments for service delivery and several supplies.

	2020	2019
	Days	Days
Average payment period to suppliers.	15	15
Ratio of paid operations.	75.51%	85.54%
Ratio of operations payable.	24.49%	14.46%
	Amount (thousands of Euros)	Amount (thousands of Euros)
Total payments made.	60,851	58,680
Total outstanding payments.	18,272	9,923

Due to the Group's activities, the required information on the average payment period basically corresponds to payments for service rendering and several supplies.

The average payment period to suppliers indicated above has been obtained by considering that the Entity has established, in general, fixed payment days to suppliers on the 10th and 25th of each month.

23. FINANCIAL LIABILITIES AT AMORTISED COST

The detail, in thousands of Euros, at December 31, 2020 and 2019 is the following:

	31.12.20	31.12.19
Deposits of credit institutions	7,787,685	7,720,310
Deposits of clients- Issued shares	1,139,498	1,551,098
Marketable debt securities (securitisation funds)	1,873,895	1,561,984
Subordinated liabilities	186,660	80,000
Other financial liabilities	3,177	-
	10,990,915	10,913,392

The detail of financial liabilities at amortised cost as per their residual term at December 31, 2020 and 2019 is the following:

	31.12.20	31.12.19
Up to 3 months	4,979,320	4,743,269
From 3 months to 6 months	1,192,384	1,890,005
From 6 months to 1 year	738,274	241,600
More than 1 year	877,707	845,436
	7,787,685	7,720,310

In 2020, interest rates of live financial liabilities ranged from 2.130% to -0.067%.

In 2019, interest rates of live financial liabilities ranged from 2.032% to -0.003%.

The caption “Deposits from other creditors – issued interests”, for an amount of 3,685,741 and 3,702,446 thousand Euros at December 31, 2020 and 2019, respectively, includes 5,062,091 and 4,893,289 thousand Euros, respectively, which correspond to the counterpart of securitisations subsequent to January 1, 2004, for which the risk has not been significantly transferred and, thus, have not been written off from the accompanying balance sheet (see Note 2). This amount is net of bonds issued for securitisation funds acquired by the Group for a global amount of 1,370,989 and 1,186,203 thousand Euros at December 31, 2020 and 2019, respectively.

During 2020 and 2019, the Entity has carried out several repurchases of securitisation bonds of UCI Funds 10-17 for a total nominal of 93,302 thousand Euros at December 31, 2020 (87,500 thousand Euros at December 31, 2019) through BWIC procedures (bid wanted in competition) initiated by third parties. BWIC are procedures where the seller offers through investment banks or other intermediaries, securities traded in secondary markets, for the purpose of other participants in the market to perform purchase offers at the price deemed convenient.

The liquidation of the purchase of securitisation bonds has generated gross capital gains by 9,446 thousand Euros (14,825 thousand Euros in 2019), booked under the caption "Results from financial operations (net)" of the profit and loss account of 2020 and 2019.

The purpose of this operation was to improve the liability's management and to strengthen the entity's balance, as well as to provide liquidity to securitisation bonds' holders.

Both in 2020 and in 2019, there has not been any sale of funds' bonds, except for at the placement in issuances of Belem and Prado VII.

Mortgage bonds

During 2019, a Securitisation Fund "Structured Covered Bonds" was constituted, for a maximum amount up to 1,500 billion Euros. This securitisation's assets are made up of mortgage bonds. For these purposes, on July 25, 2019, the Fund issued an amount of 500 million Euros, with maturity at October 15, 2024, which were fully subscribed by UCI EFC. This amount of 500 million Euros is therefore backed by mortgage bonds issued by UCI, EFC and acquired by the Fund. Such bonds are not listed in a regulated market. This fund has been cancelled during 2020.

Obligations convertibles

On June 26, 2019, subordinated perpetual contingent bonds ("CoCos) convertible into shares of UCI S.A. were issued, which were admitted to trading in the Fixed Income Alternative Market ("MARF"), for a total amount of 82 million Euros. These bonds were issued at par and have a unit nominal value of 200,000 Euros.

They are perpetual securities, although they could be converted into newly-issued ordinary shares in UCI, in those cases where there was a common equity tier 1 ratio (CET1) below 5.125%, calculated according to Regulation (EU) 575/2013 of the European Parliament and the Council, of 26 June, on prudential requirements of credit institutions and investment entities. The securities' conversion price will be the highest between (i) the fair value, and (ii) the nominal value of UCI's ordinary shares at conversion.

