Auditor's Report on Cajamar Caja Rural, S.C.C.

(Together with the annual accounts and directors' report of Cajamar Caja Rural, S.C.C. for the year ended 31 December 2023)

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

KPMG Auditores, S.L.

Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

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

To the Members of Cajamar Caja Rural, Sociedad Cooperativa de Crédito

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Cajamar Caja Rural, Sociedad Cooperativa de Crédito (the "Entity"), which comprise the balance sheet at 31 December 2023, and the statement of profit or loss, statement of recognised income and expenses, statement of total changes in equity and the statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Entity at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Entity in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers
See notes 3 and 8.6 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Entity's portfolio of loans and advances to customers, classified as financial assets at amortised cost, reflects a net balance of Euros 28,068,955 thousand at 31 December 2023, while allowances and provisions recognised at that date for impairment total Euros 680,309 thousand. For the purposes of estimating impairment, financial assets measured at amortised cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in their credit risk since initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3) or whether neither of the foregoing circumstances apply (Stage 1). For the Entity, establishing this classification is a relevant process inasmuch as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on expected loss models, which the Entity estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Allowances and provisions for credit risk determined individually consider estimates of future business performance and the market value of collateral provided for credit transactions. In the case of allowances and provisions calculated collectively, expected losses are estimated using internal models that use large databases, different macroeconomic scenarios, parameters to estimate allowances and provisions, segmentation criteria and automated processes, which are complex in their design and implementation and require past and present information and future forecasts to be considered. The Entity regularly conducts recalibrations and tests of its internal models in order to improve their predictive capabilities based on actual historical experience.	Our audit approach in relation to the Entity's estimate of impairment of loans and advances to customers due to credit risk mainly consisted of assessing the methodology applied to calculate expected losses, particularly as regards the methods and assumptions used to estimate exposure at default, probability of default and loss given default; and determining the future macroeconomic scenarios. We also assessed the mathematical accuracy of the calculations of expected losses and the reliability of the data used. To this end, we brought in our credit risk specialists. Our procedures related to the control environment focused on the following key areas: – Identifying the credit risk management framework and assessing the compliance of the Entity's accounting policies with the applicable regulations. – Evaluating the appropriateness of the classification of the loans and advances to customers portfolio based on credit risk, in accordance with the criteria defined by the Entity, particularly the criteria for identifying and classifying refinancing and restructuring transactions. – Assessing the relevant controls relating to the monitoring of transactions. – Evaluating whether the internal models for estimating both individual and collective allowances and provisions for credit risk, and for the management and valuation of collateral, are functioning correctly. – Assessing whether the aspects observed by the Internal Validation Unit in its periodic reviews and in the tests of the models used to estimate collective allowances and provisions for impairment have been taken into consideration. – Evaluating the integrity, accuracy and updating of the data used and of the control and management process in place.

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<table>
<tr><th colspan="2">Impairment of loans and advances to customers
See notes 3 and 8.6 to the annual accounts</th></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The ongoing geopolitical uncertainty, the current levels of inflation and the monetary policy decisions of central banks continue to generate uncertainty about the future direction of the macroeconomic environment, affecting the economy and business activities where the Entity operates. Calculating expected credit risk losses therefore entails greater uncertainty and requires a higher degree of judgement, primarily as regards estimating macroeconomic scenarios, and the Entity has supplemented the estimates of expected losses obtained from its credit risk models with certain additional temporary adjustments.

The consideration of this matter as a key audit matter is based both on the significance of the Entity’s loans and advances to customers portfolio, and thus of the related allowance and provision for impairment, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the subjectivity and complexity of calculating expected losses.</td><td>– Assessing the process of reviewing the updates of the additional temporary adjustments to the expected loss models recognised by the Entity. Our tests of detail on the estimated expected losses included the following:
– With regard to the impairment of individually significant transactions, we evaluated the appropriateness of the discounted cash flow models used by the Entity. We also selected a sample from the population of significant transactions and assessed the appropriateness of both the credit risk classification and the corresponding allowance and provision recognised.
– With respect to the allowances and provisions for impairment estimated collectively, we evaluated the methodology used by the Entity, assessing the integrity and accuracy of the input balances for the process and whether the calculation engine is functioning correctly by replicating the calculation process, taking into account the segmentation and assumptions used.
– Regarding whether the loans and advances to customers portfolio has been appropriately classified based on credit risk, in accordance with the criteria defined by the Entity, we selected a sample and assessed the appropriateness of accounting classification for credit risk.
– We evaluated the methods and assumptions used to estimate exposure at default, probability of default and loss given default.
– We considered the macroeconomic scenario variables used by the Entity in its internal models to estimate expected losses.
– We assessed the appraisals of a sample of the collateral associated with loan transactions, with the involvement of our specialists in real estate appraisals. We also evaluated the competence, capacity and objectivity of the experts engaged by the Entity for the valuation of the aforementioned collateral.
– We evaluated the additional adjustments to the internal models used to estimate the expected losses recognised by the Entity at 31 December 2023.

Likewise, we analysed whether the disclosures in the notes to the annual accounts were prepared in accordance with the criteria set out in the financial reporting framework applicable to the Entity.</td></tr>
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Recoverability of deferred tax assets
See note 15 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2023, the Entity held deferred tax assets amounting to Euros 880,472 thousand, of which the recovery of Euros 304,189 thousand is not guaranteed through the monetisation mechanisms established in Royal Decree-Law 14/2013 and article 130 of the Spanish Corporate Income Tax Law, as their recovery is dependent on obtaining future taxable profits. The recognition of deferred tax assets entails a high level of judgement in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. The financial projections of future taxable profits have taken into consideration the impact of the current geopolitical and macroeconomic scenario. Due to the significance of the amount of deferred tax assets and the uncertainty associated with their recovery, we have considered this a key audit matter.	Our audit procedures mainly include the following: – Analysing and evaluating the control environment of the process for recognising and assessing the recoverability of deferred tax assets. – Assessing the arithmetical accuracy of management's calculations in the tax projections. – Evaluating, with the involvement of our tax specialists and our specialists in financial projections, the methodology and key assumptions considered to estimate the recovery period for the deferred tax assets. We analysed the main economic, financial and tax assumptions used to estimate future taxable profits, performing a sensitivity analysis thereon. – Contrasting the forecast tax base used as the premise for recognising deferred tax assets in prior years with the actual tax base. We analysed whether the disclosures in the notes to the annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Entity.

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Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Entity's operations are based on a complex technological environment that is constantly evolving, and which must reliably and efficiently meet business requirements and ensure that the financial information is processed correctly. In this regard, correctly assessing whether the IT applications and systems used to prepare the financial information are being correctly maintained, as well as an evaluation of how these systems and applications are used and an assessment of the appropriateness of the physical and logical security of the information, are particularly relevant. We have therefore considered this a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the IT applications and systems involved in generating the financial information, in the following areas: – Understanding of the information flows and identification of the key controls that ensure the processing of the financial information. – Testing of the key automated processes that are involved in generating the financial information. – Testing of the controls over the applications and systems related to accessing and processing the information and those related to the security settings of those applications and systems. – Testing of the controls over the operation, maintenance and development of applications and systems.

Other Information: Directors' Report

Other information solely comprises the 2023 directors' report, the preparation of which is the responsibility of the Entity's Governing Board and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the non-financial information statement has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the Entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2023, and that the content and presentation of the report are in accordance with applicable legislation.

Governing Board’s and Audit Committee’s Responsibility for the Annual Accounts

The Entity’s Governing Board is responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Entity in accordance with the financial reporting framework applicable to the Entity in Spain, and for such internal control as it determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Governing Board is responsible for assessing the Entity’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Board either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of Banco de Crédito Social Cooperativo, S.A. (hereinafter the “Bank”), the parent of the group to which the Entity belongs, is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the 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 prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governing Board.
- Conclude on the appropriateness of the Governing Board's 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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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

We also provide the Bank's Audit Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Bank's Audit Committee, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

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

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Bank's Audit Committee dated 7 March 2024.

Contract Period

We were appointed as auditor by the General Assembly on 19 April 2023 for a period of one year, from the year ended 31 December 2023.

Previously, we had been appointed for a period of three years, by consensus of the General Assembly, and have been auditing the annual accounts since the year ended 31 December 2020.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Pedro González Millán
On the Spanish Official Register of Auditors ("ROAC") with No. 20,175

7 March 2024

CAJAMAR CAJA RURAL
SOCIEDAD COOPERATIVA DE CRÉDITO

Annual Accounts and Directors' Report

2023

Assets

	Notes	2023	2022
		Thousands of Euros	
Cash, cash balances at central banks and other demand deposits	**7**	**17,294,703**	**10,775,623**
Financial assets held for trading	**8.2**	**264**	**441**
Derivatives		264	441
Equity instruments		-	-
Debt securities		-	-
Loans and advances		-	-
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**8.3**	**440,139**	**427,525**
Equity instruments		-	-
Debt securities		-	-
Loans and advances		440,139	427,525
Customers		440,139	427,525
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	-
Financial assets designated at fair value through profit or loss	**8.4**	**-**	**-**
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	-
Financial assets at fair value through other comprehensive income	**8.5**	**21,545**	**21,477**
Equity instruments		11,828	11,778
Debt securities		9,717	9,699
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	-
Financial assets at amortised cost	**8.6**	**29,274,795**	**28,591,984**
Debt securities		35,772	-
Loans and advances		29,239,023	28,591,984
Central Banks		-	-
Credit institutions		1,170,068	474,657
Customers		28,068,955	28,117,327
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	-
Derivatives – Hedge accounting	**9**	**25,333**	**4,532**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Investments in subsidiaries, joint ventures and associates	**11**	**2,453,802**	**2,471,912**
Subsidiaries		2,436,484	2,452,818
Joint ventures		-	-
Associates		17,318	19,094
Tangible assets	**12**	**659,984**	**709,739**
Property, plant and equipment		574,183	618,454
For own use		573,869	618,133
Assigned under operating lease		-	-
Assigned to social projects (savings banks and credit co-operatives)		314	321
Investment property		85,801	91,285
Of which: assigned under operating lease		-	-
Memorandum item: acquired under finance lease		*24,711*	*26,446*
Intangible assets	**13**	**4,377**	**5,068**
Goodwill		-	-
Other intangible assets		4,377	5,068
Tax assets	**15**	**897,944**	**905,731**
Current tax assets		17,472	10,608
Deferred tax assets		880,472	895,123
Other assets	**16**	**94,318**	**98,688**
Insurance contracts linked to pensions		-	-
Inventories		-	-
Rest of other assets		94,318	98,688
Non-current assets and disposal groups of assets classified as held for sale	**10**	**86,072**	**104,391**
TOTAL ASSETS		**51,253,276**	**44,117,111**

Liabilities

	Notes	Thousands of Euros 2023	2022
Financial liabilities held for trading	**8.2**	**237**	**403**
Derivatives		237	403
Short positions		-	-
Deposits		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		**-**	**-**
Deposits		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum: subordinated liabilities		-	-
Financial liabilities measured at amortised cost	**8.7**	**46,970,673**	**40,026,955**
Deposits		45,484,414	39,206,378
Central banks		-	-
Credit institutions		4,003,334	802,691
Customers		41,481,080	38,403,687
Debt securities issued		1,122,346	439,536
Other financial liabilities		363,913	381,041
Memorandum: subordinated liabilities		-	-
Derivatives – Hedge accounting	**9**	**-**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Provisions	**14**	**65,319**	**82,268**
Pensions and other post-employment defined benefit obligations		2,174	1,685
Other long-term employee benefits		325	626
Pending legal issues and tax litigation		-	-
Commitments and guarantees given		8,867	25,959
Other provisions		53,953	53,998
Tax liabilities	**15**	**50,952**	**53,579**
Current tax liabilities		21,390	20,679
Deferred tax liabilities		29,562	32,900
Capital repayable on demand		**-**	**-**
Other liabilities	**16**	**542,312**	**520,666**
Of which: assigned to social projects (savings banks and credit cooperatives)	***17***	*1,536*	*1,785*
Liabilities included in disposal groups of assets classified as held for sale		-	-
TOTAL LIABILITIES		**47,629,493**	**40,683,871**

Equity

	Notes	Thousands of Euros 2023	2022
Equity	**18**	**3,634,228**	**3,443,403**
Capital	**18**	**3,355,597**	**3,251,583**
Paid-up capital		3,355,597	3,251,583
Unpaid capital which has been called up		-	-
Memorandum: uncalled capital		-	-
Share premium		**-**	-
Equity instruments issued other than capital	**18**	**-**	**-**
Equity component of compound financial instruments			-
Other equity instruments issued		-	-
Other equity		**-**	**-**
Retained earnings	**18**	**128,566**	**97,146**
Revaluation reserves	**18**	**39,589**	**39,589**
Other reserves	**18**	**9,825**	**9,790**
(-) Treasury shares	**18**	**-**	**-**
Profit (loss) for the year	**18**	**126,590**	**56,205**
(-) Interim dividends	**18**	**(25,939)**	**(10,910)**
Accumulated other comprehensive income	**20**	**(10,445)**	**(10,163)**
Items that will not be reclassified to profit or loss		**(356)**	**41**
Actuarial gains or (-) losses on defined benefit pension plans		(847)	(413)
Non-current assets and disposal groups of assets classified as held for sale		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		491	454
Ineffectiveness of hedges of fair value of equity instruments at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income [hedging instrument]		-	-
Changes in the fair value of financial liabilities designated at fair value through profit or loss attributable to changes in credit risk		-	-
Items that may be reclassified to profit or loss		**(10,089)**	**(10,204)**
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges reserve [effective portion]		-	-
Changes in the fair value of debt instruments at fair value through other comprehensive income		(10,089)	(10,204)
Hedging instruments [not designated elements]		-	-
Non-current assets and disposal groups of assets classified as held for sale		-	-
TOTAL EQUITY		**3,623,783**	**3,433,240**
TOTAL EQUITY AND LIABILITIES		**51,253,276**	**44,117,111**

Memorandum accounts

	Notes	Thousands of Euros 2023	2022
MEMORANDUM: OFF-BALANCE SHEET EXPOSURES			
Loan commitments given	**21**	4,248,416	4,246,768
Financial guarantees given	**21**	965,435	939,573
Other commitments given	**21**	936,336	817,053
TOTAL MEMORANDUM ACCOUNTS		**6,150,187**	**6,003,394**

Statements of profit or loss

	Notes	Thousands of Euros 2023	2022
Interest income	**25**	1,428,762	518,275
Financial assets at fair value through other comprehensive income		12	16
Financial assets at amortised cost		1,407,868	509,620
Other interest income		20,882	8,639
(Interest expense)	**25**	(416,628)	(42,628)
(Expenses on share capital repayable on demand)	**25**	-	-
A) NET INTEREST INCOME		**1,012,134**	**475,647**
Dividend income	**25**	20,790	16,306
Fee and commission income	**25**	285,808	280,215
(Fee and commission expenses)	**25**	(34,500)	(34,512)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**25**	(10,034)	29,044
Financial assets at amortised cost	**25**	(10,027)	27,959
Other financial assets and liabilities	**25**	(7)	1,085
Gains or (-) losses on financial assets and financial liabilities held for trading, net	**25**	3	(4)
Reclassification of financial assets from financial assets at fair value through other comprehensive income	**25**	-	-
Reclassification of financial assets from financial assets at amortised cost	**25**	-	-
Other gains or (-) losses	**25**	3	(4)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**25**	8,537	74,114
Reclassification of financial assets from financial assets at fair value through other comprehensive income	**25**	-	-
Reclassification of financial assets from financial assets at amortised cost	**25**	-	-
Other gains or (-) losses	**25**	8,537	74,114
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	**25**	-	-
Gains or (-) losses from hedge accounting, net	**25**	-	2
Exchange differences [gain or (-) loss], net	**28**	1,185	6,354
Other operating income	**25**	20,895	73,416
(Other operating expenses)	**25**	(317,761)	(74,009)
Of which: Mandatory contributions to social projects (savings banks and credit cooperatives)		*(8,188)*	*(3,751)*
B) GROSS INCOME OR LOSS		**987,057**	**846,573**
(Administrative expenses)	**25**	(513,387)	(476,881)
(Staff expenses)		(230,183)	(223,253)
(Other administrative expenses)		(283,204)	(253,628)
(Amortisation and depreciation)	**25**	(42,781)	(44,321)
(Provisions or (-) reversal of provisions)	**25**	(49,782)	(21,421)
Impairment of (-) reversal of impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes	**25**	(188,470)	(120,560)
(Financial assets at fair value through other comprehensive income)		-	1
(Financial assets at amortised cost)		(188,470)	(120,561)
(Impairment or (-) reversal of impairment on investments in joint ventures and associates)		(17,452)	(99,348)
(Impairment or (-) reversal of impairment on non-financial assets)	**25**	(1,493)	(4,301)
(Tangible assets)		(1,493)	(4,301)
(Intangible assets)		-	-
(Others)		-	-
Gains or (-) losses on derecognition of non-financial assets, net	**25**	(2.353)	(366)
Negative goodwill recognised in profit or loss		-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**25**	(25,544)	(18,527)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**145,795**	**60,848**
(Tax expense or (-) income related to profit or loss from continuing operations)	**15**	(19,205)	(4,643)
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**126,590**	**56,205**
Profit or (-) loss after tax from discontinued operations		-	-
E) PROFIT OR (-) LOSS FOR THE YEAR		**126,590**	**56,205**

Statements of recognised income and expenses

	Thousands of Euros	
	2023	**2022**
Profit/(loss) for the period	**126,590**	**56,205**
Other comprehensive income	**(282)**	**311**
Items that will not be reclassified to profit or loss	**(397)**	**904**
Actuarial gains or (-) losses on defined benefit pension plans	(588)	588
Non-current assets and disposal groups held for sale	-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income	44	479
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income (hedging instrument)	-	-
Changes in the fair value of financial liabilities designated at fair value through profit or loss attributable to changes in their credit risk	-	-
Income tax relating to items that will not be reclassified	147	(163)
Items that may be reclassified to profit or loss	**115**	**(593)**
Hedge of net investments in foreign operations [effective portion]	**-**	**-**
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	**-**	**-**
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments [not designated elements]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	**153**	**(790)**
Valuation gains or (-) losses taken to equity	153	(790)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	**-**	**-**
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	**(38)**	**197**
Total comprehensive income for the year	**126,308**	**56,516**