Securities are considered Additional Tier 1 Capital.

Bonds will accrue a non-cumulative remuneration calculated at an annual interest rate, quarterly payable, of:

-Percentage applied on the nominal of Coco bonds of 7.5% from the date of reimbursement (included) to the fifth anniversary (excluded).

-From the fifth anniversary, and onwards for every five years, adding a margin of 788.8 basic points to the applicable 5-year mid-swap rate.

Remuneration expenses of preference shares contingently convertible into ordinary shares amount to 6,114 thousand Euros at December 31, 2020 (3,193 thousand Euros at December 31, 2019). The net expense of their tax impact has been registered in the caption of "Other reserves" of consolidated equity

The detail of loans subscribed and their main conditions at December 31, 2020 is the following

Financial entity	Maturity date	Interest rate	Instalments	Non-current liabilities	Current liabilities
BS	12/12/2029	Euribor + 2.5	Semestral	40,000	-
BNPP PF	12/12/2029	Euribor + 2.5	Semestral	40,000	-
BS	9/12/2030	Euribor + 2.8	Semestral	12,500	-
BNPP París	9/12/2030	Euribor + 2.8	Semestral	12,500	-
Total				105,000	-

The detail of loans subscribed and their main conditions at December 31, 2019 was the following:

Financial entity	Maturity date	Interest rate	Instalments	Non-current liabilities	Current liabilities
BS	12/12/2029	Euribor + 2.5	Semestral	40,000	
BNPP PF	12/12/2029	Euribor + 2.5	Semestral	40,000	
Total				80,000	-

On December 2020, two new issuances of subordinated debt have been performed, for an amount of 12.5 million each, and granted by Banco Santander and BNP Paribas, respectively, with a 10-year maturity and referenced to Euribor 6M+280pb.

On December 2019, the existing subordinated debt of 80 million Euros, granted by Banco Santander and SAGIP, was cancelled, and a new issuance was made by the same amount and subscribed at equal shares by Banco Santander and BNP Paribas Personal Finance, with a 10-year maturity, referenced at Euribor 6M+250pb.

Accrued interests not matured in the year are also included in this caption of the accompanying balance sheets.

These loans are subordinated in nature for the purpose of their inclusion in the calculation of the UCI Group's net equity and may not be amortised or reimbursed in advance without prior authorisation from the Bank of Spain. These loans have a maturity of 5 and 6 years are granted by the shareholders or entities related with them.

24. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

The detail of these captions on the accompanying consolidated balance sheets at December 31, 2020 and 2019 is the following:

Thousands of Euros	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	16,437	20,327	19,140	8,519
	16,437	20,327	19,140	8,519

The detail per currency, maturity and notional of caption Trading derivatives on balance sheets at December 31, 2020 and 2019 is the following:

In thousands of Euros	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Per currency:				
in Euros	16,437	20,327	19,140	8,519
	16,437	20,327	19,140	8,519

The detail of the balance on caption Trading derivatives on balance sheets at December 31, 2020 is the following:

In thousands of Euros		2020 Fair value	
Other operations on interest rates:	Notional Value	Assets	Liabilities
Trading derivatives	1,518,984	16,437	20,327

The detail of the balance on caption Trading derivatives on balance sheets at December 31, 2019 was the following:

In thousands of Euros		2019 Fair value	
Other operations on interest rates:	Valor Nocional	Assets	Liabilities
Trading derivatives	1,159,587	19,140	8,519

25. DERIVATIVES – HEDGE ACCOUNTING

The detail of these captions of the accompanying consolidated balance sheets at December 31, 2020 and 2019 is the following:

In thousands of Euros	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	25	106,627	20	63,787
	25	106,627	20	63,787

Cash flows hedges are used to reduce the variability of cash flows (allocable to interest rate) generated by hedged elements. In these hedges, the variable interest rate of liability elements hedged at fixed interest rate is transformed, using interest rate derivatives.

The breakdown per currency, due dates and notional amounts of hedge derivatives of the balance sheets at December 31, 2020 and 2019 is the following:

In thousands of Euros	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Per currency:				
In Euros	25	106,627	20	63,787
	25	106,627	20	63,787

The detail of the balance of the caption of Hedging derivatives of the balance sheets at December 31, 2019 was the following:

In thousands of Euros		2019 Valor razonable	
Other operations on interest rates:	Notional Value	Assets	Liabilities
Trading derivatives	6,635,500	20	63,787

The notional amount of contracts of Hedging derivatives on assets and liabilities does not imply the risk assumed by the Group since their net position is obtained from the compensation and/or combination of such instruments.

26. OTHER GLOBAL ACCUMULATED RESULTS

The detail of this caption of the accompanying balance sheets at December 31, 2020 and 2019 is the following:

In thousands of Euros	2020	2019
Held-for sale financial assets:	-73,935	-44,130
Cash flow hedges	-73,935	-44,130

The balance included under cash flow hedges corresponds to the net amount of those variations in fair value on financial derivatives designed as instruments of such hedge on the portion where such hedge is considered as efficient. Their movement during 2020 and 2019 is the following:

In thousands of Euros	2020	2019
Opening balance	-44,130	-9,652
Additions	-29,805	-34,478
Withdrawals	-	-
	-73,935	-44,130

27. EQUITY

Share capital

The Parent Entity's share capital at December 31, 2020 and 2019 amounts to 98,019 thousand Euros, and it is represented by 37,555 thousand registered shares with a nominal value of 2.61 Euros each, issued, subscribed and fully paid up.

The composition of Shareholders at December 31, 2020 and 2019 is as follows:

Banco Santander. S.A.	50%
BNP Paribas Personal Finance SA (Francia).	40%
BNP Paribas. S.A. (Francia)	10%

Legal Reserve

In accordance with art. 274 the Revised Text of the Corporate Enterprises Act, entities that obtain profits in a financial year are to transfer 10% of the profit for the year to the Legal Reserve. Such transfers are to be made until the Legal Reserve reaches at least 20% of the paid-up share capital. The Legal Reserve may be used to increase share capital to the extent that its balance is in excess of 10% of the share capital once increased. Until it exceeds 20% of share capital, the Legal Reserve may only be used to compensate losses provided that there are no other reserves available that are sufficient to cover this purpose.

At December 31, 2020 and 2019, the Parent Entity had allocated this reserve for the minimum limit established in the abovementioned law.

Determination of equity

As a consequence of the application of the accounting reporting criteria established by Bank of Spain, the balances for the following headings have to be considered for determining the Group's equity at December 31, 2020 and 2019:

	2020	2019
Basic equity	453,477	514,528
Second-category equity	104,725	107,454
Deductions basic and second-category equity	-	-
Total computable equity:	558,202	621,982
Minimum requirements	543,398	433,826

For the purposes of calculating net equity, the Group presents information that is individual and aggregated with the UCI, S.A. Group Company, in compliance with currently applicable regulations. The calculation of net equity is made by the companies that make up its scope of consolidation.

The compliance with minimum equity in Financial Credit Establishments, both at individual level and as consolidated group, is established in title II of Law 10/2014, of 26 June, and in title II of Royal Decree 84/2015, of 13 February, and developing standards, with the scope and specialities included in Law 5/2015, of 27 April, and in such Royal Decree.

At December 31, 2020 and 2019, computable individual and Group equity, which where appropriate are calculated on a consolidated basis, exceed the minimum requirements of the abovementioned standard in force for Financial Credit Establishments.

Reserves of the Parent Company and Consolidated Companies

The Parent Company's reserves correspond to retained results or losses not compensated from prior years and the positive difference on first consolidation (1989). Reserves in Companies consolidated under the full consolidation method correspond to retained results or losses not compensated from prior years in subsidiaries.

The variation has been the following:

	Balance 31.12.18	Variation year	Reclassi. Reserves	Balance 31.12.19	First application impact	Variation year	Other	Balance 31.12.20
Parent Entity	50,158	-309	-	49,849	-	41	-	49,890
Consolidated companies	279,661	9,315	-2,175	286,801	-52,845	12,841	-4,183	242,614
	329,819		-	336,650				292,504

26. BALANCES AND TRANSACTIONS WITH GROUP AND RELATED ENTITIES

Balances with Group entities, at December 31, 2020 and 2019, are the following:

	31.12.20	31.12.19
Credit Investments -deposits in credit institutions		
Santander	125,606	84,324
BNP Paribas	15,305	20,021
BNP Paribas Real Estate. S.A.	-	-
Securitisations		
Account receivable Managing Entity's Securitisation Funds	367,485	352,333
Financial Liabilities at amortised cost		
Santander	3,574,612	3,519,977
BNP Paribas	3,608,472	3,566,526
Societe Anonyme de Gestion D'Investissements et de Partici pations (SAGIP)	-	-
Financial expenses-loans		
BNP Paribas	9,810	12,192
Santander	8,777	11,079

Societe Anonyme de Gestion D'Investissements et de Partici pations (SAGIP)	18	1.189
Net financial result – Financial instruments		
Swap expenses Santander	8.346	7.278
Swap expenses BNP Paribas	9.821	9.351
Commissions perceived		
Santander	29	17

29. TAX POSITION

The Group has open for tax audit the years 2017 to 2020, both inclusive, in respect of all the taxes applicable to the Group, with the exception of Corporation Tax, which is open for inspection as from the year 2016.

These tax returns involved cannot be considered to be definitive until they have been verified by the Administration or until four years have elapsed since their date of filing.

The UCI Group settles Corporation Tax for the financial years 2020 and 2019 under the taxation base, in accordance with the provisions of the Ministerial Order of October 3, 1992, not incorporating - ComprarCasa, Rede de Serviços Imobiliários, SA, UCI HOLDING Ltda, COMPANHIA PROMOTORA UCI and UCI–Mediação of Seguros Unipessoal Lda.

The calculation for the tax charge payable is the following:

	31.12.20	31.12.19
Accounting results before tax	-36,303	14,989
Results from subsidiaries not i ncorporated in the tax consolidation	-8,660	-9,104
Consolidated accounting result before tax	-27,643	5,885
Permanent differences	-12,804	-2,393
Temporary differences	11,716	-6,483
Tax assessment basis	-28,731	-2,991
Compensation tax assessment bases		
Tax liability	-8,619	-

Compensation temporary differences (25%)	-	-
Compensation tax losses carried forward (25%)	-	-
Other	-1,989	-
Corporate Income Tax interim payment	-5,344	-2,610
Tax payable	-15,952	-2,610

The calculation of the tax expense is the following:

	31.12.20	31.12.19
Accounting results before tax	-36,303	14,989
Results from subsidiaries not incorporated in the tax consolidation	2,031	-9,104
Consolidated accounting result before tax	-34,272	5,885
Permanent differences	-6,688	-2,393
Total	-40,960	3,492
Tax expense	-12,288	1,048
Previous years' tax	381	59
Tax expense Branch in Portugal	1,300	1,000
Other	-40	-
Current tax expense	-10,647	2,107

The Group has capitalised incurred tax losses, since the Business Plan expects obtaining gains at short and mid-terms after a period registering significant provisions on the credit and estates portfolios.

30. CONTINGENT COMMITMENTS

The detail of this caption at December 31, 2020 and 2019 is the following:

	31.12.20	31.12.19
COMMITMENTS		
Commitments – available by third parties	22,452	17,195
Por other resident sectors	22,452	17,195

At December 31, 2020 and 2019, there are no contingent commitments in addition to the above. At both dates, amounts available by third parties are not subject to any restriction.

31.INCOME FROM INTERESTS

The detail of this caption in the consolidated income statement for the financial years ended December 31, 2020 and 2019 is as follows:

	31.12.20	31.12.19
Financial assets at amortised cost	179,846	194,879
Derivatives - hedge accounting, interest rate risk	15,873	15,311
Other assets	17,745	1,074
	213,464	211,264

32. EXPENSES FROM INTERESTS

The detail of this caption in the accompanying consolidated income statement for the financial years ended December 31, 2020 and 2019 is as follows:

	31.12.20	31.12.19
Financial liabilities at amortised cost	33,326	36,747
Derivatives - hedge accounting, interest rate risk	34,059	31,947
Other liabilities	8,635	294
	76,020	68,988

33. PERSONNEL COSTS

The composition of the balance on this caption of the accompanying consolidated income statement is as follows:

	31.12.20	31.12.19
SWages and salaries	25,912	25,328
Employee benefits expense	8,267	8,618
	34,179	33,946

The average number of the Group's employees, distributed by categories and gender, at December 31, 2020 and 2019, has been the following:

	31/12/2020			31/12/2019		
	Men	Women	Total	Men	Women	Total
Group III - Technicians and Clerks						
A	111	194	305	109	184	293
B	37	60	97	39	74	113
C	35	56	91	41	51	92
Group II - Managers and specialised technicians						
A	14	8	22	15	8	23
B	2	1	3	2	1	3
C	49	56	105	49	55	104
Group I - Management and Chiefs						
A	19	4	23	20	4	24
B	24	5	29	25	4	29
C	1	3	4	1	4	5
Otros						
Total	292	387	679	301	385	686

The number of the Group's employees, distributed per categories and gender, at December 31, 2020 and 2019, is similar than the one presented above, there not being relevant variations with regard to the number of employees in the previous year.