Statement of total changes in equity for the year ended 31 December 2023

Thousands of Euros

	Equity											
	Capital	**Share premium**	**Equity instruments issued other than capital**	**Other equity**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(-) Treasury shares**	**Profit (loss) for the year**	**(-) Interim dividends**	**Accumulated other comprehensive income**	**Total**
Opening balance at 31 December 2022	**3,251,583**	**-**	**-**	**-**	**97,146**	**39,589**	**9,790**	**-**	**56,205**	**(10,910)**	**(10,163)**	**3,433,240**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2023	**3,251,583**	**-**	**-**	**-**	**97,146**	**39,589**	**9,790**	**-**	**56,205**	**(10,910)**	**(10,163)**	**3,433,240**
Total comprehensive income for the year									**126,590**		**(282)**	**126,308**
Other changes in equity	**104,014**	**-**	**-**	**-**	**31,420**	**-**	**35**	**-**	**(56,205)**	**(15,029)**	**-**	**64,235**
Issuance of ordinary shares	382,790	-	-	-	-	-	-	-	-	-	-	382,790
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	(278,776)	-	-	-	-	-	-	-	-	-	-	(278,776)
Dividends (or remuneration to shareholders)	-	-	-	-	(11,532)	-	-	-	-	(25,939)	-	(37,471)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	45,295	-	-	-	(56,205)	10,910	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(2,343)	-	35	-	-	-	-	(2,308)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(2,342)	-	-	-	-	-	-	(2,342)
Closing balance at 31 December 2023	**3,355,597**	**-**	**-**	**-**	**128,566**	**39,589**	**9,825**	**-**	**126,590**	**(25,939)**	**(10,445)**	**3,623,783**

Statement of total changes in equity for the year ended 31 December 2022

Thousands of Euros

	Equity											
	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit (loss) for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Opening balance at 31 December 2021	**3,060,694**	**-**	**-**	**-**	**83,063**	**39,589**	**10,129**	**-**	**35,714**	**(7,723)**	**(10,474)**	**3,210,992**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2022	**3,060,694**	**-**	**-**	**-**	**83,063**	**39,589**	**10,129**	**-**	**35,714**	**(7,723)**	**(10,474)**	**3,210,992**
Total comprehensive income for the period									**56,205**		**311**	**56,516**
Other changes in equity	**190,889**	**-**	**-**	**-**	**14,083**	**-**	**(339)**	**-**	**(35,714)**	**(3,187)**	**-**	**165,732**
Issuance of ordinary shares	387,360	-	-	-	-	-	-	-	-	-	-	387,360
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	(196,471)	-	-	-	-	-	-	-	-	-	-	(196,471)
Dividends (or remuneration to shareholders)	-	-	-	-	(10,577)	-	-	-	-	(10,910)	-	(21,488)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	27,991	-	-	-	(35,714)	7,723	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(3,331)	-	(339)	-	-	-	-	(3,670)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(3,331)	-	-	-	-	-	-	(3,331)
Closing balance at 31 December 2022	**3,251,583**	**-**	**-**	**-**	**97,146**	**39,589**	**9,790**	**-**	**56,205**	**(10,910)**	**(10,163)**	**3,433,240**

Statements of cash flows

	Thousands of Euros	
	2023	**2022**
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**6,455,719**	**168,017**
(+) Profit (loss) for the year	**126,590**	**56,205**
(+) Adjustments for determining cash flows from operating activities	**352,496**	**241,455**
Amortisation and depreciation	42,781	44,322
Other adjustments	309,715	197,133
(-) Net increase or (-) decrease in operating assets	**831,735**	**720,014**
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	12,614	77,842
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(85)	(1,585)
Financial assets at amortised cost	814,142	636,616
Other operating assets	5,064	7,141
(+) Net increase or (-) decrease in operating liabilities	**6,814,838**	**584,455**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	6,858,568	435,473
Other operating liabilities	(43,730)	148,982
(+) Income tax (paid)/refunded	**(6,470)**	**5,917**
B) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(2,748)**	**8,720**
(-) Payments	**8,883**	**49,525**
Tangible assets	2,011	20,208
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	7,140
Other business units	-	-
Non-current assets and liabilities classified as held for sale	6,872	22,177
Other payments related to investing activities	-	-
(+) Collections	**6,135**	**58,245**
Tangible assets	5,477	11,331
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	658	7,394
	-	-
Non-current assets and liabilities classified as held for sale	-	39,520
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**66,109**	**169,835**
(-) Payments	**37,905**	**21,488**
Dividends	37,471	21,488
Subordinated liabilities	-	-
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	434	-
(+) Collections	**104,014**	**191,322**
Subordinated liabilities	-	-
Issuance of own equity instruments	104,014	190,889
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	433
D) EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**6,519,080**	**346,572**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**10,775,623**	**10,429,051**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**17,294,703**	**10,775,623**

A breakdown of cash and cash equivalents is provided in Note 7.

Contents

1. General information

1.1. Nature of the entity

Cajamar Caja Rural, Sociedad Cooperativa de Crédito (hereinafter the Entity) is a cooperative entity established as a Credit Cooperative whose activity is directed preferentially to serving its members.

The Entity's ordinary commercial activity is carried out mainly under the brands "Cajamar Caja Rural" and "Cajamar".

As a Credit Cooperative, the Entity is governed by Spanish Law 27/1999, of 16 July, on Cooperatives, published in Official State Gazette (BOE) no. 170 of 17 July 1999; Law 13/1989, of 26 May, on Credit Cooperatives and its implementing regulations, approved by Royal Decree 84/1993 of 22 January; the Companies Register Regulations; and other applicable laws and regulations, as well as Law 10/2014, of 26 June, on the ordering, supervision and solvency of credit institutions, and ancillary or supplementary regulations.

The Entity was incorporated for an unlimited period under the initial name of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito through the Merger and Incorporation Agreement - Certificate of Corporate Resolutions executed as a notarial deed on 16 October 2012 before the Valencia Notary Public Mr. Emilio V. Orts Calabuig and recorded under number 2,050 of his protocol, which sets out all the details of the Entity's creation by its founding entities.

Said notarial instrument and thus the Entity itself is duly registered, under the appropriate legal regime, in the Companies Register of Almería in Volume 1,526, Book 0, Folio 1, Sheet AL-40338, 1st Entry, dated 31 October 2012.

Furthermore, the incorporation deed and thus the Company were registered in the State Register of Cooperatives on 8 November 2012, in Volume LVIII, Folio 5757, under entry number 1, indicating its classification as a Credit Cooperative. The Entity's registration number in the State Register of Cooperatives is 2627-SMT.

Its status as a Credit Institution is recorded in the Bank of Spain's Special Registry of Credit Cooperatives under coding number 3058.

The Entity's current name was given it in the Certificate of Corporate Resolutions executed on 4 December 2015 before the Notary Public of Almería, Mr. Lázaro Salas Gallego, and recorded under number 1,614 of his protocol, which is duly registered in the Almería Companies Register in Volume 1,629, Book 0, Folio 118, Sheet AL-40338, Entry 211, dated 15 December 2015. Therefore, since that date (15 December 2015), its name has been Cajamar Caja Rural, Sociedad Cooperativa de Crédito.

Its current and prevailing By-laws are recorded in a certificate of corporate resolutions executed on 16 September 2022 before the Notary Public of Almería, Ms. Marta Arrieta Navarro, and recorded under number 1,376 of her protocol, which was duly registered in the Madrid Companies Register in Volume 2,042, Book 0, Folio 212, Sheet AL-40338, Entry 702, dated 3 October 2022.

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, is part of the current Grupo Cooperativo Cajamar, whose Regulatory Agreement and incorporation as Grupo Cooperativo Cajamar (replacing the previous Grupo Cooperativo Cajas Rurales Unidas) are certified by the notarial deed dated 25 February 2014 granted in Madrid, before the Madrid Notary Public Mr. Enrique Cachón Blanco, and recorded under number 614 of his protocol.

The signatory entities to the aforementioned Regulatory Agreement established the regulation of the Consolidated Cooperative Group of credit institutions, including Banco de Crédito Social Cooperativo, S.A. as Parent of the Group and the Institutional Protection Scheme (IPS).

This Group's status as a consolidated group of credit institutions and its classification as an IPS were authorised by the Executive Committee of the Bank of Spain at its meeting on 6 June 2014.

The current wording of the Group's Regulatory Agreement was unanimously approved by the General Assembly of Members of Grupo Cooperativo Cajamar on 12 December 2018 and is recorded in a notarial deed executed in Almería on 27 December 2019 before the Notary Public Mr. Lázaro Salas Gallego, under number 1,980 of his protocol, which was registered in the Madrid Companies Register in Volume 39288, Book 0, Folio 78, Section 8, Sheet M-573805, Entry 223; and in the Almería Companies Register in Volume 1,629, Book 0, Folio 2, Sheet AL-40338 and Entry 116n, dated 13 February 2020. The aforementioned instrument was also registered in the Special Register of Cooperatives, Volume LVIII, Folio 5757, Entry no. 30.

1.2. Corporate Purpose

The Entity's corporate purpose is to serve the financial needs of its partners and third parties by performing the activities of a credit institution. To this end it may carry out any lending or deposit-taking activity, provide any banking or quasi-banking services and perform any investment services or ancillary services that the securities market legislation allows credit institutions to perform, giving preference to meeting the financial demands of its partners. Any business it conducts with non-partners must be conducted within the limits set by law.

1.3. Registered Office

The Entity's registered office is at Plaza de Juan del Águila Molina, 5 in Almería, Spain. The Entity has a network of 946 branches throughout practically the whole of Spain (see Appendix II for details of branches by geographical area).

1.4. Legal matters

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

- Maintaining a minimum percentage of funds to be held in an account at the national central bank of a euro area country to cover the minimum reserve ratio, which at 31 December 2023 was set at 1% of the qualifying liabilities (Note 7).
- Allocating at least 20% of the available surplus for the year to the Mandatory Reserve Fund and 10% to the Education and Development Fund (Note 3.14).
- Keeping a minimum level of capital and reserves (Notes 3.16 and 19).
- Making an annual contribution to the Deposit Guarantee Fund to provide a further guarantee, in addition to the Entity's own funds, to its creditors and customers (Note 3.18).
- Contributing to the National Resolution Fund and Single Resolution Fund (Note 3.29).

The Entity is governed primarily by Law 13/1989, of 26 May, on Credit Cooperatives and by its implementing regulations published in Royal Decree 84/1993, of 22 January. It is also subject to the laws and regulations governing credit institutions in general and also the general legislation governing cooperatives (Law 27/1999, of 16 July, on Cooperatives).

The Entity's By-laws are adapted to Law 13/1989, of 26 May, on Credit Cooperatives, published in the Official State Gazette on 31 May 1989, and Law 27/1999, of 16 July, on Cooperatives, published in the Official State Gazette on 17 July 1999.

Under the Entity's current By-laws, membership is open to cooperatives of any kind, degree or scope and any other natural or legal persons, public or private, national or foreign, whose acceptance as members is permitted or not prohibited by applicable laws or regulations and whose activity does not compete with that carried out by the Entity.

The Entity is a member of the Credit Cooperative Deposit Guarantee Fund, which guarantees deposits up to €100 thousand per depositor (Note 3.18).

Under article 55 of the Entity's By-laws, which deals with the calculation and appropriation of profit or loss, any available surplus must be allocated as follows: at least 10% of the surplus to the Education and Development Fund and at least 20% of the surplus to the Mandatory Reserve Fund, with the remainder to be allocated, at the discretion of the General Assembly, either to Voluntary Reserve Funds or similar distributable reserves, or to increase the amount allocated to the Education and Development Fund, or both, in whatever proportion the General Assembly may decide.

The Entity is subject to the general legislation common to all credit institutions, most notably the following:

- Corporate Enterprises Act, the recast text of which was approved by Legislative Royal Decree 1/2010, of 2 July, as well as subsequent amendments, the most recent being the amendment introduced by Royal Decree-Law 5/2023, of 28 June.

- Act 11/2018, of 28 December, amending the Spanish Code of Commerce, the recast text of the Corporate Enterprises Act approved by Royal Decree-Law 1/2010, of 2 July, and Audit Act 22/2015, of 20 July, on non-financial and diversity disclosures.

- Royal Decree 716/2009, of 24 April, implementing certain aspects of Act 2/1981, of 25 March, regulating the mortgage market and other financial and mortgage system rules.

- Bank of Spain Circular 2/2022, of 15 March, on standards for submitting payment statistics to the Bank of Spain by payment services providers and payment system operators. (Spanish Official State Gazette (BOE) of 18 March 2022).

- Law 18/2022, of 28 September, on requirements to be met by non-listed entities and payment to suppliers.

- Regulation (EU) 2021/378 of the European Central Bank of 26 January 2021 on the application of minimum reserve requirements

- Law 27/2014, of 27 November, on corporate income tax.

- Law 6/2023, of 17 March, on Securities Markets and Investment Services.

- Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive.

- Royal Decree-Law 19/2022, of 22 November, establishing a Code of Good Practice to alleviate interest rate rises on mortgages on primary residences, amending Royal Decree-Law 6/2012, of 9 March, on urgent measures to protect mortgage borrowers without funds and other structural measures to improve the mortgage market.

- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022, amending Regulation (EU) 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

As regards accounting standards and financial reporting:

- Commission Regulation (EU) No 2023/1803 of 13 September 2023 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

- Bank of Spain Circular 2/2012, of 29 February, amending Circular 4/2004, of 22 December, on credit institutions' public and confidential financial reporting rules and financial statement formats.

- Bank of Spain Circular 4/2015, of 29 July, amending Circular 4/2004, of 22 December, on credit institutions' public and confidential financial reporting rules and financial statement formats, Circular 1/2013, of 24 May, on the Risk Information Office, and Circular 5/2012, of 27 June, for credit Institutions and payment service providers, on transparency in banking services and responsibility in the granting of loans.

- Bank of Spain Circular 4/2017, of 27 November, on credit institutions' public and confidential reporting rules and financial statement formats.

- Bank of Spain Circular 2/2018, of 21 December, amending Circular 4/2017, of 27 November, on credit institutions' public and confidential financial reporting rules and financial statement formats, and Circular 1/2013, of 24 May, on the Risk Information Office.

- Bank of Spain Circular 6/2021, of 22 December, amending Bank of Spain Circular 4/2017, of 27 November, on credit institutions' public and confidential financial reporting rules and financial statement formats, and Bank of Spain Circular 4/2019, of 26 November, on specialised lending institutions' public and confidential financial reporting rules and formats.

1.5. Grupo Cooperativo Cajamar

Cooperative groups are incorporated in accordance with Law 27/1999, of 16 July, on Cooperatives, which establishes a wide and flexible general framework through which to channel collaboration between and integration of cooperative societies, and particularly Article 78 of that Act which provides for the formation of so-called cooperative groups, understood for the purposes thereof as *"the group formed by several cooperative societies, of whatever class, and the parent of the group that exercises powers or issues mandatory instructions for the grouped cooperatives such that there is decision-making unity within such powers"*.

The aforesaid legislation states that in the event that the parent of the group is not a cooperative, the general commitments undertaken vis-à-vis the group must be formalised in a public deed. This is the case with Grupo Cooperativo Cajamar.

Likewise, Circular 3/2008, of 22 May, established specifically in Rules Two and Fifteen the conditions under which the Bank of Spain will deem there to be an IPS and will authorise the conditions for it.

On the basis of the aforementioned regulations and considerations, the resolution to establish Grupo Cooperativo Cajamar was approved on 25 February 2014 through the signing of the "Grupo Cooperativo Cajamar Regulatory Agreement". Grupo Cooperativo Cajamar has been incorporated for legal purposes as a "cooperative group" in order to strengthen the Members and enable balance sheets to be consolidated and business strategies, management policies and risk control, solvency and liquidity to be shared.

The contractual agreements entered into by all the Members of Grupo Cooperativo Cajamar state that the Group's Parent is Banco de Crédito Social Cooperativo, S.A. and therefore its Board of Directors is the Group's maximum decision-making body, which entails the senior management and supervision of the Group's activities. The following powers are assigned to it on an exclusive basis: strategic management; external representation; internal coordination; issuance of equity instruments; establishment of risk policies and regulations; control and audit; cash management and coverage of the minimum capital ratio; approval of business plans; defining of commercial, pricing and distribution policies; the geographical expansion policy; defining of technological and information platforms; the personnel policy; defining of the remuneration framework for capital contributions by the savings banks to the Group; and decisions on the distribution and application of results.

The Regulatory Agreement (the current wording of which was unanimously approved by the General Assembly of the Members of Grupo Cooperativo Cajamar on 12 December 2018) stipulates the rights and obligations of Group Members and the competencies delegated by them to the Parent, Banco de Crédito Social Cooperativo, S.A., waiving their own decision-making powers in the Entity's favour to ensure the existence of a single decision-making unit. As Banco de Crédito Social Cooperativo, S.A. oversees and manages the Group's policies and has been granted the necessary powers, its instructions are mandatory for all Grupo Cooperativo Members.

Under the Regulatory Agreement and also in accordance with the requirements laid down in the aforementioned Circular 3/2008 and Circular 2/2016, solvency commitments are established which are reciprocal, direct and unconditional. They are designed to avoid situations of insolvency on the one hand, and to assess the Group's capital requirements on a common basis and set a solvency objective for the Group that all Members undertake to fulfil, on the other. Additionally, a mandatory capitalisation plan and/or support plans is/are established for Group Members in the event any of them report a shortfall in funds with respect to the agreed objective.

Similarly, the Regulatory Agreement includes a liquidity commitment and, in the event any members have insufficient liquidity, a liquidity plan and financial assistance plans in order to return to normality.

All of the aforementioned commitments, as well as the pooling of profits and losses, do not represent an obstacle, in accordance with the legislation on which the Regulatory Agreement is based, for each of the Members to retain full legal status; have their own management, administration and governance structures (except where such activities are delegated to the Group's Parent), governing and management bodies, employees and employment framework and brand; and manage their Education and Development Fund.