The average number of employees with a disability equal or above 33% has been of 4 (3 men and 1 woman) and are distributed in the following categories:

	31/12/2020			31/12/2019		
	Men	Women	Total	Men	Women	Total
Group III						
B	2	-	2	2	-	2
C	1	1	2	1	1	2
	3	1	4	3	1	4

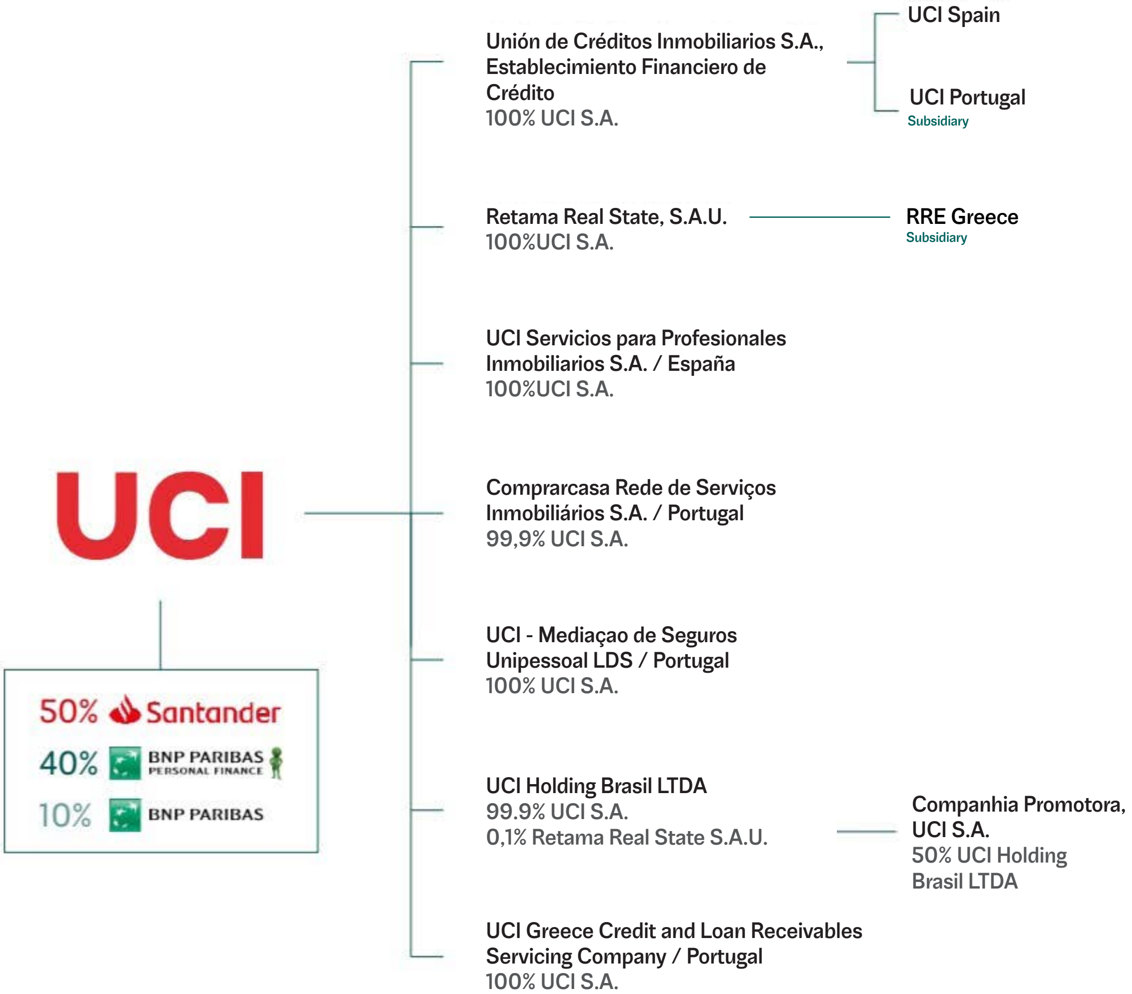
34. ADMINISTRATION EXPENSES

The composition of this caption in the accompanying consolidated income statement is as follows:

	31/12/2020	31/12/2019
On properties, installations and materials	4,966	7,320
Information technology	2,553	2,171
Communication	1,319	1,455
Advertising and Propaganda	4,121	4,733
Legal and lawyers' fees	6,127	5,433
Technical reports	118	67
Insurance premiums	478	450
Representation costs and trips	471	972
Membership fees	55	46
Sub-contracted administrative services	5,750	4,721
Local levies and taxes	6,555	7,423
Other charges	16,757	17,551
	49,270	52,342

7. UCI Group Corporate Organization

UCI GROUP: Subsidiaries, Investees and Branches 2020



Composition of the Board of Directors

Composition of the Board of Directors	
UCI. S.A.	**Matías Rodríguez Inciarte** Chair of Santander Universidades
	Board Member: Remedios Ruiz Maciá Global Director of Risk Supervision and Consolidation in Banco Santander; board Member of Banco Santander Totta
	Board Member Benôit Patrice Stéphane Cavelier Delegate CEO of BNP Paribas Personal Finance
	Board Member Michel Falvert Director Large Agreements BNP Paribas Personal Finance
	Secretary of the Board of Directors: Eduardo Isidro Cortina Romero Legal and Compliance Director
Unión de Créditos Inmobiliarios. S.A.. Establecimiento Financiero de Crédito	**Chair: Matías Rodríguez Inciarte** Chair of Santander Universidades
	Board Member: Remedios Ruiz Maciá Global Director of Risk Supervision and Consolidation in Banco Santander; board Member of Banco Santander Totta
	Board Member Benoît Patrice Stéphane Cavelier Delegate CEO of BNP Paribas Personal Finance
	Board Member Michel Falvert Director Large Agreements BNP Paribas Personal Finance
	Independent Member: Jean François Georges Marie Deullin Independent Member of Findomestic Banca
	Secretary of the Board of Directors: Eduardo Isidro Cortina Romero Legal and Compliance Director
Retama Real Estate. S.A.U.	**Sole Director: Roberto Colomer Blasco** CEO of UCI
Unión de Créditos Inmobiliarios. S.A.. Establecimiento Financiero de Crédito	**Chair: Roberto Colomer Blasco** CEO of UCI
	Board Member José Manuel Fernández Deputy CEO Commercial Area of UCI

	Board Member Philippe Laporte Deputy CFO, Technology and Clients of UCI
	Board Member José Antonio Borreguerro Herrera IT Director of UCI
	Board Member José Gerardo Duelo Ferrer Chair General Council of COAPIS
	Board Member Fernando García Erviti Independent Real Estate Consultant
	Board Member and Secretary of the Board of Directors: Eduardo Isidro Cortina Romero Legal and Compliance Director
CCPT - Comprarcasa Rede Serviços Imoviliários S.A.	**Chair: Roberto Colomer Blasco** CEO of UCI
	Board Member Pedro Megre Monteiro do Amaral CEO of UCI Portugal
	Board Member Luis Mário Saraiva Fonseca Nunes CEO of Comprarcasa Portugal
	Board Member Luis Carvalho Lima Chair of the National Management of APEMIP
	Board Member Vasco Morgadinho Reis Deputy Chair of the National Management of APEMIP
	Secretary of the Board of Directors: Magda Andrade Legal Director of UCI Portugal
UCI Mediaçao de Seguros Unipessoal. LDA	**Company's Director: Gregory Hervé Delloye** Financial Director of UCI Portugal
	Company's Director: Pedro Megre Monteiro do Amaral CEO of UCI Portugal
Holding Brasil L.T.D.A.	**Company's Director: Rui Filipe Amaral Lopes** Sales Director
	Company's Director: Carla José Da Silva Moniz Financial Director
Companhia Promotora UCI. S.A.	**Chair: José Antonio Carchedi** **Deputy Chair: Roberto Colomer Blasco** CEO of UCI
	Board Member Luis Felipe Carlomagno Carchedi CEO Companhia Promotora UCI S.A.