In addition and pursuant to the Regulatory Agreement, Banco de Crédito Social Cooperativo, S.A. is responsible for monitoring the solvency and liquidity of the Group and all Members, and for agreeing any support measures to be adopted in order to help any Member. In such an event, Banco de Crédito Social Cooperativo, S.A.'s Board of Directors would issue binding instructions aimed at ensuring the solvency and liquidity of the Group and the Members, if so required by the Bank of Spain or the single European supervisor in accordance with prevailing legislation. The entities belonging to Grupo Cooperativo Cajamar (as members), as well as their dates of incorporation approved by their general assemblies and the dates they were authorised to join the Group by the Bank of Spain Executive Committee as detailed as follows:

Entity	Meeting date	Bank of Spain authorisation date
Banco de Crédito Social Cooperativo, S.A	28/01/2014	06/06/2014
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caixa Rural Altea, Cooperativa de Credit Valenciana	27/11/2013	06/06/2014
Caja Rural San José de Burriana, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural de Callosa d´En Sarriá, Cooperativa de Crédito Valenciana	28/11/2013	06/06/2014
Caixa Rural San José de Nules, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caja Rural de Alginet, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Jaime De Alquerías Niño Perdido, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural de Villar, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural San Josep de Vilavella, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Roque de Almenara, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural La Junquera de Chilches, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Isidro de Vilafamés, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural Católico Agraria, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural Sant Vicente Ferrer de la Vall D´Uixo, S. Coop. de Crédit V.	28/11/2013	06/06/2014
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	29/11/2013	06/06/2014
Caixa Rural de Turís, Cooperativa de Crédito Valenciana.	28/11/2013	06/06/2014
Caixa Rural de Torrent, Cooperativa de Crédit Valenciana	28/11/2013	06/06/2014

The fundamental objectives of the Group are to:

- Contribute towards meeting the financial needs of the Members' partners having the legal form of credit cooperatives, with maximum effectiveness, efficiency and robustness, through improved management and use of centralised services, which enable conversion costs to be reduced and margins improved;
- Define, on a consistent basis, common strategic policies that will guide the actions of the Members, without prejudice to each of their separate legal personalities;
- Act in the market as a reliable operator competing with peers and, with this objective: develop a common brand for the Group with respect to individual brand names; achieve a single rating which recognises the potential of the Group as a financial operator; and achieve a greater presence in the retail and wholesale markets, so that Members may offer new, better and broader services to their partners and customers, and access financing channels;
- Protect the Members' financial stability in order to guarantee their solvency and liquidity without this limiting the obligation that falls to each of them to maintain their own solvency and liquidity, and to comply with the regulations applicable to them;
- Act as sole representative of Members before the regulatory and supervisory bodies and represent and defend, on a coordinated basis, their common interests in any field;
- Establish and coordinate a common internal system of monitoring, audit and control, and diversify the risks inherent in the business of Members; and
- Offer Members' staff a framework for secure, broad and appropriate professional development, based on selection and promotion by merit, by means of comprehensive training aimed at establishing their professional careers.

The Group is governed by principles of solidarity, cooperation and subsidiarity, and at all times the Group's interests take priority over those of its individual Members.

Only Banco de Crédito Social Cooperativo, S.A. and the legally recognised credit co operatives that have been duly incorporated in accordance with applicable legislation, have received all legally requisite authorisations, and assume the commitments set out in the Regulatory Agreement to both the Group and the other Members, can become Members of Grupo Cooperativo Cajamar. Members may not cede their position in the Group to any third party, nor the rights and obligations of any nature arising from such membership.

Duration of Grupo Cooperativo Cajamar and rules governing separation from the Group

The Group was created with the aim of being a stable organisation, in accordance with its basic principles as per the cooperative credit system. In this respect, the duration of the Group is unlimited although a mandatory minimum period of ten consecutive years is laid down as from the date of incorporation of each Member into the Cooperative Group and its associated institutional protection scheme regulated by the Group Regulatory Agreement.

During the six months prior to this mandatory minimum period elapsing and having obtained authorisation from the supervisory authorities, Members may submit a formal request to the Parent to voluntarily withdraw from the Group. This withdrawal will take effect within two years from the date on which the mandatory minimum membership period elapses.

Once the mandatory minimum membership period has elapsed without a Member applying for voluntary withdrawal from the Group, new ten-year mandatory minimum membership periods will commence immediately. Members will still be entitled to apply for voluntary withdrawal as per the procedure and minimum periods described in the previous paragraph.

As an exception, the Member, Cajamar Caja Rural, Sociedad Cooperativa de Crédito, assumes the indefinite character of the Cooperative Group and undertakes not to request its voluntary separation from the Group or to exercise the right of separation at any time without first obtaining the prior express authorisation of the Parent.

During the transitional period from notice being given of voluntary withdrawal and the date on which this actually takes effect, the Member concerned will lose all their voting rights as a Member of the Group and the voting and dividend rights attached to the shares representing the Entity's capital held by the Member. The Member's obligations to contribute own funds to the Group and its solvency commitments will remain.

If so decided by the Parent, the Member must sell and transfer the shares it owns to the Parent or other Members (as decided by the Parent), free of all charges and encumbrances and with all related voting and dividend rights at a price equal to the lower of (i) the fair value of the shares at the time of transfer or (ii) the acquisition price of the shares.

Each of the Members recognises that it does not hold any rights, if it exits the Group, to the assets or liabilities that might figure on the balance sheet of the Parent or to the Entity's business performed by the Parent.

Voluntary separation from the Group is penalised by way of damages in an amount equivalent to 2% of the total average assets of the Member requesting separation. Additionally, the voluntary separation of a Member must also be authorised by the Bank of Spain.

Any amendment of certain aspects of the Agreement will result in the right of the Group Members to apply for separation, provided this is authorised by the Bank of Spain, with the same effects as described above for voluntary separation. The right of separation may only be exercised on an absolutely extraordinary and exceptional basis. Specifically, separation may be requested in the event of an amendment to the Agreement which the Member in question had voted against, and which necessarily involved a significant increase in the powers delegated by Members to the Parent, provided that this does not result from a regulatory change or is not supported by at least half of the Group Members other than the Parent.

The forced departure of Members will occur when they cease to meet the requirements for Group membership, subject to approval by the Parent's Board of Directors, or a very serious breach occurs that, given its nature, results in expulsion from the Group. In this event they will be required to sell and transfer their shares in the Parent, free of all charges and encumbrances and with all related voting and dividend rights, for an overall price of €1 and will bear an additional penalty for damage and loss equivalent to 5% of their average total assets, whatever the grounds for their expulsion from the Group.

Membership of Grupo Cooperativo Cajamar, holding and transfer of shares

Admission of a credit cooperative as a new Group Member must be preceded by an application approved by its governing bodies, and will involve a necessary acquisition of the Parent's capital, either by subscribing shares in a capital increase or by purchasing shares from one of the Parent's shareholders.

Members are required at all times to retain full ownership of their shares in the Parent and any preferential subscription rights they may hold, free of charges and encumbrances and with all relevant dividend and voting rights.

Members may only transfer their shares in the Parent to other Members and third parties with the prior consent of the Parent. In this event, an adjustment must be agreed and made to the corporate governance rules included in the Regulatory Agreement based on the new percentage holdings in the Parent's capital.

Powers delegated by Members to the Group Parent

In accordance with the Regulatory Agreement, Members have delegated the following functions and competencies to the Parent:

- Strategic management of the Group;
- Preparation of budgets;
- Decisions concerning the issuance of instruments qualifying as own funds, except contributions to Members' capital by their partners;
- Risk controls, policies and procedures;
- Cash management;
- Business plan;
- Geographical expansion and determining the size of the network;
- Internal control and audit;
- Personnel policy, including all aspects of the fixed and variable remuneration policy and, if appropriate, the possible existence of senior management contracts, the terms of their dismissal and pension or similar commitments;
- Information and technology platforms and levels of in-house and out-of-house services ("Service Level Agreements");
- Establishment of the remuneration framework for capital contributions;
- Decisions on the distribution or application of results.
- Indication of agreements Members must adopt through their respective and pertinent governing bodies to comply with any obligatory instructions issued by the Parent on the date special powers are delegated.

In addition, the Entity has delegated to the Parent the power to authorise the redemption of capital contributions that may be requested, in order to safeguard the Group's solvency.

Nevertheless, the Parent may also agree at any time that Members must obtain authorisation from the Parent before redeeming capital contributions, so as to safeguard the Group's liquidity and/or solvency.

The Parent must lay down guidelines and, where appropriate, issue mandatory instructions in the above areas.

Grupo Cooperativo Cajamar's Parent

The Parent will exercise all the powers delegated to it in the Group and issue mandatory instructions to all Members.

The Parent is responsible for drawing up the consolidated accounts for all Group Members in accordance with applicable legislation. It also represents the Group in dealings with the competent administrative authorities in each area.

Additionally, the Parent is responsible for the following:

- Preparing and authorising for issue the annual accounts and directors' report of the Group and preparing each Member's individual accounts, regardless of whether they have to be prepared and authorised for issue by the competent governing bodies of each Member.
- Filing the Group's annual accounts and directors' report, and also the auditor's report, with the appropriate registries, as required by law.
- Complying with all the reporting obligations affecting all Group Members in accordance with Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions and other applicable regulations.
- Preparing the Group's Pillar III Report, in compliance with the reporting requirements established in Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms, or any requirements that might replace them, or any other reports that might be required under the relevant legislation.
- Preparing the Internal Capital Adequacy and Liquidity Report for the Group.
- Indicating the agreements Members must adopt through their respective and pertinent governing bodies to comply with any obligatory instructions issued by the Parent assuming, as per the terms and conditions of the Agreement in force, all the consequences deriving from the implementation of the measures agreed on the date special powers are delegated.
- Appointing the auditors of the annual accounts.
- Accepting a credit cooperative as a new Group Member, as per the conditions established in Clause 4.2 of the Regulatory Agreement;
- Assuming the duties arising from relations with supervisors, such as preparing and submitting documentation and information relating to the Group or its Members, meeting the requirements and facilitating the inspection activities of the supervisor, and other requirements envisaged in applicable legislation.
- Representing the Group and each of its Members before the single European supervisor, the Bank of Spain and the Spanish National Securities Market Commission (CNMV), other supervisory authorities, competent resolution authorities, administrative authorities and any other related entities such as auditors or credit rating agencies.
- Defining the remuneration policy for company directors, senior managers and staff, applicable in the Members as a whole, as provided in applicable regulations and best corporate governance practices.
- Establishing common rules on expense authorisation for all Group entities and monitoring compliance therewith.
- Issuing the mandatory prior report on the appointment or dismissal of the general manager of a Group Member. If the report does not support said appointment, it must also be binding.
- Ensuring the implementation, fulfilment and continuous improvement of corporate governance standards in the Group in line with best practices.
- Exercising all the powers delegated by the Members.

The Group Parent is responsible for monitoring the solvency and liquidity of the Group and each of the Members; it must also act, at all times, under the principles of independence, impartiality, professionalism and technical rigour, and it is subject to a duty of confidentiality with the exception of the obligation to report to the supervisory authorities.

Finally, the Parent, by delegation of the other Members, is the ultimate decision-making body, outranking the governing bodies of the various entities with respect to the following matters:

- The winding-up of a Group Member.
- The merger, spin-off or transformation of a Group Member.
- While both these decisions are the responsibility of each entity's assembly, they may not be implemented without the express, prior, unconditional authorisation of the Parent's Board of Directors.
- Remuneration framework for contributions and distribution of the Members' profits.

In addition, Cajamar Caja Rural, Sociedad Cooperativa de Crédito has delegated to the Parent the power to authorise the redemption of capital contributions that are requested in order to safeguard the Group's solvency.

The directors opted to apply the provision included in Article 43 of the Spanish Code of Commerce and file the consolidated annual accounts of the Group's Parent (Banco de Crédito Social Cooperativo, S.A.). Those consolidated annual accounts will be authorised for issue on 5 March 2024. The annual accounts for 2022 were authorised for issue on 2 March 2023 and are filed in the Madrid Companies Register.

<u>Profit and loss pooling</u>

The pooling of profit and loss is a mechanism for Group integration in order to strengthen economic unity, which is the basis of the Group's consolidation.

Positive amounts derived from such pooling are recorded on the statement of profit or loss under "Other operating income – Other recurring income". If the result is negative, it is recognised under "Other operating expenses – Other items".

The current pooling mechanism is as defined in the current wording of the Regulatory Agreement unanimously approved in the General Assembly of Group Members on 12 December 2018. The key aspects of the mechanism are as follows:

a) General pooling rules:

Each year the credit institutions making up the Group will contribute 100% of their Adjusted Gross Result to build a fund which will be distributed between entities in proportion to the interest of each of them in the Group's own funds. The following definitions apply in this regard:

I. Gross Result: This is the profit or loss generated in the financial year or calculation period by each Member as per its individual financial statements, before tax, excluding: (i) amount recognised for previous pooling in the same calculation period; (ii) dividends or any other type of partner remuneration for holding an equity stake in another Group entity; (iii) impairment losses on equity stakes in Group entities; (iv) mandatory contributions to the Education and Development Fund; (v) losses from penalties imposed under the penalty system set out in the current agreement; and (vi) losses that entities are required to assume individually to comply with the obligations established by the Parent on the date special powers were delegated or as a result of other Members contributing, for nothing in return, to the own funds of a Member in accordance with the Regulatory Agreement.

II. Adjustments to the Gross Result to Guarantee Maximum Internal Fairness in the Group:

   - Any income that is exempt from corporate income tax and non-deductible expenses vis-à-vis corporate income tax, arising from circumstances where one or several Members assume 100% of the burden that the Group as a whole should bear. For example, but not exhaustively: (i) tax-free dividends received by an entity as a result of holding an equity stake on behalf of the Group; (ii) non-deductible write-downs of equity stakes in holding companies; and (iii) the impacts on results with no tax effect of goodwill or negative goodwill generated in business combinations and any other impact with similar effects.

   - Any direct impacts on an entity's equity not recognised through profit or loss and therefore never pooled. For example, but not exhaustively: (i) payment of interest on any AT1 instruments issued to bolster the Group's solvency; and (ii) gains/losses on disposal of equity instruments at fair value through other comprehensive income and any other similar impacts.

   The affected entity's Gross Result will be adjusted to obtain a result that is as close as possible to that which would have been obtained if the event giving rise to the adjustment had been allocated among all Group entities as per their pooling share.

   Adjustments to the Gross Result may be deferred over the year taking into account any known adjustments and their expected impact, provided they reflect the true picture at year- end.

   The Parent is expressly authorised to make any necessary adjustments as set out in this section.

III. Adjusted Gross Result: is the result of applying to the Gross Result described in point i) of this article the adjustments to the Gross Result stipulated in point ii).

IV. Pooling Fund: this will be established using the sum of the Adjusted Gross Result of all the Group Members.

V. Member's Own Funds: Amount shown under the same heading in the published financial statements of each Member, less the carrying amount of equity interests held in any other Member.

VI. Group Own Funds: Sum of the own funds of all Group entities, as defined above.

The pooling rate applicable to each Member is calculated annually following the end of the financial year and is effective and applicable during the following year. However, this calculation period may be shortened in the event that, within a financial year, the following takes place:

- A variation in the Group's own funds due to:
  - The incorporation or separation of a Member.
  - A business combination between a Member and a non-member.
  - An increase or reduction in the Parent's capital, unless this is recognised against other equity line items.
- A change in the Parent's ownership structure affecting at least one Member.

The calculation period will not be reduced due simply to the merger of two or more Members, because the entity resulting from the merger will automatically, as from the effective date of the merger for accounting purposes, be allocated the share resulting from the sum of the shares pertaining to the merged entities.

If any of the events leading to the reduction in the frequency of calculation take place, the Parent will recalculate the pooling shares in accordance with the above indications. These shares will be applied as per the effective date for accounting purposes of the event giving rise to the calculation period reduction:

- If the accounting effects of an event occur between days 1 and 15 of the month, both inclusive, the recalculated shares will be effective from the first day of said month until year-end or, if applicable, until one of these events reoccurs.

- If the accounting effects of an event occur after day 16 of the month, onwards, the recalculated shares will be effective from the first day of the following month until year-end or, if applicable, until one of these events reoccurs.

The pooling process is ongoing and calculations and settlements can be made at any time if requested by the Parent. In general, though, calculations are performed at the same time as the monthly closes, and settlements (on the same date) are made through the Parent's cash pooling accounts with the other entities.

The Parent may, due to unforeseen circumstances, delay the deadline for pooling any amounts that are immaterial to the Group as a whole, to avoid having to restate the annual accounts or resend the confidential returns to the supervisory authorities. In such circumstances, the amount will be pooled in the subsequent pooling period.

b) Pooling rules in the event of an accumulation of losses

If a Group Credit Cooperative's equity falls to below its capital as a result of the pooling of accumulated losses on applying the general pooling rules, pooling adjustments for the year must be recalculated to ensure the accumulated losses are allocated as follows:

- Losses will be allocated to each Member proportional to the percentage of their reserves relative to the total reserves of Members in the pooling scheme. This allocation criterion will be applied until all the Members' reserves are exhausted.

- If the losses to be pooled exceed the total reserves of Members in the pooling scheme, the surplus losses will be allocated as per the percentages applicable under the general pooling rules. This allocation criterion will be applicable for losses exceeding total reserves and until the equity of all Members is used up.

- If any losses remain unallocated, they will be assigned based on the percentage of lowest-ranking debt each entity still holds, as defined in Act 11/2015, in Royal Decree 1012/2015, of 6 November, implementing Act 11/2015, of 18 June, in the Cooperatives Act, in Royal Decree-Law 1/2020, of 5 May, approving the recast text of the Insolvency Act (the "Insolvency Act"), and any other legislation implementing or replacing the aforementioned, until this lowest-ranking debt is used up. In such cases, the percentages of next lowest-ranking debt will be used and so on, until the remaining losses have been fully allocated.

Group liquidity commitment

Members agree to make all their liquidity available to the Group's Parent through treasury accounts or any other liquidity mechanism established in the Group.

Members may not obtain wholesale funding, unless expressly authorised by the Parent.

The Group's Parent is responsible for providing liquidity to all Members through treasury accounts or any other liquidity mechanism established in the Group.

The Group's Parent is responsible for ensuring the Group's liquidity and guaranteeing complete compliance with the liquidity requirements and thresholds established internally and by the regulatory and supervisory authorities.

In order to meet these internal and external requirements, the Parent may:

- Raise finance on wholesale markets;
- Call on any Member to realise assets, carry out securitisations, transfer assets within or outside the Group or implement any other measures it deems necessary;
- Manage liquidity for the whole Group, establishing, where necessary to achieve the required values at consolidated level, internal liquidity objectives at individual level that must be met.

All Members provide each other with mutual guarantees to ensure the liquidity of each institution at all times.

The Parent will be responsible for centrally managing all the treasury services needed to ensure the Group can perform properly, especially minimum capital ratio management.

The Parent will open treasury accounts with each Group Member in each of the currencies in which each entity has to operate.

All settlements deriving from the management of treasury services and any other dealings between Group Members and the Parent will be made through the treasury accounts, unless the Parent defines another mechanism for this purpose.

Interest on the treasury accounts will be determined by the Parent's Assets and Liabilities Committee (ALCO).

Group solvency commitment

Members make up a consolidated group of credit institutions with direct, reciprocal and unconditional commitments to provide capital injections to avoid any non-fulfilment of any mercantile or prudential capital adequacy requirements, on the one hand, and to evaluate their capital needs on a common basis, on the other.

The Parent is responsible for the Group's capital planning. It establishes the capital target for the Group and is able to determine the individual requirements for each Member.

The Parent is also responsible for ensuring compliance with the Group's minimum capital requirements laid down in applicable legislation and internally established capital targets.

In order to meet these internal and external requirements, the Parent may:

- Obtain instruments eligible as own funds, directly or through another Member;
- Establish capitalisation plans for Members;

- Establish plans to dispose of assets and/or transfer the business, calling on the collaboration of Members.

The Parent must ensure that Members individually comply with the own fund requirements established in company law and any other individual internal and external capital adequacy requirements that may exist.

If a Member is unable or expects to be unable to fulfil a statutory or individual capital adequacy requirement, the Group's Parent must put a recapitalisation plan in place for that entity.

Compliance with this recapitalisation plan will be obligatory and it may include:

- Where possible, subscription of capital by other Group Members, who will be required to obtain a percentage of the new capital equal to their share in the pooling mechanism balance after stripping out the affected entity's result;
- Transfer of assets within or outside the Group, at fair value;
- Merger by way of absorption of the entity by another Group Member.
- Any other measures that are feasible and appropriate given the entity's position. Depending on the nature of the action to be taken, the Parent will establish a reasonable criterion for allocation among the other Members.

If a recapitalisation plan is required for a Member, the Parent may establish restrictions on how the affected entity's results can be distributed.

If a Member is in a position or expects to be in a position where its equity is less than its capital, the Parent may decide that the other Members will have to make a capital injection, without receiving anything in return, or that other appropriate and feasible steps be taken to redress the affected Member's equity including, for information purposes but not restricted to, the transfer of assets or takeover of the affected entity. Members will be required to participate if contributions are deemed necessary, and these will be calculated based on their share in the pooling mechanism after stripping out the affected entity.

All Members provide each other with mutual guarantees to ensure all their solvency at all times.

Mutual guarantee

The Group guarantees the solvency and liquidity of Members in the terms set out in the Regulatory Agreement. To achieve this, Members are mutual joint and several guarantors.

The mutual guarantee implies that the entire Group (and therefore each of its individual components) must meet, if necessary, any of the Members' payment obligations towards any of their creditors, in any circumstances, fully and without restriction.

Responsibility for honouring payment obligations with third parties and for the finance each Group entity acquires is joint and several. Members expressly waive the benefits of exclusion, seniority and division. In particular, if any events triggering delegation of special powers occur, all the Group Members' partners and creditors will be subject to the general principle of equal treatment, irrespective of the Group entity to which the direct creditors or partners pertain.

Members' commitments and obligations on the date of delegation of special powers

Grupo Cooperativo Cajamar Members have full legal status and their own management, administration and governance structures, except where such activities are delegated to the Group's Parent.

In particular and without limitation, the Parent shall be delegated all the powers included in the Regulatory Agreement and, in particular, those indicated in clause 12, in the event that: (i) the Parent's Board of Directors has approved the activation of the recovery plan drawn up in accordance with Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (hereinafter, "Act 11/2015"); or (ii) the Group fails or is expected to fail to comply with prudential requirements under the applicable regulations; or (iii) the Parent considers that there is objective evidence that it is reasonably foreseeable that the necessary circumstances exist or may exist in the near future for the opening of a resolution process pursuant to Article 19 of Act 11/2015, of one or more Members or of the Group itself; or (iv) a resolution process of the Group is opened pursuant to Article 19 of Act 11/2015; or (v) the competent supervisor so decides, as a preventive measure, pursuant to Article 9 of Act 11/2015 on early action measures once the necessary conditions are met pursuant to Article 8 of Act 11/2015; or (vi) the opening of an insolvency proceeding is foreseen, or such proceeding is effectively declared, for any of the Group entities.

The occurrence of any of the events in the preceding paragraph will activate the "Date of Delegation of Special Powers", starting a period which will last for as long as the situation that gave rise to its activation continues to exist.

On the Date of Delegation of Special Powers, all Group entities shall be obliged to face all the consequences deriving from the execution of the measures that may be agreed by the Parent, and shall be irrevocably bound to comply with all the decisions adopted, whatever measures may be agreed by the Parent for such purposes.

In order to fulfil their obligations imposed by the Parent, Members undertake to adopt such agreements as may be necessary for the effective performance of the aforementioned obligations and the Parent shall have full powers to enforce these agreements on the Date of Delegation of Special Powers.

In particular and without limitation, on the Date of Delegation of Special Powers, the Parent shall have the delegated powers to establish internal recapitalisation or loss absorption formulae, to agree mergers of Grupo entities, to agree and directly execute full or partial spin-offs of assets and liabilities, to agree and execute transfers of assets or liabilities or the sale of the business of the Group Member or Members, as well as to agree any other structural modification it deems appropriate.

The decisions adopted by the Parent on the Date of Delegation of Special Powers are considered to be of essential importance by all Group Members and are obligatory and inexcusable for all of them, and the Members assume the commitment whereby their competent governing bodies in each case, where appropriate, are to adopt resolutions and take such decisions as may be necessary to execute the instructions received from the Parent.

In applying these special powers, the Parent shall apply the general principle of equal treatment of the Group's partners and creditors, irrespective of the Group entity of which they are direct creditors or partners. For this purpose it shall apply the following general criteria:

1. For the allocation of losses by the Parent, the provisions of the mutualisation clause shall apply.
2. For loss absorption:

    a. The mutualisation system ensures that losses are first allocated to institutions with reserves until they are exhausted. As a result, in the event of loss absorption at the individual level, losses will be assigned first to the Group's reserves.

    b. If losses exceed the Group's reserves, the same rule applies to capital.

c. In the event that the losses exceed capital, mutualisation will involve assigning the remaining losses to each Member based on the percentage of lowest-ranking debt each Member still has as defined in Act 11/2015, in Royal Decree 1012/2015, of 6 November, implementing Act 11/2015, of 18 June, in the Cooperatives Act, in Act 22/2003, of 9 July ("Insolvency Act"), and any other legislation implementing or replacing the aforementioned.

3. For total or partial disposals, transfers of assets or liabilities, and for disposals or sales of businesses, the Parent shall define general and objective criteria for selecting and measuring the items to be transferred and shall apply these criteria uniformly.

4. For any other decision, general, objective and homogeneous criteria shall be established to ensure the principle of equal treatment of the partners and creditors of all the Group entities, as well as the ranking set out in the aforementioned legislation.

In the event that one of the events referred to above takes place and consequently the so-called Special Delegation of Powers Date is activated, none of the Group's Members may exercise the right to voluntary withdrawal until the event giving rise to the said special delegation of powers has been satisfactorily overcome. This stipulation is to ensure that the impacts and consequences of any type of measure being implemented by the Parent or the competent authorities affect all Members, with no Member evading such impact.

1.6. Contracts in force between Group entities

At 31 December 2023 Banco de Crédito Social Cooperativo, S.A. ("BCC") was party to a number of contracts with Group entities signed during the year, as described below:

- Agency agreement between the Parent and Cajamar Caja Rural, Sociedad Cooperativa de Crédito

  On 1 September 2016, the Parent formalised an agency agreement with Cajamar Caja Rural, Sociedad Cooperativa de Crédito, which will remain in force as long as the latter retains its stake in the capital of the former. Should Cajamar Caja Rural, Sociedad Cooperativa de Crédito lose its shareholder status for any reason, the agreement would be terminated, without prejudice to the grounds for early termination contained in the agreement itself.

  In accordance with the terms and conditions established in the agreement, the Parent appointed Cajamar Caja Rural, Sociedad Credit Cooperativo as its credit institution agent for the whole of Spain. The latter will act as its independent intermediary, in the promotion, negotiation and formalisation, in the name and on behalf of the Parent, of the operations comprising its business, specifically of those products and financial services detailed in Annex I of the agreement.

- Agency agreement between the Parent and each of the remaining rural savings banks in Grupo Cooperativo Cajamar (with the exception of Caja Rural San Isidro de Vilafamés, S. Coop. de Crédito V.)

  In 2020, the Parent formalised an agency agreement with each of the remaining rural savings banks in Grupo Cooperativo Cajamar (with the exception of Caja Rural San Isidro de Vilafamés, S. Coop. de Crédito V.), which will remain in force as long as, respectively, each rural savings banks retains its stake in the capital of the Parent. The agreement would be terminated should the rural savings bank lose its shareholder status for any reason, without prejudice to the grounds for early termination contained in the agreement itself.

  In accordance with the terms and conditions established in the agreement, the Parent appointed the contracting rural savings bank as its credit institution agent for the whole of Spain. The latter will act as its independent intermediary, in the promotion, negotiation and formalisation, in the name and on behalf of the Parent, of the operations comprising its business, specifically of those products and financial services detailed in Annex I of the agreement.

- Contract for the provision of services by Banco de Crédito Social Cooperativo, S.A. ("BCC" or "the Bank") to the other Grupo Cooperativo Cajamar entities: (i) between BCC and the Group entities and (ii) for the provision by BCC to said entities of multidisciplinary business management support services: financial, IT, information, HR and other ancillary internal audit services, as well as risk management, accounting, legal and tax advisory and strategic planning services.

  In relation to this contract, BCC has concluded with the other Grupo Cooperativo Cajamar entities a data processing contract dated 1 July 2014 related to the service of reporting to the Bank of Spain's Risk Information Office (CIR) on those entities' risks with third parties, and for requesting reports from the CIR.

- Property lease agreement: (i) between Cajamar Caja Rural, Sociedad Cooperativa de Crédito (Cajamar) and BCC and (ii) the purpose of which is the leasing by Cajamar to BCC of certain buildings owned by it which are detailed in the contract.

- Trademark licence contract: (i) between Cajamar and BCC and (ii) the purpose of which is the granting, by Cajamar and for the benefit of BCC, of an exclusive licence for the exploitation of the distinctive signs owned by it described in the contract.

- Trademark sub-licence contract: (i) between BCC and the entities that comprise Grupo Cooperativo (with the exception of Cajamar) and (ii) by which BCC grants to the rest of the entities an exclusive sublicence for the exploitation of the distinctive signs licence by Cajamar that are described in the contract.

- Service-level agreement with BCC Gestión Integral de Infraestructuras, A.I.E: (i) between BCC Gestión Integral de Infraestructuras, A.I.E and BCC and (ii) by which BCC Gestión Integral de Infraestructuras, A.I.E. agrees to provide to BCC the services specified in the contract, relating to the following areas: infrastructure and security services, works services, technical office services, general and facilities maintenance services, operating asset services, R&D&i efficiency management, central procurement services and logistics centre services.

- Service-level agreement with Cajamar Tecnología, A.I.E.: (i) between Cajamar Tecnología, A.I.E. and BCC (ii) by which Cajamar Tecnología, A.I.E. agrees to provide to BCC services relating to the following areas: administration and management of technology infrastructure, maintenance and development of computer applications, management and development of technology projects and support for payment services, and IT management and cybersecurity services.

- Service-level agreement with BCC Recursos Humanos y Contact Center, S.L.: between this latter entity and BCC to manage GCC human resources administration, personnel training, scholarship management and personnel selection.

- Service-level agreement with BCC Operaciones y Servicios Administrativos, S.L.: between this latter company and BCC, by which BCC Operaciones y Servicios Administrativos, S.L. agrees to: (i) provide to all Grupo Cooperativo Cajamar entities certain cash, securities and accounting administration services; payment services; operational centre services; digital support, settlement and exchange services; back office cash management; administration of working capital, foreign trade, asset transactions; and mortgage loan monitoring; and (ii) perform certain associated transactions that were previously carried out by BCC personnel but are thus transferred to BCC Operaciones y Servicios Administrativos, S.L.

- Service-level agreement with Sunaria Capital S.L.U.: between this latter entity and BCC for the provision of certain general services concerning control and administration tasks; portfolio analysis and valuation; monitoring and control of non-performing assets; and remuneration deriving from the non-financial agency agreement with GCC Consumo.

- Service-level agreement for CAP subsidies with BCC Operaciones y Servicios Administrativos, S.L.U.: between this latter company and Cajamar Caja Rural, S.C.S. for (i) the provision of services for managing CAP subsidies, including handling applications and incidents, compliance and submission of basic payment rights notices and face-to-face and telephone customer services.

- Service-level agreement with Plataforma Tierra S.A.U.: between this latter company and Cajamar Caja Rural, S.C.S. for (i) the provision of Technical Office services for the development and support of studies to be carried out in accordance with the agreement signed between Cajamar and MAPA.

- Contract for the provision of insurance marketing services:

    - The insurance products of Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (hereinafter, "Cajamar Seguros Generales") are marketed by Grupo Cooperativo Cajamar member entities under an agency contract, currently in force, between Cajamar Seguros Generales and Cajamar Mediación, Operador de Banca-Seguros Vinculado, S.L.U. (hereinafter, "Cajamar Mediación"). In turn, each Grupo Cooperativo Cajamar member entity has entered into a service agreement with Cajamar Mediación under which it makes its distribution network available to Cajamar Mediación for the insurance brokerage activity through which Cajamar Seguros Generales' insurance products are marketed.
    - The insurance products of Cajamar Vida, S.A. de Seguros y Reaseguros (hereinafter, "Cajamar Vida") are marketed by Grupo Cooperativo Cajamar member entities under agency agreements between Cajamar Vida, Cajamar Caja Rural, Sociedad Cooperativa de Crédito, Banco de Crédito Social Cooperativo, S.A. and Cajamar Mediación, Operador de Banca-Seguros Vinculado, S.L.U. (the latter, hereinafter, "Cajamar Mediación"). In turn, each Grupo Cooperativo Cajamar member entity has entered into a service agreement with Cajamar Mediación under which it makes its distribution network available to Cajamar Mediación for the insurance brokerage activity through which Cajamar Vida's insurance products are marketed.

    In relation to the aforementioned insurance contracts, both agreements were novated during 2023 with a view to carrying out, between 2023 and 2025 inclusive, a project, called "Online Insurance Space" (ESO), for which purpose the parties intend to establish a committee (in addition to the one established in clause 8.5. of the Agency Agreement) to work towards that objective and thus boost the sales and retention rate of the insurance business.

    Similarly, a number of annexes to the aforementioned agreements have been signed for the purpose of: (i) enhancing portfolio management through so-called CGS, (ii) driving the distribution of Cajamar Seguros Generales products through the distribution network linked to the Agency Agreement, (iii) signing a new agreement to amend the Agency Agreement without terminating it.

- Contract for the provision of marketing and brokerage services for the sale and lease of real estate.

    Entered into on 22 May 2023 between, on the one hand, (i) BCC, on its own behalf and as representative of all the other Grupo Cooperativo Cajamar entities, (ii) Cimentados3, S.A. Sociedad Unipersonal, (iii) CIM-MED I, S.A. Sociedad Unipersonal, (iv) Cimenta Desarrollos Inmobiliarios, S.A. Sociedad Unipersonal, (v) Inmuebles Alameda 34, S.L. Sociedad Unipersonal, and (vi) Alquileres Alameda 34, S.L. Sociedad Unipersonal, as clients; and, on the other hand, Cimenta2 Gestión e Inversiones, S.A. Sociedad Unipersonal, as supplier, for the provision by the supplier to the clients of marketing and brokerage services for the sale and lease of real estate owned by the clients.

- Service-level agreement, entered into on 22 May 2023 between Cimenta2 Gestión e Inversiones, S.A. Sociedad Unipersonal, as client, and BCC, on its own behalf and as representative of all the other Grupo Cooperativo Cajamar entities, as suppliers, for the provision by the suppliers to the client of marketing and brokerage services for the sale and lease of all types of real estate owned by the client, or third parties where applicable.

1.7. Other service-level agreements and management contracts

- ***Contract for the sale of the asset management and service business***

  At the end of 2023 the Group was party to a contract that was entered into in 2014 (based on and due to the sale of the business consisting of the management of real estate assets, mortgage loans, non-mortgage loans and securitised loans of the Group) for the provision of management services for these assets (the SLA). The sale of this business has not been treated as a discontinued operation given its immaterial nature within the Group's overall business.

  The operation was structured so that the real estate asset, mortgage loan, non-mortgage loan and securitised loan management business is performed directly by Haya Real Estate, S.A. – formerly Laformata Servicios y Gestiones, S.L. – (the company acquiring the business) without any special purpose vehicle performing said activity being involved.

- ***Business incorporation agreement to sell consumer credit products***

  In March 2015, the Parent and Banco Cetelem, S.A. reached an agreement to set up a joint venture to engage in selling consumer credit products in Spain, so as to launch and develop a business in which the products are offered, granted and sold to individuals, exclusively through the distribution network, i.e. through Grupo Cooperativo Cajamar entities, under a non-financial agency agreement.

  The company owned by both entities was incorporated as a specialised lending institution. It is entered in the Bank of Spain Register of Entities as GCC Consumo, Establecimiento Financiero de Crédito, S.A. The Group's Parent contributed 49% of its initial capital and Banco Cetelem, S.A. the remaining 51%.

- ***Commercial agreement to sell mutual funds***

  On 6 November 2015, Banco de Crédito Social Cooperativo, S.A., in its capacity as Parent of Grupo Cooperativo Cajamar, and Trea Asset Management S.G.I.I.C., S.A. entered into an exclusive 15-year agreement (duly authorised by Spain's securities market regulator, the CNMV) covering the distribution and sale of mutual funds invested in Spanish and international fixed-income assets, equities, or a mix.

- **Custodian assignment agreement**

  In 2017 the Group's Parent signed an agreement with Cecabank, S.A. appointing the latter as the custodian of the mutual funds sold by Grupo Cajamar, which were previously deposited with Banco Inversis, S.A.

- ***Pension fund custodian assignment agreement***

  During 2018, the Group formalised an agreement to assign the pension fund custodian business to Cecabank.

1.8. One-off operations

- In 2023, within the framework of its strategy for the management of non-performing assets, the Entity sold a number of loan books containing receivables of various types, origin, ageing and amounts and generally with varying terms and guarantees (mortgage and non-mortgage). As a result of these sales the assignees acquired full ownership of the assigned loans, enabling the Entity to derecognise a gross amount of €34,908 thousand of performing assets, €242,344 thousand of non-performing assets and €98,347 thousand classified as write-offs, giving rise to a loss after expenses of €11,918 thousand recognised under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net – Financial assets at amortised cost" in the statement of profit or loss (Note 25). The Entity also recognised a total of €3,592 thousand in respect of provisions to cover future legal expenses related to debt recovery processes (Notes 8.6.2 and 8.6.6).

- In 2023, the Entity completed two issues of mortgage bonds, one for a nominal amount of €750 million at 3.375%, maturing in February 2028, and the other for €350 million at 3.550%, maturing in March 2029. It also issued €750 million of fully retained public sector bonds at a rate of 3.55%, maturing in March 2029.

- One-off operations in 2022 are described in the annual accounts for that year.