	Board Member: Pedro Megre Monteiro do Amaral CEO of UCI Portugal
	Company's Director: Carla José Da Silva Moniz Financial Director
	Company's Director: Rui Filipe Amaral Lopes Sales Director
UCI Greece Credit and Loan Receivables Servicing Company	Chair: Pedro Manuel Megre Monteiro do Amaral CEO of UCI Portugal
	Board Member Aristidis Arvanitakis Managing Director
	Independent Member: Dominique Bernard Marie Servajean Socio Director of Bedor Excem

Composition of Committees of the Board of Directors UCI Group

UCI Group Audit and Risks Committee	Chair: Michel Falvert Director Large Agreements BNP Paribas Personal Finance
	Member: Remedios Ruiz Maciá Global Director of Risks Supervision and Control in Banco Santander; Board Member of Banco Santander Totta
UCI Group Assessment, Suitability and Remunerations Committee	Chair: Matías Rodríguez Inciarte Chair of Santander Universidades
	Member: Michel Falvert Director Large Agreements BNP Paribas Personal Finance

Composition of Committees of the Board of Directors Unión de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito

Mixed Audit and Risk Committee	Chair: Jean François Georges Marie Deullin Independent Member of Findomestic Banca
	Member: Michel Falvert Director Large Agreements BNP Paribas Personal Finance
	Member: Remedios Ruiz Maciá Global Director of Risks Supervision and Control in Banco Santander; Board Member of Banco Santander Totta
Appointments and Remunerations Committee	Chair: Jean François Georges Marie Deullin Independent Member of Findomestic Banca
	Member: Matías Rodríguez Inciarte Chair of Santander Universidades
	Member: Michel Falvert Director Large Agreements BNP Paribas Personal Finance

Composition of the Management and Executive Committee

UCI Group Management Committee	Roberto Colomer Blasco CEO of UCI
	José Manuel Fernández Fernández Deputy CEO Commercial Area of UCI
	Philippe Laporte Deputy CEO Financial, Technology and Clients of UCI
	Ángel Aguilar Otero HR Director
	Ruth Armesto Carballo Direct Channel Director
	Rodrigo Malvar Soto Risk Director
	Pedro Megre CEO of UCI Portugal
	Olivier Rodríguez General Intervention Director
UCI Group. Executive Committee	Catia Alves Director of Sustainability and Corporate Responsibility*
	Anabel del Barco del Barco Director of Communication and Branding
	José Antonio Borreguero Herrera IT Director
	Eduardo Isidro Cortina Romero Legal and Compliance Director
	Fernando Delgado Saavedra Professional Marketing Director
	Francisco José Fernández Ariza Director of Professional Services
	Cecilia Franco García Director of After Sales and Estates' Management
	José García Parra Project Director of the Commercial Organisation of UCI
	Marta Pancorbo García Director of Simplification
	Tomás Luis de la Pedrosa Masip Director of Internal Audit

	Miguel Ángel Romero Sánchez Director of Clients
	Francisco Javier Villanueva Martínez Director of Risk Assessment and Quality
UCI Portugal Management and Executive Committee	**Pedro Manuel Megre Monteiro do Amaral** **CEO**
	Gregory Delloye **Risk and Financial Director**
	José Portela **Director of Operations**
	Inês Silvestre **Director Clients**
	Pedro Pereira **Director of Direct Channel and Marketing**
	Carlos Vintem **Sales Director.**
	Aristidis Arvanitakis **Managing Director**
UCI Greece Credit and Loan Receivables Servicing Company, Executive Committee	**Pedro Megre Monteiro do Amaral** **CEO UCI Portugal**
	Thanasis Diorelis **Director of After Sales and Estates' Trading**
	Christos Grammatikopoulos. **Administrative and Financial Director**
	Thanasis Philippou **Director of Operations and Recoveries.** **Evangelos Delis** **Chief Portfolio Officer**
Companhia Promotora UCI S.A. Executive Committee	**José Antonio Carchedi** Chair
	Roberto Colomer Blasco CEO UCI
	Luis Felipe Carlomagno Carchedi CEO Companhia Promotora UCI S.A.
	Pedro Megre Monteiro do Amaral CEO UCI Portugal

**The Sustainability and Corporate Responsibility Management was created on February 2021.*

List of UCI branch offices

Spain

Head Office
Torre Ejesur
Calle Retama, 3, 7ª
28045 Madrid

Alicante
Av Maisonnave, 19, 4ºa
03003 Alicante

Almería
General Tamayo, 1, 2º
04004 Almería

Barcelona
Av. Josep Tarradellas, 20-30
– Roselló 1-13. Planta 3ª,
puertas 7ª y 8ª
08029 Barcelona

Barcelona Premium
Pº de Gracia, 6, 4º, 1ª
08007 Barcelona

Castellón
Mayor, 94, 4º
12001 Castellón

Córdoba
Pza. de Las Tendillas, 5, 1º
14002 Córdoba

Gijón
Celestino Junquera, 2, Ofic 17
33202 Gijón

Gran Canaria
Venegas, 2, Ofc. 8, 9, 10
35003 Las Palmas
de Gran Canaria

Jerez
Marques de Casa Domeq, 15, 1º A
11403 Jerez

Madrid
Avda. Córdoba, 21, 3º, 1B
28026 Madrid
Príncipe de Vergara, 43 - 3º
28001 Madrid

Málaga
Trinidad Grund, 37, 1º
29001 Málaga

Marbella
Av. Ricardo Soriano, 19, 7º, C-D
29601 Marbella

Murcia
Gran Vía Escultor Francisco
Salzillo, 11, 1º Dcha
30004 Murcia

Palma de Mallorca
Av. Alejandro Rosseilo, 21, 3º
07002 Palma de Mallorca

Sabadell
Av. Francesc Maciá, 30, Torre
A, 2º 2ª
08206 Sabadell

Sevilla
Plaza Nueva nº 3 – 3ª planta
41001 Sevilla

Valencia
Colon, 60, 6º, C-D
46004 Valencia

Vigo
C/Manuel Núñez 2, pl 4 ofic.5
36203 Pontevedra

Zaragoza
Coso, 33, 3º Q
50+B6:C23003 Zaragoza

Portugal

Head Office
Av. Engenheiro Duarte, Torre
1, 14º 1070 - 101 Lisboa

Algarve
Av. Vilampura Xxi, Edificio
Portal, Bloco B, 1º D E E
8125-406 Quearteira

Almada
Almada Business Center.
Rua Marcos de Assunçao 4, 2º,
Sala 2,08
2805-290 Almada

Alverca
Edif. Prestige, E.n. 10, 23, 3º
2615-130 Alverca

Coimbra
Rua Joao de Ruao, 12
Torre Do Arnado. 8º, Sala A
3000-229 Coimbra

Lisboa
Av. Vilampura Xxi, Edificio
Portal, Bloco B, 1º D E E
8125-406 Quearteira

Lisboa Norte
Av. Engenheiro Duarte, Torre 1,
14º Andar- Amoreiras
1070 Lisboa

Madeira
Rua Ivens 3, Edificio Dona
Mécia 1ºg
9000-046 Funchal

Oeiras
Taguspark. Prque de Ciencia E
Da Tecnología. Nucleo Central
100,2, Sala 273
2740-122 Oeiras

Porto
Praça Do Bom Sucesso 123-
131, Edif. Penincula, 3º Andar,
Sala 306
4150-146-Porto

Greece

UCI Greece
Aggelou Pirri Street, 5, 2nd
Floor
11527 Atenas

List of hipotecas.com branch offices

Spain

Barcelona
Rambla de Cataluña, 20,
Entresuelo, 2ª
08007 Barcelona

Madrid
Goya, 9, 1º Izq
28001 Madrid

Sevilla
Santa María de Gracia, 6, 2º
41002 Sevilla

Valencia
Plaza Los Pinazos, 2, Planta 2ª
46004 Valencia

List of websites

UCI
- www.uci.com
- www.uci.pt
- www.uci.gr
- www.ucibrasil.com.br
- www.ucimortgages.com

HIPOTECAS.COM
- www.hipotecas.com

CRÉDITOS.COM
- www.creditos.com

CRÉDITO HABITAÇÃO .com
- www.creditohabitacao.com

RETAMA REAL ESTATE
- www.retamarealstate.com

comprarcasa.
- www.comprarcasa.com
- www.comprarcasa.pt

SIRA Spanish International Realty Alliance®
- www.siralia.com
- www.inmocionate.com

CRS
- www.crsspain.es

UCI Hipotecas para vivir