1.9. Management and impacts of the economic and social situation

<u>Macroeconomic, financial and geopolitical environment</u>

During 2023, global economic activity continued to be buoyed by lower energy prices, resilient labour markets and growth in services, while industry showed less momentum.

The armed conflict between Russia and Ukraine that began in February 2022 aggravated the high volatility that had been affecting the markets due to other geopolitical issues, causing greater tensions in energy and commodity prices, as well as an acceleration of inflationary pressures and more restrictive monetary policies. This trend has worsened in recent months since the outbreak of another conflict in the Middle East and, more recently, conflicts in the Red Sea.

As regards European monetary policy, the European Central Bank (ECB) continued to tighten its policy in response to the persistence of core inflation in the euro area, albeit at a more moderate pace. Thus, after ten consecutive interest rate hikes starting in the third quarter of 2022, the ECB opted to keep interest rates unchanged after its October and December 2023 meetings, leaving the standing facility rate at 4%.

In Spain, economic activity appears to have performed better than expected, although in recent months there have been signs of a slowdown, due to a slight decline in investment, offset by an increase in consumption.

Good labour market performance and increases in wages and benefits (mainly pensions) have led to growth in household disposable income, despite the rise in interest payments. For the year as a whole it is estimated that, excluding inflation, household disposable income will have grown by 6.1%, a new high in the historical series. This explains both the good performance of private consumption and the maintenance of a relatively high savings rate.

Headline inflation, after reaching 1.9% in June (the lowest level since March 2021), due to a sharp step effect in energy products, grew steadily, reaching 3.5% in September and October, before falling to close the year at 3.1%. Core inflation, meanwhile, trended downward from July onward, reaching 3.8% in December. These figures indicate that the de-escalation of inflation in the large groups seems to be continuing, although the trend in 2024 will be affected by, among other things, the timetable for withdrawal of the government's anti-inflation measures.

COVID-related financial support measures

The emergency situation declared in 2020 in response to COVID-19 was gradually left behind over the course of 2022 and GCC was able to continue to perform its role as financier of the real economy through the various market-aligned solutions it provided to its customers and the flexible repayment terms granted to those facing temporary hardship due to the pandemic.

The most significant steps taken include repayment holidays for a set period of time, which took three different forms: (i) legal moratoria, (ii) sectoral moratoria and (iii) bilateral moratoria.

At 31 December 2023, the Entity did not have any transactions subject to any of the types of moratoria mentioned in the previous paragraph.

Details of loans with moratoria at 31 December 2022, broken down by counterparty, are as follows:

	Thousands of Euros								
	31 December 2022								
	Gross carrying amount								
					Remaining term of the moratorium				
	Number of debtors		**Of which: legislative moratoria**	**Of which: past-due – moratorium period expired**	**<= 3 months**	**> 3 months <= 6 months**	**> 6 months <= 9 months**	**> 9 months <= 12 months**	**> 1 year**
Loans and advances on which a moratorium was offered	**9,687**	**781,045**							
Loans and advances subject to moratoria in accordance with EBA	**9,687**	**781,045**	**684,917**	**781,045**	**-**	**-**	**-**	**-**	**-**
of which: Households		**725,968**	**629,919**	**725,968**	-	-	-	-	**-**
of which: Collateralised by residential immovable property		**674,748**	**593,113**	**674,748**	-	-	-	-	**-**
of which: Non-financial corporations		**55,077**	**54,998**	**55,077**	-	-	-	-	**-**
of which: Small and medium-sized enterprises (SMEs)		**54,269**	**54,190**	**54,269**	-	-	-	-	**-**
of which: Collateralised by immovable property		**51,720**	**51,720**	**51,720**	-	-	-	-	**-**

At 31 December 2023 and 31 December 2022, the Entity had no outstanding loans with repayment holidays.

As regards the granting of ICO guarantees, through a resolution of the Council of Ministers dated 21 June 2022 the Government introduced the possibility of extending the maturity of ICO COVID guarantees beyond 30 June 2022, when the EU aid framework expired. The extension of the guarantee term allowed companies and the self-employed, subject to approval by the financial institution, to extend the repayment term of their loans to 8 or 10 years. In addition, on 28 October 2022 the European Commission decided to extend the possibility of applying investment support measures for a sustainable recovery, under the State aid COVID Temporary Framework, until 31 December 2023.

In 2023, the Group did not grant any new loans backed by ICO guarantees. At 31 December 2022, the amount of outstanding loans and advances with a state guarantee, broken down by counterparty, was as follows:

	Thousands of Euros			
	31 December 2022			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		Of which: restructured or refinanced	State guarantees received in the context of the COVID-19 crisis	Reclassifications to non-performing exposures
New loans and advances subject to state guarantee schemes	**1,092,342**	**75,487**	**853,839**	**15,739**
of which: Households	105,612	-	-	1,428
of which: Collateralised by residential immovable property	51	-	-	-
of which: Non-financial corporations	984,719	70,532	767,565	14,311
of which: Small and medium-sized enterprises (SMEs)	830,584	-	-	12,359
of which: Collateralised by immovable property	1,077	-	-	-

The Entity has managed the monitoring of its loans and receivables proactively on the basis of its business model, which enables any potential difficulties arising from the health crisis to be detected. It has therefore established case-by-case monitoring plans for each segment and sector of activity, bolstered by an expert analysis and early warning system that has been put in place.

2. Accounting standards and basis of presentation of the annual accounts

2.1. True and fair view

The annual accounts have been prepared on the basis of the Entity's accounting records and in accordance with the provisions of Bank of Spain Circular 4/2017, of 27 November, and subsequent amendments thereto; the Spanish Code of Commerce; Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Corporate Enterprises Act (hereinafter LSC), repealing the Public Limited Companies Act and the Limited Liability Companies Act; Royal Decree 6/2010, on measures to promote economic recovery and employment, with regard to the legal regime to be applied to Institutional Protection Schemes (SIP); and other applicable Spanish regulations, so as to give a true and fair view of the Entity's equity and financial position at 31 December 2023 and of the results of its operations, changes in equity and cash flows for the year then ended.

The accompanying annual accounts for 2023, authorised for issue by the Governing Board, will be submitted to the partners for approval at the General Assembly and are expected to be approved without amendment.

The Entity's annual accounts for 2022 were approved by the General Assembly of partners held on 19 April 2023.

When preparing the annual accounts, the generally accepted accounting principles described in this and the following note have been applied. No mandatory accounting principle or standard that has a significant effect on the annual accounts has been omitted.

Unless otherwise stated, these annual accounts are presented in thousands of euros.

2.2. Going concern principle

The information in these annual accounts has been prepared on the assumption that the Entity will continue as a going concern in the future and therefore the accounting policies have not been applied with the objective of determining the net asset value for the purposes of its full or partial transfer or any hypothetical liquidation.

2.3. Accrual basis of accounting

These annual accounts have been prepared on the basis of the real flow of goods and services, irrespective of the date of payment or collection.

2.4. Offset of balances

Only receivables and payables arising in transactions that, under contract or legislation, provide for possible offset and are to be settled at their net amount, or simultaneously realised and paid, are offset and therefore presented on the balance sheet at their net amount.

2.5. Comparative information

For each of the items disclosed in these annual accounts, in addition to the figure for 2023, the Entity's Governing Board presents the comparative figures for 2022.

2.6. Use of judgements and estimates when preparing the financial statements

The preparation of these annual accounts requires the Group's Board of Directors to use judgements and estimates based on assumptions that affect the application of the accounting policies and standards and the recognised amounts of assets, liabilities, income, expenses and commitments. The most significant estimates used in preparing these annual accounts are:

- Impairment losses on financial assets (Notes 3.1.a, 3.1.c, 3.3, 8.3.2, 8.3.3, 8.5.1, 8.5.2, 8.6.1, 8.6.2.3 and 8.6.4).
- The assumptions used in the actuarial calculations to evaluate the liabilities and commitments for post-employment benefeits (Note 3.2.1).
- Impairment losses and the useful life of tangible and intangible assets (Notes 3.9, 3.10, 3.11, 10, 12 and 13).
- The fair value of certain financial assets not listed on official secondary markets and variable collection rights from transactions with third parties (Notes 3.1 and 3.28).
- Losses on future obligations deriving from contingent risks (Notes 3.3 and 3.13).
- The reversal period for temporary differences and the recoverability of tax credits for tax loss carryforwards (Notes 3.19).
- The fair value of certain guarantees linked to the collection of assets.
- Provisions for liabilities classed as probable due to the possibility of having to meet payment obligations (Note 14).

Although the estimates and assumptions used are based on past experience and on other factors that have been considered the most reasonable at the present time and are reviewed periodically, it may be that events occurring in the future require them to be modified in the coming years, which would be carried out prospectively in accordance with Circular 4/2017, recognising the effects of any such change in estimate on the statements of profit or loss for the years in question.

The persistently uncertain geopolitical situation, the current levels of inflation and the central banks' monetary policy decisions continue to generate uncertainty about future trends in the macroeconomic environment, thus affecting the economy and business activities in which the Group operates. There is therefore a greater degree of uncertainty and judgment in the estimates, which has increased the need to exercise professional judgment in assessing the impact of the current macroeconomic situation on those estimates, mainly as regards the assessment of impairment losses on financial assets.

2.7. Other general principles and environmental information

The annual accounts have been prepared on a historical cost basis, adjusted for the revaluation, where appropriate, of financial assets measured at fair value through profit or loss; financial assets and liabilities (including derivatives) at fair value; assets, liabilities and contingent liabilities arising from business combinations (Note 3.24); and the revaluation of the items included under the headings of Land and Buildings carried out on 1 January 2004 (Note 3.9).

Given the principal activity of the Entity, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to its equity, financial position or results. Therefore, no specific environment-related disclosures are included in the notes to the accompanying annual accounts. More details on these matters are provided in the Non-Financial Information Statement included in the Group's Sustainability Report.

Climate-related risks to which the financial sector is exposed include those associated with climate change, a loss of biodiversity, an increase in extreme climate events and decarbonisation of the economy.

For several years Grupo Cooperativo Cajamar has included climate change among the key risks and opportunities affecting its business and performance, especially given the importance of the primary sector's impact and its contribution to finding possible solutions to this global problem.

The main financial risks associated with climate change are physical risks deriving from the deterioration of assets caused by climate change, the risks of transitioning and adapting to new market dynamics, and risks of litigation concerning legal responsibilities assumed under new climate change legislation.

The Group's risk appetite includes a series of indicators measuring the degree of concentration of the loan book in sectors classified by the EU as posing a risk of carbon leakage, and the portion of the loan book exposed to a physical risk factor or in sectors included in the EU Taxonomy.

2.8. Agency contracts

At 31 December 2023, the Entity does not have any financial agents for customer acquisition or for the promotion and marketing of operations and services.

3. Accounting policies and criteria applied

3.1. Financial instruments

A financial instrument is a contract that gives rise to a financial asset at one entity and, simultaneously, a financial liability or equity instrument at another entity. The financial instruments issued by the Group, as well as their components, are classified as financial assets or liabilities at the date of initial recognition, in accordance with their financial substance when this is different to its legal form.

A financial asset is any contract that consists of cash, an equity instrument in another entity, a contractual right to receive money or another financial asset from a third party or to exchange financial assets or liabilities with third parties under potentially favourable conditions.

A financial liability is any commitment that gives rise to a contractual obligation to provide cash or another financial asset from a third party or to exchange financial assets or liabilities with third parties under potentially unfavourable conditions.

A derivative is a financial instrument whose value changes in response to changes in an observable market variable (sometimes called an underlying asset) that does not require an initial investment, or the investment is very small with respect to other financial instruments with a similar response to changes in market conditions, and which is settled at a future date.

The Group issues hybrid financial instruments that include a host contract that is different from a derivative and a derivative financial contract, called an embedded derivative. These embedded derivatives are segregated from those host contracts and are treated independently for accounting purposes if the following conditions are met: (i) the financial characteristics and risks of the embedded derivative are not closely related to those of the host contract that is not a derivative; (ii) a different instrument with the same conditions as the derivative would comply with the definition of a derivative; (iii) the hybrid contract is not measured at fair value through profit or loss.

The initial value of embedded derivatives that are separated from the host contract and treated as options is obtained based on their own characteristics, and those that are not treated as options generally have an initial value of zero. When the Group is unable to reliably estimate the fair value of an embedded derivative, its value is estimated as the difference between the fair value of the hybrid contract and the host contract, provided that both securities may be considered to be reliable. If this is not possible either, the Group does not segregate the hybrid contract and treats the hybrid financial instrument for accounting purposes as included in the portfolio of financial instruments designated at fair value through profit or loss. A host contract that is not a derivative is treated independently for accounting purposes.

Financial instruments are recognised on the balance sheet only when the Group becomes party to the relevant contract, in accordance with the terms of that contract. The Group recognises debt instruments such as loans and deposits in cash as from the date on which the legal right to receive or the legal obligation to make payment of the cash and financial derivatives is generated. In addition, transactions carried out in the currency market are recorded at the settlement date; and financial assets traded on Spanish secondary security markets, if equity instruments, will be recognised at the trade date and, if debt securities, at the settlement date.

The financial assets and liabilities with which the Group normally operates are:

- Finance granted to and received from other credit institutions and customers, regardless of the legal form they take.
- Both debt instruments (debentures, bonds, promissory notes, loans and credit facilities, etc.) and equity instruments (shares).
- Derivatives, in order to provide a profit or loss that allows, if certain conditions are met, part or all of the financial risks associated with the Group’s balances and transactions to be eliminated.

Financial assets and liabilities are offset and presented at their net amount on the balance sheet when there is a legally enforceable right that provides for possible offset and the Group’s intentions are to settle assets and liabilities at their net amount, or simultaneously realise and pay said assets and liabilities. This legally enforceable right should not be contingent on future events and must be enforceable in the ordinary course of business, and in case of default, insolvency or bankruptcy of the company or the counterparty.

a) Financial assets

Among others, financial assets are considered to be cash balances, deposits at central banks and credit institutions, loans and advances to customers, debt securities, equity instruments acquired, except for those in subsidiaries, jointly controlled entities or associates, and trading and hedging derivatives.

The Group initially measures all its financial assets at fair value. Any subsequent change in value is calculated based on: (i) the business model for managing the financial assets; and (ii) the contractual cash flow characteristics of the financial assets.

Business model for managing financial assets and contractual cash flow characteristics

The Group understands by business model the way in which it manages its financial assets to collect cash flows. Business models are determined considering how certain groups of financial assets are jointly managed to achieve a specific objective, i.e. business models do not depend on the Group's plans for a specific instrument, rather they are determined for a group of financial instruments.

The Group has more than one business model for managing its financial assets. The Group has defined the following business models:

- Business model, the management objective of which is to hold financial assets in order to collect contractual cash flows. This does not mean the Group has to hold all the financial instruments associated with this model until maturity; the business model is evaluated based on scenarios the Group expects will reasonably pan out and not on adverse scenarios. If the Group expects to sell in an adverse scenario, this scenario does not affect the evaluation of the business model insofar as these assets are concerned. The business model in scenarios that are reasonably expected based on information available at the time of the evaluation is compatible with the future outcome of sales of instruments managed using the model. The Group recognises "at amortised cost" all assets managed using this model.

- Business model whose objective combines collecting contractual cash flows and selling the financial assets. Business model whose objective combines collecting contractual cash flows and selling the financial assets. Compared to the model to hold financial assets solely to collect contractual cash flows, this model also commonly involves selling off more frequent and high value assets. In this business model, asset sell-offs are essential not incidental. The assets associated with this business model are recognised "at fair value through other comprehensive income" in equity.

- Other business models: in which the contractual cash flows are collected sporadically or by accident, the financial assets can be held for sale, and flows are obtained from the active sale and purchase of financial assets. The Group recognises the assets associated with this business model "at fair value through profit or loss".

As indicated above, financial assets are recognised according to whether they are classified in a specific business model and fulfil the SPPI (solely payments of principal and interest) test. SPPI tests are performed to determine if a financial instrument has non-basic characteristics and must be measured at fair value rather than at amortised cost. In such tests, the Group analyses the characteristics of contractual cash flows of the financial assets along with any other merely qualitative aspects (modification of repayment schedules, option of modifying flows, early repayment clauses, etc.) regarding the different types of assets acquired or originated by the Group, and which could alter the collection of expected flows and affect their classification and measurement.

The principal of a financial asset is its fair value on initial recognition; this amount may change over the life of the financial asset. Interest is the sum of consideration for the time value of money, for lending and structuring costs, and for the credit risk associated with the principal amount outstanding during a particular period of time, plus a profit margin.

The time value of money is simply the consideration for the passage of time. In order to evaluate if the interest includes any consideration other than that for the passage of time, the Group uses professional judgement and considers relevant factors such as the currency in which the financial asset is denominated and the interest rate period.

Classification of financial assets

Given the above, the Group classifies its financial assets in the following portfolios based on the business model used to manage them and the characteristics of the contractual cash flows:

- "Financial assets at amortised cost":

  A financial asset is recognised at amortised cost when it is managed to collect contractual cash flows accrued on specific dates and comprising principal and interest payments.

  Based on its business model, the Group classifies the following as financial assets at amortised cost:

  - Investments in debt securities that are traded on an active market with fixed maturity dates and cash flows for a fixed or determinable amount, and for which the Group initially had, and continues to have, both the intention and demonstrated financial capacity to hold them until maturity.
  - "Loans and advances": includes financial assets that are not traded in an active market and are not required to be measured at fair value, whose cash flows are of a fixed or determinable amount, and in which all the disbursement made by the Group is expected to be recovered, excluding reasons imputable to the debtor's solvency. This category includes both investments arising out of typical lending activity, including cash amounts drawn down on loans and yet to be repaid by customers or deposits placed with other institutions, regardless of how they are legally arranged, and unlisted debt securities, as well as the debt contracted by buyers of goods or users of services, which are part of the Group's business.

- "Financial assets at fair value through other comprehensive income":

  A financial asset is recognised at fair value through other comprehensive income when it is managed to collect contractual cash flows accrued on specific dates and comprising principal and interest payments, and there are put options on the assets.

  The Group includes in this portfolio debt securities not included in other categories and equity instruments relating to companies that are not subsidiaries, associates or jointly-controlled entities and not included in other categories, as per the business model described in the previous paragraph.

- "Financial assets mandatorily at fair value through profit or loss":

  A financial asset is classified mandatorily at fair value through profit or loss when its business model does not enable it to be classified in any of the other two portfolios. This portfolio therefore includes financial assets originated or acquired to realise them in the near term or those forming part of a group of instruments managed jointly for this purpose. This portfolio also includes derivative instruments that do not comply with the definition of a financial guarantee contract and which have not been designated as hedging instruments, including those segregated from hybrid financial instruments.

  The Group classifies the following at fair value through profit or loss:

  - "Financial assets held for trading": these financial assets created or acquired with the intention to realise them in the short-term, or which form part of a portfolio of identified financial instruments managed jointly and for which there is evidence of recent action to obtain short-term gains. This portfolio also includes derivative instruments that do not comply with the definition of a financial guarantee contract and which have not been designated as accounting hedges, including those segregated from hybrid financial instruments.

- "Other financial assets designated at fair value through profit or loss": these being financial assets designated as such at initial recognition, whose fair value may be reliably estimated. This designation may be made for: (i) hybrid financial assets whose embedded derivatives cannot be reliably measured separately, and must be separated; (ii) hybrid financial assets as a whole, designated as such at initial recognition, unless the embedded derivatives do not significantly change the cash flows that would otherwise have been generated by the instrument or when the hybrid instrument is first examined it is evident that separation of the embedded derivatives is prohibited; (iii) financial assets for which more relevant information is obtained because this information eliminates or significantly reduces a recognition or measurement inconsistency (also called an accounting mismatch) that would arise on the measurement of the assets or liabilities, or by the recognition of gains or losses, using different criteria; (iv) financial assets for which more information is obtained due to the fact that there is a group of financial assets, or financial assets and liabilities, that are managed and their performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy and information regarding that group is also provided on a fair value basis to key management personnel.

Nonetheless, the Group may elect, on initial recognition and irrevocably, to include as financial assets at fair value through other comprehensive income, investments in equity instruments that cannot be classified as financial assets held for trading and that would be classified as financial assets mandatorily at fair value through profit or loss. This option must be exercised instrument by instrument. The Group may also choose, on initial recognition and irrevocably, to designate any financial asset at fair value through prof it or loss if this significantly reduces or eliminates any inconsistency in measurement or recognition (accounting mismatch).

Measurement of financial assets

At initial recognition on the balance sheet, financial assets are stated at fair value. For financial instruments not designated at fair value through profit or loss, the fair value is adjusted by adding or deducting the transaction costs that are directly attributable to the acquisition or issuance of the instruments. For financial instruments designated at fair value through profit or loss, transaction costs are recognised directly in profit or loss.

Fair value is the amount at which an asset could be transferred, or a liability settled, between knowledgeable, willing parties in a transaction carried out at arm's length. If the fair value on initial recognition differs from the transaction price, the difference is recognised as follows:

- Immediately in profit or loss for financial instruments classified in Level 1 of the fair value hierarchy (Notes 3.28 and 8.1).

- In other cases, the difference is treated as a fair value adjustment and is deferred and taken to profit or loss over the transaction term.

Following initial recognition, the Group measures financial assets at amortised cost either at fair value through other comprehensive income, at fair value through profit or loss or at cost:

- Trade receivables and trade credits are measured at amortised cost. Amortised cost is the amount at which the financial instrument was initially measured, adjusted for the repayment of the principal and plus or minus, as appropriate, the part of the difference between the initial amount and the repayment value at maturity taken to profit or loss through the effective interest rate method, and less any impairment losses directly recognised as a decrease in the amount of the asset or through a value adjustment account.

- Financial assets comprising equity instruments other than interests in subsidiaries, joint ventures and associates are measured at fair value.

- In the individual financial statements, equity instruments comprising investments in subsidiaries, joint ventures and associates are measured at cost less any estimated valuation adjustments.

Financial assets that have been designated as hedged items, or as hedging instruments, are measured in accordance with the provisions described in Note 3.4 to the accompanying annual accounts.

The best evidence of the fair value of a financial instrument is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price"). When a certain financial instrument lacks a market price, its fair value is estimated on the basis of recent transactions involving similar instruments or, failing this, using valuation techniques that are acceptable to the international financial community, taking into account the specific features of the instrument to be measured and, above all, the different types of associated risks.

The fair value of standard financial derivatives included in trading portfolios is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to OTC derivatives. The fair value of OTC derivatives is the same as the sum of the future cash flows originating from the instrument, discounted at the measurement date ("present value" or "theoretical closing"), and the measurement process uses methods recognised by financial markets such as "net present value", models for calculating option prices, etc.

The effective interest rate is the discount rate that brings the initial value of a financial instrument exactly into line with total estimated cash flows throughout its residual life. For fixed interest financial instruments, the effective interest rate is calculated based on the contractual interest rate established at the time of purchase plus, if appropriate, the fees which may, by nature, be similar to an interest rate. In the case of floating interest rate financial instruments, the effective interest rate is the current rate of return for all concepts until the first revision of the reference interest rate takes place.

Derecognition of financial assets

Financial assets are written off the Group's balance sheet only when one of these circumstances arises:

- When the contractual rights to the cash flows have expired.

- When the contractual rights to the cash flows are transferred, provided that the transfer includes substantially all risks and rewards or, even if there is no substantial transfer or retention of those items, control over the financial asset is transferred. In the latter case, when control over the asset is not transferred, it will continue to be recognised based on the continuing involvement, i.e. in an amount equal to the Bank's exposure to the changes in the value of the transferred financial assets.

Impairment losses on financial assets

The carrying amount of financial assets is adjusted by the Group against profit or loss when there is objective evidence that there are impairment losses. The following criteria are used to calculate said losses:

- **Impairment losses on debt instruments and other exposures resulting in credit risk (off-balance sheet exposures):**

  There is objective evidence of the impairment of debt instruments, understood as loans and advances and debt securities, when, following their initial recognition, there is an event or combined effect of various events which have a negative impact on the future cash flows. In the case of other exposures giving rise to off-balance sheet credit risk, evidence of impairment exists when expected flows are less than the contractual cash flows for the loan commitments given or payments to be made, for the financial guarantees given.

Objective evidence of impairment is determined on an individual basis for significant debt instruments and on an individual and collective basis for groups of instruments that are not individually significant. Impairment losses on debt instruments for the period are expensed. Impairment losses on debt instruments at amortised cost are recognised against a value adjustment account reducing the carrying amount. Those at fair value through other comprehensive income are recognised against "Accumulated other comprehensive income" in equity on the balance sheet. On the other hand, impairment allowances for exposures that give rise to credit risk other than debt instruments, such as loan commitments, financial guarantees and other commitments given, are recognised as a provision under liabilities on the balance sheet. Subsequent reversals of previously recognised impairment allowances are taken immediately to income on the statement of profit or loss for the period.

In accordance with the criteria established in Annex 9 of Bank of Spain Circular 4/2017, the Group classifies transactions on the basis of their credit risk attributable to insolvency, using the following categories:

- Performing exposures (Stage 1): all transactions whose credit risk has not increased significantly since initial recognition. Impairment allowances are equal to expected loan losses over 12 months. Interest income from these transactions is calculated by applying the effective interest rate to the transaction's gross carrying amount.

- Performing exposures under special monitoring (stage 2): transactions that, while not meeting the criteria for individual classification as non-performing or write-off, present weaknesses that may lead to the occurrence of losses greater than those on other similar transactions classified as performing exposures. Impairment allowances are equal to lifetime expected credit losses. Interest income from these transactions is calculated by applying the effective interest rate to the transaction's gross carrying amount.

  The Group first takes into account the following indications regarding the counterparty's circumstances when performing this identification:

  – High debt levels and/or adverse changes in financial position.

  – Declines in income or, in general, recurring cash flows.

  – Tightening of operating margins or available recurring income.

  The Group also classifies as performing exposures under special watch any transactions included in a special debt sustainability agreement, among others, provided that certain conditions are met that identify them as having been rolled over or renegotiated.

- Non-performing exposures (Stage 3): those transactions that are impaired, i.e. there has been a default event. Impairment allowances are equal to lifetime expected credit losses. Interest income from these transactions is calculated by applying the effective interest rate to the transaction's amortised cost.

  The total exposure will be considered when classifying transactions in this category. Guarantees associated with the various transactions will not be factored in when analysing a transaction to determine if it should be classified as non-performing.

  The non-performing exposure group is also split into two categories:

  - Non-performing exposures as a result of borrower arrears: consist of the amount of debt instruments, whosoever the borrower and whatever the guarantee or collateral, any part of whose principal, interest or contractually agreed expenses is more than 90 days past due, unless such instruments should be classified as write-off. This category will also include guarantees given if the guaranteed party has fallen into in arrears in the guaranteed transaction.

This category shall include the amounts of all a borrower's transactions if the transactions with amounts more than 90 days past due exceed 20% of outstandings.

Non-performing transactions due to arrears in which simultaneously there are other circumstances for classifying them as non-performing shall be classed as non-performing due to arrears.

- Non-performing exposures for reasons other than borrower arrears: include debt instruments, whether past due or not, which are not classifiable as total write-offs or non-performing due to borrower arrears, but for which there are reasonable doubts about their full repayment (principal and interest) under the contractual terms. Also included are off-balance-sheet exposures not classified as non-performing due to borrower arrears where payment is likely but full recovery is doubtful, and where none of the arrears are for greater than 90 days.

  This category will include, inter alia, transactions whose borrowers are in situations that represent a deterioration in their solvency, have negative equity, incur continuous losses, or suffer a significant contraction in turnover.

  Refinancing, refinanced or restructured transactions are analysed to determine whether or not they should be classified in the non-performing risk category. As a general rule, refinancing, refinanced or restructured transactions that are based on an inadequate payment plan or which include contractual clauses that delay the repayment of the transaction through regular instalments are classified as non-performing exposures for reasons other than arrears.

- Write-off: this category includes debt instruments, whether due or not, for which the entity, after analysing them individually, considers the possibility of recovery to be remote due to manifest and irreversible deterioration of the solvency of the transaction or borrower. Classification in this category entails the write-off of the full gross carrying amount of the transaction and its total derecognition from assets.

  Debt instruments classified as non-performing with respect to which specific valuation adjustments have been made, estimated individually or collectively, shall be reported as impaired assets and the remaining debt instruments as non-impaired assets, even though they form part of groups of assets.

  Individual or collective allowances for non-performing exposures as a result of arrears should not be lower than the general allowances that would be applicable if the transactions were classified as performing exposures under special monitoring.

Estimation of impairment losses

To cover this insolvency risk attributable to customers, the Group recognises the following types of allowances for transactions not designated at fair value through profit or loss:

- Specific credit loss allowances for financial assets, estimated on an individual basis: the cumulative amount of allowances recognised for non-performing assets individually estimated.
- Specific credit loss allowances for financial assets estimated on a collective basis: the cumulative amount of allowances recognised for debt instruments classified as non-performing collectively estimated and with no significant amounts. These instruments are individually impaired using a statistical method.
- General allowances to cover losses incurred but not reported: the cumulative amount of collective impairment of debt instruments, the value of which has not been impaired individually. These general allowances are calculated for those instruments classified as performing exposures or performing exposures under special monitoring.

The Group has established regular procedures for checking the reliability and coherence of the results of its collective credit loss estimation models which take the form of backward-looking tests that assess their accuracy by comparing the losses estimated with the actual losses subsequently observed on the related transactions. Should these procedures detect significant differences, pertinent changes will be made to ensure the estimates reflect the best possible estimate at any given time.

The Group recognises expected credit losses from transactions when booking impairment losses, taking the following into consideration:

a) Credit losses: these correspond to the difference between all the contractual cash flows owed to the entity in accordance with the financial asset's contract and all the cash flows that it is due to receive, discounted at the original effective interest rate or, for purchased or originated credit-impaired financial assets, discounted at the credit-adjusted effective interest rate.

   In the case of loan commitments given, the outstanding contractual cash flows are compared to the cash flows that it would expect to receive if the commitment were drawn down. In the case of financial guarantees given, the payments that the Group expects to receive less the cash flows that are expected to be received from the guaranteed holder are considered.

   The Group estimates the cash flows of the transaction during its expected life taking into account all the contractual terms and conditions of the transaction. However, when it is not possible to reliably estimate the expected life of the transaction, the Group uses the remaining contractual term of the operation, including extension options. The cash flows taken into account include those deriving from the sale of collateral and other credit enhancements that form an integral part of the contractual conditions, such as financial guarantees received.

b) Expected credit losses: these are the weighted average of the credit losses, using as weighting the respective risks of default events. The Group makes the following distinctions:

   - 12-month expected credit losses: the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (Stage 1).

   - Lifetime expected credit losses: these are the expected credit losses that result from all possible default events over the expected life of the transaction (Stages 2 and 3).

The Group calculates loss allowances according to whether there has been a significant increase in credit risk since the transaction's initial recognition, and whether a default event has occurred (Note 3.3). Consequently, impairment losses from transactions are equal to:

- 12-month expected credit losses, when there has been no significant increase in the risk of a default event since initial recognition.
- Lifetime expected credit losses, when there has been a significant increase in the risk of a default event since initial recognition.
- Expected credit losses, when there has been a default event in the transaction.

For all purposes, the Group determines that the future cash flows from a debt instrument are all the amounts (principal and interest) that the Group considers it will obtain over the expected life of the instrument. When estimating future cash flows from instruments secured by guarantees, the Group takes into account the flows that would be obtained from their sale, less the amount of the necessary costs for their acquisition, holding and subsequent sale.

When estimating the present value of future cash flows, the Group uses the transaction's original effective interest rate as the discount rate or, in the case of financial assets purchased with or that originated with credit impairment, it uses the credit-adjusted effective interest rate determined on initial recognition.

The original effective interest rate is determined as per the original contractual terms and conditions and therefore, is that calculated on initial recognition of the transaction if the contractual rate is fixed or on the date of the financial statements if it is floating.

When the contractual cash flows of a financial asset are modified or the financial asset is replaced with another, and the modification or exchange does not cause it to be derecognised from the balance sheet, the Group recalculates the gross carrying amount of the financial asset and recognises any difference that emerges as a modification gains or loss in the profit or loss for the period. The gross carrying amount of the financial asset shall be recalculated as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate, taking into account any directly attributable transaction costs.

The Group estimates expected credit losses from a transaction so that these losses reflect: i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes based on certain macroeconomic scenarios; ii) the time value of money; and iii) reasonable and supportable information available at the reference date about past events, current conditions and forecasts of future economic conditions.

Irrespective of whether it is highly unlikely, the possibility of a credit loss event occurring or not occurring is reflected in the estimate of expected credit losses.

Nonetheless, details of the classification criteria used by the Group for debt instruments and the methods followed to determine associated impairment losses are provided in Note 3.3 to the accompanying annual accounts.

- **Impairment losses on equity instruments**

Objective evidence of the impairment of equity instruments exists when after initial recognition there is an event, or a combination of events, that suggest the carrying amount will not be recovered. The Group therefore uses all the information at its disposal on the performance and transactions of each investee to determine if there is objective evidence of impairment. The Group uses the following indications, among others, to perform this evaluation:

- The existence of significant financial difficulties and/or the disappearance of an active market for the instrument in question due to the issuer's financial difficulties;
- Significant changes in the issuer's results and/or technical objectives;
- Significant changes in the market, global economy or the economic environment in which the equity instrument issuer operates;
- Significant changes in the technological or legal environment in which the issuer operates;
- Significant changes in the results of comparable entities or in the valuations implied by the overall market;
- Internal problems of the investee such as fraud, commercial disputes, litigation, changes in management or strategy; and
- The existence of objective evidence that the issuer has filed or is likely to file for insolvency.

The Group considers that a decrease in an instrument's fair value to below its carrying amount may be an indicator of impairment, although it is not necessarily objective evidence that an impairment loss has been incurred. In this instance, it is considered there is objective evidence of impairment when there is a significant or prolonged decline in an instrument's fair value below its carrying amount. Objective evidence of impairment also exists when the issuer has filed or is likely to file for insolvency.

In the case of equity instruments measured at fair value and included in the "Financial assets at fair value through other comprehensive income" portfolio, any impairment loss is calculated as the difference between the acquisition cost and fair value, less any previously recognised impairment losses. The Group considers objective evidence of impairment affecting the assets in this portfolio to consist of a significant or prolonged decline in fair value.

In the case of equity instruments constituting ownership interests in jointly-controlled entities and associates, the Group estimates the amount of impairment losses by comparing their recoverable amount with their carrying amount. These impairment losses are taken to profit or loss for the period in which they occur and subsequent recoveries are recognised on the statement of profit or loss of the recovery period.

The Group recognises impairment allowances immediately as an expense on the statements of profit or loss for the period in which impairment losses are detected. Subsequent reversals of previously recognised impairment allowances are taken immediately to income on the statement of profit or loss for the period.

b) Financial liabilities

A financial liability is any commitment that gives rise to: a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, or a contract that will or may be settled in the entity's own equity instruments.

The Group considers as financial liabilities, among others, deposits from central banks and credit institutions, customer deposits, marketable securities, trading and hedging derivatives, subordinated liabilities and short securities positions.

Classification of financial liabilities

For measurement purposes, financial liabilities are classified into one of the following categories:

- "Financial liabilities held for trading": financial liabilities issued with the intention of repurchasing them in the short-term. This portfolio consists of short securities positions, financial liabilities that form part of a portfolio of identified financial instruments that are managed jointly, and for which there is evidence of recent action to obtain short-term gains, derivative instruments that do not comply with the definition of a financial guarantee contract and which have not been designated as hedge accounting instruments, including those segregated from hybrid financial instruments and those created for the sale of financial assets acquired under repo agreements or those received as loans. The fact that a financial liability is used to finance assets held for trading does not necessarily mean that it is included in this category.

- "Financial liabilities designated at fair value through profit or loss": are financial liabilities designated as such at initial recognition, whose fair value may be reliably estimated. This designation may be made for: (i) hybrid financial liabilities whose embedded derivatives cannot be reliably measured separately, and must be separated; (ii) hybrid financial liabilities as a whole, designated as such at initial recognition, unless the embedded derivatives do not significantly change the cash flows that would otherwise have been generated by the instrument or when the hybrid instrument is first examined it is evident that separation of the embedded derivatives is prohibited; (iii) financial liabilities for which more relevant information is obtained because this information eliminates or significantly reduces a recognition or measurement inconsistency (also called an accounting mismatch) that would arise on the measurement of the assets or liabilities, or by the recognition of gains or losses, using different criteria; (iv) financial liabilities for which more information is obtained due to the fact that there is a group of financial liabilities, or financial assets and liabilities, that are managed and their performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy and information regarding that group is also provided on a fair value basis to key management personnel.

- "Financial liabilities measured at amortised cost": this category includes the financial liabilities that are not included in any of the other categories.

Measurement of financial liabilities

At initial recognition on the balance sheet, financial liabilities are stated at fair value. After initial recognition, all financial liabilities are measured at amortised cost, except for:

- Those included in the category "Financial liabilities designated at fair value through profit or loss", which will be measured at fair value, unless they are derivatives that have equity instruments as the underlying asset and whose fair value cannot be reliably estimated, in which case they will be measured at cost.

- Financial liabilities arising from the transfer of assets that do not qualify for derecognition of the asset from the transferor's balance sheet, since the transferor retains control over the financial asset and the risks and rewards are neither substantially transferred nor retained.

- Financial liabilities designated as hedged items, or as hedging instruments that meet the criteria and standards established in Notes 3.4.

Derecognition of financial liabilities

Financial liabilities are written off the balance sheet when they have been extinguished or are acquired. The difference between the carrying amount of the extinguished financial liability and the consideration paid is recognised immediately on the statement of profit or loss.

An exchange of debt instruments between the Group and the relevant borrower, provided that the instruments have substantially different conditions, will be recognised as an elimination of the original financial liability and the consequent recognition of a new financial liability. Similarly, a substantial modification of the current conditions for a financial liability or of a part of that liability will be recognised as a cancellation of the original financial liability and the consequent recognition of a new financial liability.

Conditions will be substantially different if the present value of the discounted cash flows under the new conditions, including any commission paid net of any commission received, and discounted at the original effective interest rate, differs by at least 10% from the discounted present value of the cash flows that remain pending with respect to the original financial liability. If an exchange of debt instruments or a modification of the conditions is recorded as an extinguishment, the costs or fees incurred will be recognised as part of the gain or loss on the extinguishment. If the aforementioned exchange or modification is not recognised as an extinguishment, the costs and fees will be adjusted by the carrying amount of the liability and will be amortised over the remaining life of the modified liability.

c) Gains and losses in the value of financial instruments

Gains and losses on financial instruments are recognised depending on the portfolio in which they are classified, in accordance with the following criteria:

Income and expenses associated with financial instruments in the **"Amortised cost"** portfolio are recognised as per the following criteria:

- Accrued interest calculated is recognised on the statement of profit or loss in accordance with the effective interest rate method.

- Gains and losses due to changes in value are recognised as income or expenses on the accompanying statement of profit or loss when the financial instrument is derecognised or reclassified, or in the case of financial assets, where impairment losses are incurred or gains are generated from the subsequent recovery thereof. When determining the gains and losses on disposal, the amortised cost is identified specifically for the financial asset in question, except for groups of identical financial assets, in which case the average weighted cost is used.

Income and expenses associated with financial instruments at **"Fair value through profit or loss"** are recognised as per the following criteria:

- Changes in fair value are recognised directly on the statement of profit or loss, making a distinction for instruments that are not derivatives between the portion attributable to accrued returns of the instrument (which is recorded as interest or as dividends in accordance with the nature thereof), and the rest (which is recorded as results obtained from financial transactions in the relevant item).

- Accrued interest calculated is recognised on the statement of profit or loss in accordance with the effective interest rate method.

- The Group recognises the changes in value of a financial liabilities designated at fair value through profit or loss as follows:

  - Any variation in a financial liability's fair value due to changes in the credit risk associated with this liability is recognised under "Other comprehensive income" in equity. When the liability is derecognised, the gain or loss recognised in accumulated other comprehensive income is transferred directly to a reserve account.

  - Other amounts related to changes in the fair value of financial liabilities are recognised on the statement of profit or loss. In the case of financial liabilities other than financial guarantees or loan commitments, the entire amount of the change in fair value is taken to profit or loss if fulfilment of the established criteria could create or exacerbate an accounting mismatch with other financial instruments at fair value through prof it or loss.

Income and expenses associated with financial assets at **"Fair value through other comprehensive income"** are recognised as per the following criteria:

- Accrued interest calculated is recognised on the statement of profit or loss in accordance with the effective interest rate method.
- Dividends accrued are recognised on the statement of profit or loss where applicable.
- Exchange differences are recognised on the statement of profit or loss for monetary financial assets, and in other comprehensive income for non-monetary financial assets.
- Impairment losses on debt instruments or gains on the recovery thereof are recognised on the statement of profit or loss.
- Other changes in value are recognised in other comprehensive income in equity.
- The amounts taken to profit or loss for the period in connection with debt instruments at fair value through other comprehensive income will be the same as those applicable if the instruments were measured at amortised cost.
- When a **debt instrument** at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss accumulated in equity is reclassified to profit or loss for the period. Conversely, then an **equity instrument** at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss recognised in other comprehensive income is not reclassified to profit or loss, but rather to a reserve account.

- The criteria for reclassification between financial instrument portfolios described in Note 3.1.d to the accompanying annual accounts will be considered when recognising gains or losses previously recognised under accumulated other comprehensive income in equity.

Irrespective of the portfolio into which the financial assets generating interest and dividends are classified, the Group recognises such interest and dividends on the statement of profit or loss as per the following criteria:

- Interest falling due prior to the date of initial recognition and not yet received is added to the carrying amount of the debt instruments.
- Where the right to collect a dividend has been announced prior to initial recognition and such dividends have not yet been received, the dividends are not added to the carrying amount of the equity instruments or taken to income. Instead, they are recognised as financial assets that are separate from the equity instrument.
- Interest falling due after the date of initial recognition of a debt instrument is added to the gross carrying amount of the instruments until it is received.
- Subsequent to initial recognition, dividends from equity instruments are taken to income on the statement of profit or loss when the right to collect the pay-out is declared. If the distribution corresponds unequivocally to results generated by the issuer prior to the date of initial recognition, dividends are not taken to income but are deducted from the instrument's carrying amount because they represent a recovery of part of the investment made. In other cases, the generation date is taken as falling before initial recognition when the amounts distributed by the issuer since initial recognition exceed its profit over the same period.

d) *Reclassification between financial instrument portfolios*

Reclassifications between financial instrument portfolios are only performed when the Group changes its business model for managing financial assets, in which case all the affected financial assets are reclassified. Such reclassification is performed prospectively from the reclassification date, without the need to restate any previously recognised gains, losses or interest.

In general, changes in business model must be very infrequent and must be performed as per the following:

- The fair value of a debt instrument at the reclassification date must be estimated before reclassifying it from the amortised cost portfolio to the fair value through profit or loss portfolio. Any gain or loss arising from the difference between the previous amortised cost and fair value is taken to profit or loss.
- If a debt instrument is reclassified from the fair value through profit or loss portfolio to the amortised cost portfolio, the asset's fair value on the reclassification date becomes its new gross carrying amount.
- The fair value of a debt instrument at the reclassification date is estimated before reclassifying it from the amortised cost portfolio to the fair value through other comprehensive income portfolio. Any gain or loss arising from the difference between the previous amortised cost and fair value is taken to other comprehensive income. The effective interest rate and estimate of expected credit losses are not adjusted as a result of the reclassification.
- If a debt instrument is reclassified from the fair value through other comprehensive income portfolio to the amortised cost portfolio, the financial asset is reclassified at its fair value on the reclassification date. Any gain or loss accumulated at the reclassification date under accumulated other comprehensive income in equity is cancelled by the balancing entry comprising the asset's carrying amount at the reclassification date. The debt instrument is measured on the reclassification date as if it had always been at amortised cost. The effective interest rate and estimate of expected credit losses are not adjusted as a result of the reclassification.

- If a debt instrument is reclassified from the fair value through profit or loss portfolio to the fair value through other comprehensive income portfolio, the financial asset continues to be measured at fair value, without any modifications to the accounting of any previously recognised changes in value.
- If a debt instrument is reclassified from the fair value through other comprehensive income portfolio to the fair value through profit or loss portfolio, the financial asset continues to be measured at its fair value. Any gain or loss accumulated beforehand under "Accumulated other comprehensive income" in equity is transferred to profit or loss for the period on the reclassification date.
- No financial liabilities will be reclassified.

When an investment in a subsidiary, joint venture or associate is no longer classified as such, any investment retained is measured at fair value at the date of reclassification; any gain or loss arising from the difference between its carrying amount prior to reclassification and said fair value is recognised in profit or loss or other comprehensive income depending on the subsequent valuation of the retained investment.

The retained investment – which cannot be considered as a subsidiary, joint venture or associate – is included in the financial assets mandatorily at fair value through profit or loss portfolio unless the entity exercises at that time the irrevocable option to include it in the financial assets at fair value through other comprehensive income portfolio. This irrevocable option is not available for investments in joint ventures or associates that prior to being classified as such were measured at fair value through profit or loss.

Interests in an entity prior to it being classified as a subsidiary, joint venture or associate are measured at fair value until control, joint control or significant influence is obtained. At that time, the Group estimates the fair value of the prior interest, recognising any gain or loss arising due to the difference between its carrying amount prior to reclassification and said fair value in profit or loss or other comprehensive income, as applicable. Any gain or loss accumulated under accumulated other comprehensive income in equity is retained until the investment is derecognised, at which point it is reclassified to a reserve account.

Changes deriving from the following circumstances are not treated by the Group as reclassifications:

- When an item that was previously a designated and effective hedging instrument in a cash flow hedge or in a hedge of a net investment in a foreign operation no longer fulfils the requirements to be treated as such.
- When an item is classified as a designated and effective hedging instrument in a cash flow hedge or in a hedge of a net investment in a foreign operation.
- When there are changes in the value of financial instruments because they are designated or stop being designated at fair value through profit or loss.

3.2. Capital and capital contributions

Contributions to the Entity's capital are recognised as equity when there is an unconditional right to refuse reimbursement or when reimbursement is prohibited by law or the By-laws. If the reimbursement prohibition is partial, the reimbursable amount above the prohibition is recorded in a specific heading and is considered to be a financial liability. Likewise, the contributions for which there is a remuneration obligation, even if subject to the condition of the cooperative obtaining a surplus, are treated as financial liabilities. Remuneration for contributions is recorded as a finance cost for the year if the contributions are recorded as financial liabilities; and directly in equity, as part of the distribution of results obtained by the cooperative, if not.

The Entity's By-laws are consistent with the recommendations of Spanish and international supervisors on solvency and capital, such that any reimbursement of capital contributions requires the prior approval of the Governing Board (Note 19).

The Entity's By-laws also establish that the remuneration of capital is optional and is to be determined each year by the General Assembly, which may delegate the task to the Governing Board, subject to the limits and under the terms it deems fit.

Consequently, the reimbursement of capital contributions requires prior, specific approval from the Governing Board and remuneration on capital is set annually by the General Assembly on a non-mandatory basis.

In any event, Bank of Spain Circular 3/2008, of 22 May, and subsequent modifications, regarding the calculation and control of minimum equity for credit institutions, stipulates that contributions to the capital of credit cooperatives, independent of their accounting classification as a financial liability or as equity, will be part of Tier 1 capital until 31 December 2012, and after that date, and in accordance with the amendments included in Bank of Spain Circular 4/2011, only contributions recognised as equity will be considered as capital. As indicated above, all of the contributions to the Entity's capital meet the requirements to be computed as Tier 1 capital in 2023 and 2022.

3.3. Method for calculating impairment due to credit risk for debt instruments and off-balance sheet exposures that share credit risk, and real estate assets foreclosed or received in payment of debt

Debt instrument portfolios (loans, advances other than loans, and debt securities) and off-balance sheet exposures (loan commitments, financial guarantees and other commitments given), irrespective of the holder, arrangement or guarantee, are analysed in order to determine the credit risk to which the Group is exposed and estimate impairment allowances (Note 3.1). In order to draw up the financial statements, the Group classifies its transactions on the basis of credit risk, analysing separately the insolvency risk attributable to each customer and the country risk to which, if appropriate, they may be exposed.

- **Insolvency risk attributable to the customer**

  Debt instruments not designated at fair value through profit or loss and off-balance sheet exposures are classified, based on two factors: (i) the existence or not of a significant increase in risk; and (ii) whether or not there has been a default event. The combination of both factors determines the classification in different categories or stages:

  <u>Classification categories:</u>

  - **<u>Stage 1 or performing:</u>** all loans whose credit risk has not increased significantly since initial recognition.
  - **<u>Stage 2 or performing under special monitoring</u>**: loans where there has been a significant increase in default risk since initial recognition, although there are no doubts about their full repayment.
  - **<u>Stage 3 or non-performing:</u>** loans where there is reasonable doubt regarding their full repayment as per the contractually agreed terms and conditions, which may give rise to:
    - The objective existence of impairment due to customer arrears
    - Because there is evidence that expected cash flows will be negatively affected, putting into question whether the entire loan will be repaid as per the contractually agreed terms and conditions.
  - **<u>Stage 4 or write-off:</u>** loans that are deemed to be irrecoverable. Where recovery is deemed remote, the loans are written off the balance sheet.

  Significant increase in risk or the existence of a default event can be determined either collectively or individually.

<u>Collective classification criteria:</u>

<u>Stage 2</u>: Exposures fulfilling one of the following conditions are classified in this category:

- If the transaction has amounts over 30 days but less than 90 days past due.

- If it is a debt restructuring operation. These exposures are classified in Stage 2 for a probation or expiry period so that they must meet all the following requirements to be no longer considered as restructured and see their classification improve:

  - Following a review of the borrower's financial and equity position it has been concluded that it is not foreseeable that the borrower will encounter financial difficulties.

  - That a minimum of 24 months have has elapsed since the later of the date of entry into the restructuring or the date the exposure was classified in Stage 2.
  - The transaction is in the repayment period and principal and interest has been paid equal to the amount past due at the time of the restructuring.
  - The borrower does not have any other transactions with the Group with amounts more than 30 days past due.

- Due to an increase in the probability of default measured by comparing the probability of default at the time of assessment with the probability of default when the transaction is formalised. If this difference exceeds certain thresholds, it is treated as evidence of a significant increase in risk.

- If the customer's credit quality is significantly impaired, as measured by the early warning system.

- Because, in the case of mortgage loans, the LTV ratio is over 80 points lower than the previous LTV ratio after the appraisal value of the collateral has been revised.

- Because a customer has been declared subject to bankruptcy proceedings and is faithfully performing the creditors' agreement, has no other borrowings with amounts more than 30 days past due, the exposures affected by the bankruptcy proceedings in the Group are in the principal repayment period and the customer has repaid at least 25% of the principal, or if two years have elapsed since the order approving the creditors' agreement was filed in the Companies Register.

<u>Stage 3:</u> Objective evidence of impairment leading to a loan being classified in this stage can be:

<u>As a result of borrower arrears:</u>

- Transactions, any part of which (principal, interest or contractually agreed expenses) is more than 90 days past due, unless they should be classified as being written off. When the outstandings become less than 90 days past due, the transaction is moved out of Stage 3.

- Transactions of borrowers with other transactions with amounts more than 90 days past due that as a whole exceed 20% of the borrower's total exposure.

For reasons other than arrears:

- Transactions without amounts over 90 days past due but showing objective evidence of impairment:

    - Off-balance-sheet exposures whose payment by the Group is likely but whose recovery is doubtful.

    - Restructured transactions in which grace periods of more than 24 months are granted, refinancing transactions classified in Stage 3 at the time of restructuring or that comprise a second or subsequent refinancing. Restructured transactions in the probation period with amounts more than 30 days past due are also included provided they were in Stage 3 before the probation period.

    - Restructured transactions following a haircut and/or debt relief and transactions where the obligor has been granted a haircut and/or debt relief on another associated account.

    The classification of the restructured transactions classified in this stage is improved provided they pass the test to move restructured transactions out of this stage, meeting the following criteria:

    - That one year has elapsed since the later of the refinancing or restructuring date and the last date of being classified in Stage 3.

    - That the transactions are in the principal repayment period and principal and interest have been repaid in an amount equal to the past-due exposure at the later of the restructuring date and the date on which the exposure was classified as non-performing.

    - That the borrower does not have any other transactions with amounts more than 90 days past due.

- There are significant indicators raising doubts about whether the loan will be repaid, such as the borrower having negative equity, a generalised delay in payments or insufficient cash flow to settle debts, or an inadequate economic or financial structure.

- The borrower's financial position has deteriorated, putting the repayment of the loan into question, setting off an alert based on predictive models that reflect the customer's situation.

- Transactions of borrowers that have been declared to be in bankruptcy proceedings without applying for liquidation that do not meet the criteria to be classified in Stage 2.

Write-off: Includes transactions that are not covered by effective collateral securing at least 10% of the gross carrying amount of the transaction and that fulfil any of the following requirements:

- Transactions of borrowers in bankruptcy proceedings for which the liquidation phase has been declared.

- Transactions with arrears in this category for more than four years.

- Transactions that have been covered by an allowance or provision of 100% for over two years.

- Transactions for which it is considered, after expert analysis, that the possibility of recovery is remote due to manifest and irreversible deterioration of the solvency of the transaction or borrower.

<u>Individual classification criteria:</u>

Certain borrowers deemed to be significant given their exposure to default and borrowers that are not associated with a homogeneous risk group which could be classified using collective procedures are classified based on individual criteria, i.e. on a case-by-case basis. A team of specialist analysts analyse the various triggers indicating a significant increase in risk or objective evidence of impairment, and also determine if this has an impact on the cash flows that are expected to be recovered.

Methodology for calculating allowances and provisions for credit risk losses attributable to insolvency

For the purpose of calculating impairment losses due to credit risk, the Group follows the criteria established in Bank of Spain Circular 4/2017 to calculate the impairment of its loan portfolio, and therefore complies with the criteria set forth in International Financial Reporting Standard 9 (IFRS 9) for financial instruments and International Accounting Standard 37 (IAS 37) for financial guarantees and irrevocable loan commitments.

The criteria for calculating allowances and provisions depend on a transaction's classification, therefore 12-month expected losses are calculated for Stage 1, lifetime expected losses for Stage 2, and cash flows expected to be recovered for Stage 3.

The methodologies applied to determine loan loss allowances and provisions use the following criteria:

- **<u>Individual estimation of allowances and provisions (expert analysis):</u>**

For transactions classified in Stage 2 or Stage 3 of borrowers deemed to be individually significant, transactions or borrowers for which collective calculation methods cannot be used, or transactions deemed to have negligible risk classified in Stage 3.

Transactions with negligible risk are those whose borrower is:

- A central bank;
- A general government of a European Union country, including transactions those deriving from reverse repurchase agreements on government debt securities;
- The central government of a country classified in group 1 for the purpose of country risk; a deposit guarantee fund or resolution fund, provided its credit quality is such that it is equivalent to those of the European Union;
- A credit institution or specialised lending institution from a country of the European Union and, in general, from a country classified in group 1 for the purpose of country risk;
- A Spanish reciprocal guarantee company or government agency or enterprise from another country classified in group 1 for the purpose of country risk whose main activity is credit insurance or guarantees;
- A non-financial corporation considered to belong to the public sector.
- This category also includes advances on the following month's pensions or wages, provided the paying entity is a government agency and the wage or pension is direct credited to the Group, and advances other than loans.

The following assumptions are used to calculate allowances and provisions using case-by-case methods:

- **Going concern**: It is assumed that the business of the corporate borrower or individual borrower will continue and therefore the borrower will have regular cash flows to service its debt.

- **Business in liquidation:** This assumption is made when the estimate of the contractual flows receivable from borrowers or guarantors is subject to high uncertainty or is deemed not to be viable, with the cash flows from the activity being interrupted. In this case, allowances are calculated by estimating the recoverable amounts of the effective collateral received when the credit arrangement was formalised.

- **Mixed approach:** Considers the borrower's ability to generate cash flows and also the existence of non-operating assets.

- **Collective estimation of allowances and provisions**

Used for transactions that cannot be evaluated individually. Based on models developed internally to estimate the allowances and provisions needed as per the Group's existing portfolio, taking into account past experience and a range of possible scenarios: baseline, pessimistic and optimistic. These scenarios factor in various macroeconomic variables such as GDP, unemployment rate, changes in the CPI, and house prices, and are based on projections over three financial years. These scenarios are defined in house by the Group (baseline, pessimistic and optimistic scenarios) and are weighted using weightings determined by the Finance Department.

The Group also takes into account the prevailing rules on non-performing exposures when calculating these allowances and provisions:

- The ECB's guidance to banks on non-performing loans, known as the ECB's NPL Guidance, published in March 2017.

- The Addendum to the ECB's NPL Guidance to banks on non-performing loans published in March 2018, which sets out the supervisory expectations for prudential provisioning of non-performing exposures.

- The supervisory expectations for provisioning of existing non-performing exposures announced in the ECB's 11 July 2018 press release.

The Group's estimated macroeconomic scenarios are updated each year, based on the information available, including the probability of occurrence. A baseline scenario, an optimistic scenario and a pessimistic scenario are defined to reflect a certain range of outcomes due to improvement or deterioration in the economic situation. Probabilities are assigned to each scenario using a statistical methodology that specifies a probability of 50% for the baseline scenario, 30% for the optimistic scenario and 20% for the pessimistic scenario.

The three scenarios are summarised below:

- **Baseline scenario:** for 2024, in general outline, this scenario assumes lower economic growth, an improvement in inflationary pressure and a reduction in the unemployment rate.

  In this scenario, economic growth slows in 2024, reaching 1.6% year-on-year. The Spanish economy, however, accelerates in 2025 (1.9%) and remain at similar levels in 2026 (1.7%). The unemployment rate continues to trend downward, reaching 11.8% in 2024, dropping to 11.6% in 2025 and 11.5% in 2026. Inflation is also predicted to fall gradually, reaching 3.3% in 2024 and 2.1% in 2025 and falling below 2% in 2026 (1.9%).
  Throughout the study period, interest rates are assumed to continue the decline seen since the last quarter of 2023, in line with the market curve.

However, future trends in macroeconomic variables are subject to a variety of factors, including the behaviour of inflation and financing conditions, as well as events in foreign markets.

- **Pessimistic scenario:** This scenario assumes a further slowdown of the economy in 2024, with persistent inflation and rising unemployment.

  GDP growth is not expected to return 2023 levels over the projection horizon, with growth estimated at 1.3% in 2024, 1.5% in 2025 and 1.4% in 2026. Inflationary pressure continues in 2024, reaching 3.6%, and is not expected to reach the target stability level of 2% either in 2025 (2.4%) or in 2026 (2.1%). This results in a slower fall in interest rates, as the ECB adopts a more restrictive monetary policy. Meanwhile, the labour market contracts and unemployment rises to 12.3% in 2024, before resuming its downward path in 2025 (12.1%) and 2026 (12.0%).

- **Optimistic scenario:** This scenario assumes stable growth of the economy in 2024 and a decline in inflationary pressure and in the unemployment rate.

  GDP grows by 2.0% in 2024, then accelerates in 2025 (2.3%) and 2026 (2.1%). The inflation rate drops faster, reaching 2.6% in 2024 and dipping below 2% in 2025 (1.7%) and 2026 (1.5%). As a result, interest rates fall more quickly and steadily throughout the projection period. At the same time, the labour market remains strong and the unemployment rate falls over the 2024-2026 horizon (from 11.1% to 10.9%, then 10.8%).

The allowance and provision thus estimated is defined as the average expected loss depending on the various scenarios, the value of which is obtained using the following formula:

$$\text{Lifetime expected credit loss} = \sum_{K=0}^{M} \frac{\mathbf{PD\ (k) x\ EAD\ (k) x\ LGD\ (k)\ x\ Survival\ rate\ (k)}}{\mathbf{(1+EIR)^{k}}}$$

Where:

- **PD**: The probability of default over a time horizon of a year. Calculated for the whole transaction term starting with the 12M PD and projected PDs for the portfolio, thus including forward-looking information collated through the scenario projection models.
- **EAD**: Maximum loss the entity could incur in a transaction should the counterparty default and assuming that none of the guarantees associated with the transaction are recovered. Calculated for the entire transaction term, taking repayments into account.
- **LGD**: The loss in the event of a default. Based on projected estimates per portfolio to include forward-looking information drawn from the projection models used.
- **Survival rate:** Cumulative probability of survival.
- **EIR**: Discounting of cash flows to present value using the effective interest rate.
- **M**: Maximum period considered for transaction term in years. A value of zero is used for loans in Stages 1 and 3.

It should also be noted that lifetime expected credit losses for Stage 2 exposures are calculated using the contractual repayment schedule for each transaction and estimates of the prepayment rates of the different products and segments based on historical observation.

The Group has methodologies for backtesting or comparing the losses estimated using the internal models and actual losses. If any material differences are detected using these methodologies, they are modified internally to ensure the best possible estimates are generated.

However, the Group considers that since 2022 we have been facing an extraordinary situation at the macroeconomic level, caused by the war between Russia and Ukraine and aggravated during 2023 by the climb in inflation and the rise in interest rates in recent months. Given the resulting uncertainty as to the future behaviour of the main macroeconomic parameters and the ability of the real economy to respond positively, the Group has chosen to apply an additional, temporary adjustment (post-model adjustment) to the results of its internal models for the collective estimation of provisions, until the reasons for the adjustment disappear, so as to reflect the potential credit impairment that may arise. The implementation of these adjustments is subject to the governance principles established in the Group. The amount of the provisions linked to this additional, temporary post-model adjustment at 31 December 2023 is €75 million (€75 million at 31 December 2022).

Grupo Cooperativo Cajamar considers that applying a post-model adjustment is reasonable in the circumstances, since the available historical information used as a basis for estimating the aforementioned parameters does not include any observations of similarly high levels of inflation, making it impossible to develop an internal model that takes sufficiently accurate account of the impact.

Accrual of interest on transactions classified as non-performing exposures

The Group calculates the interest accrued on transactions classified as non-performing exposures, taking it to the statement of profit or loss, using the effective interest rate applied to the amortised cost of the transactions, i.e. adjusted by any allowance for impairment losses. Delay interest and risk-weighted interest rates are not factored in when calculating the effective interest rate.

Country risk

Similarly, debt instruments not designated at fair value through profit or loss and off-balance sheet exposures, irrespective of the customer, are analysed to determine the credit risk attributable to country risk.

Country risk is understood as the risk attaching to customers resident in a specific country due to circumstances other than normal business risk.

In order to calculate allowances and provisions for country risk, the Group first classifies the counterparty's country of residence into different groups according to its political situation, economic performance, ability to pay and repayment track record.

These allowances and provisions are estimated in addition to the allowances and provisions for credit risk, such that any risk not covered by the recoverable amount of effective collateral or allowances and provisions for insolvency risk is covered by the allowances and provisions for country risk. The latter is obtained by applying the percentages of coverage stipulated in Bank of Spain Circular 4/2017 for the group into which the country in question has been classified and based on the credit risk classification.

Colateral and guarantees

The Group considers that collateral and personal guarantees are effective guarantees provided they are shown to be valid as a means of mitigating credit risk. No collateral or guarantees whose effectiveness depends substantially upon the credit quality of the debtor shall be deemed valid.

Based on the foregoing, pledges or mortgages on the following items are considered to be effective collateral and guarantees:

- Buildings and finished constructions, distinguishing between:
    - Housing
    - Offices, retail units and multi-use facilities

    - Other buildings, such as single use premises and hotels
- Urban land and regulated building land
- Rural properties, distinguishing between:
    - Intensive horticulture operations
    - Other agricultural operations
- Other properties, such as:
    - Buildings under construction
    - Components of buildings under construction
    - Other land
- Pledges of financial instruments
- Other collateral, such as moveable assets pledged as collateral, second and subsequent mortgages on properties when these are effective
- Personal guarantees provided they cover the total amount of the transaction and direct and joint and several liability falls on the guarantor.

These guarantees and collateral are appraised in accordance with the requirements set forth in prevailing legislation, using appraisal firms listed in the Bank of Spain's Official Register of Appraisal Companies, after being approved by the Group as being independent from the Group.

Real estate collateral securing credit transactions and properties is appraised when the credit is awarded or the assets are recognised on the balance sheet following their acquisition, foreclosure or surrender in payment of debt. They are subsequently re-appraised as per minimum frequencies of appraisal:

- In the event of significant drops in value.
- Annually for assets classified in Stage 2 or 3 and assets foreclosed or received in payment of debt.
- Every three years for high-value assets in transactions classified in Stage 1.

Re-appraisals may be performed using annual statistical valuations or direct appraisals, depending on the asset's classification, the type of collateral and time elapsed since the last direct appraisal.

In order to estimate allowances and provisions for credit risk losses, internal methodologies have been developed to calculate the recoverable amount of real estate collateral, which adjust appraisal values using discounts that factor in potential falls in value up to the time of foreclosure and sale, plus foreclosure costs, maintenance costs and costs to sell.

Real estate assets foreclosed or received in payment of debt

The Group recognises assets received in payment of debt at the lower of the carrying amount of the financial assets applied, i.e. their amortised cost less estimated impairment, and their fair value at the date of foreclosure or receipt of the asset (using full individual appraisals), less estimated costs to sell. The net amount of both items is considered to be the initial cost of the asset received.

The Group calculates the difference between the carrying amount of the foreclosed asset and its fair value, less costs to sell when determining the amount of impairment at a date after foreclosure or receipt in lieu of payment. A new appraisal of the asset is obtained to determine its fair value. Following an expert review, additional coverage may be required.

Impairment losses are recognised in "Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" on the statement of profit or loss, calculated individually for those that continue to be held after the deadline initially established for their sale.

In order to estimate allowances and provisions for losses on assets foreclosed or received in payment of debt, internal methodologies for determining the recoverable amount have been developed that adjust the value of these assets until they are sold.

3.4. Hedge accounting

A hedge is a financial technique through which one or more financial instruments – known as hedging instruments – are designated to hedge a specifically identified risk that can have an impact on the recognition of income and expenses as a result of variations in the fair value or cash flows of the hedged items.

The Group uses financial derivatives traded on organised markets or traded bilaterally with the counterparty over the counter, using interest rates, certain indexes, the prices of certain securities, the exchange rate for certain currencies or other similar references.

Financial derivatives are used to trade with customers who request them in order to manage the risks attaching to the Group's own positions (hedging derivatives) or in order to leverage changes in the relevant prices. Financial derivatives that may not be considered hedges are regarded as derivatives held for trading.

The conditions under which a financial derivative may be regarded as a hedge are as follows:

- The financial derivative should cover (i) the risk of changes in the value of assets and liabilities due to fluctuations in the interest rate and/or exchange rate (fair value hedges); (ii) the risk of changes in estimated cash flows resulting from financial assets and liabilities, highly probable forecast commitments and transactions (cash flow hedges); or (iii) the risk of a net investment in a foreign operation (hedging of net investment in foreign operations).

- The financial derivative should effectively eliminate any risk attaching to the component or position hedged over the entire expected hedging period. This means that since the contract date the expectation is that it will be highly effective (prospective effectiveness) and there is sufficient evidence that the hedge has been effective during the life of the hedged asset or position (retrospective effectiveness). This evidence is obtained when the results of the hedge have ranged between 80% and 125% compared with the result of the hedged item.

  The Group ensures the prospective and retrospective effectiveness of its hedges by performing the relevant effectiveness test using the regression method. Regression analysis is a statistical technique used to analyse the relationship between variables. A simple linear regression may demonstrate, based on past data, that a derivative instrument is (retrospective evaluation) or probably will be (prospective evaluation) highly effective at offsetting changes in the fair value of the flow of the hedged item.

- Proper documentary evidence must be kept to show that the financial derivative was contracted specifically as a hedge for certain specific balances or transactions, as well as of the way in which such effective hedging was intended to be achieved and measured, as long as the method used is consistent with the Group's management of its own risks.

Hedges of interest rate risk may be applied to individual items or balances or to portfolios of financial assets and liabilities exposed to this risk. In the latter case, the set of financial assets or liabilities to be hedged must share a common type of risk, this requirement being understood to be fulfilled when the sensitivity of the individual elements hedged to interest rate changes is similar.

The Group classifies its accounting hedges based on the type of risk that are covered as fair value hedges, cash flow hedges and hedges of net investments in foreign operations, as per the following criteria:

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

  The gain or loss that arises from the fair value measurement of hedging instruments as well as that attributable to the hedged risk is immediately recognised on the statement of profit or loss, even when the hedged item is measured at amortised cost or it is a financial asset included in the available-for-sale financial assets category.

  When the hedged item is measured at amortised cost, its carrying amount is adjusted by the amount of the gain or loss recognised on the statement of profit or loss as a result of the hedge. Once this item ceases to be hedged against changes in its fair value, the amount of the adjustment is recognised on the statement of profit or loss using the effective interest rate method recalculated at the date on which it ceases to be adjusted, and it must be fully amortised at the maturity date of the hedged item.

- Cash flow hedges: hedges of the exposure to variability in cash flows attributable to a particular risk associated with a recognised financial asset or liability or component thereof (such as all or one of the future interest payments on a floating rate debt), or a highly probable forecast transaction, provided that it may affect profit or loss for the period.

  The gain or loss that arises from measuring the fair value of a hedging instrument (on the effective portion of the hedge) is recognised temporarily under “Accumulated other comprehensive income” in equity. The value of the instrument relating to the ineffective portion of the hedge is recorded immediately on the statement of profit or loss.

  Accumulated gains and losses on hedging instruments recognised under “Accumulated other comprehensive income” in equity remain in that account until recorded on the statement of profit or loss in the periods in which the items designated as hedges affect that account, unless the hedge relates to a forecast transaction that ends in the recognition of a non-financial asset or liability, in which case the amounts recorded in equity are included in the cost of the asset or liability when it is acquired or assumed. If all or part of a loss temporarily taken to equity is not expected to be recovered in the future, its amount is immediately reclassified to the statement of profit or loss.

  When the hedge is discontinued, the accumulated result of the hedging instrument recognised under “Accumulated other comprehensive income” in equity while the hedge was effective continues to be recorded under that heading until the hedged transaction takes place, at which time the criteria indicated in the preceding paragraph are applied, unless the expectation is that the transaction will not take place, in which case it is immediately recognised on the statement of profit or loss.

- Hedges of net investments in foreign operations: the gain or loss that arises from measuring the fair value of a hedging instrument (on the effective portion of the hedge) is recognised directly under “Valuation adjustments” in equity. The rest of the gain or loss on the instrument is immediately recognised on the statement of profit or loss.

Gains and losses on hedging instruments recognised directly in equity remain in equity until they are disposed of or are written off the balance sheet, at which time they are taken to profit or loss.

The Group uses hedge accounting, primarily, to hedge its exposure to changes in the fair value of its financial instruments as a result of the following underlyings:

- Interest rate: fundamentally certain liabilities pegged to a fixed interest rate.
- Market: certain structured liabilities for which the remuneration is linked to index performance.

The instruments used to apply these hedges are fundamentally interest rate swaps, equity swaps and index options (Note 9). Note 6 describes the policies established by the Group to manage the risks to which it is exposed.

3.5. Transfers and derecognition of financial assets

A financial asset will be written off the Group's balance sheet only when one of these circumstances arises:

- When all the contractual rights to the cash flows it generates have expired.
- When all the contractual rights to receive the cash flows it generates are transferred, or even when retaining these rights, a contractual obligation exists to pay the cash flows to the assignees.
- When, even if the risks and rewards are neither substantially transferred nor retained, control over the financial asset is transferred following an evaluation of the risks and rewards as described below.

The term *transferred financial asset* is used to describe all or part of a financial asset or group of similar financial assets.

Transfers of financial instruments are recognised taking into account the manner in which the risks and rewards associated with the financial instruments are transferred, on the basis of the following:

- If substantially all the risks and rewards are transferred to third parties, such as in unconditional sales, sales under repos at fair value on the repurchase date, sales of financial assets with a call option acquired or put option issued that is deeply out of the money, and asset securitisations in which the assignor retains no subordinated financing and does not grant any type of credit enhancement to the new holders, the financial instrument transferred is written off the balance sheet and at the same time any right or obligation retained or created as a result of the transfer is recognised.
- If substantially all the risks and rewards associated with the financial instrument being transferred are retained, as in the case of sales of financial assets with buy-back agreements at a set price or for the sale price plus interest, securities lending agreements where the borrower is required to return the same or similar assets, and transfers in which the Group retains subordinated financing that substantially absorbs expected losses, the financial instrument transferred is not written off the balance sheet and continues to be measured using the same criteria used before the transfer. Nonetheless, the associated financial liability is recognised for accounting purposes for an amount equal to the consideration received which is measured subsequently at amortised cost, together with the income from the financial asset transferred but not written off and the expenses relating to the new financial liability.
- If some, but not substantially all, of the risks and rewards associated with the financial instrument are transferred, as in the case of sales of financial assets with call and put options that are neither deeply in nor deeply out of the money, securitisations of assets where the assignor assumes subordinate financing or any other kind of credit enhancement for a part of the asset transferred, a distinction is made between the following:
    - The Group does not retain control of the transferred financial instrument, in which case it is written off the balance sheet and any right or obligation retained or created as a result of the transfer is recognised.

- The Group retains control of the transferred financial instrument, in which case it continues to recognise it for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net amount of the asset transferred and the associated liability will be the amortised cost of the rights and obligations retained if the asset transferred is measured at amortised cost, or the fair value of the rights and obligations retained if the asset transferred is measured at fair value.

Therefore, financial assets are only written off the balance sheet when the cash flows that they generate have been extinguished or when substantially all implicit risks and rewards have been transferred to third parties.

Similarly, financial liabilities are only written off the balance sheet when the obligations arising therefrom have been extinguished or when they are acquired with the intention of cancelling them or placing them again.

The Group applies the requirements described above to all transactions to derecognise financial assets and liabilities that arise, other than derivative instruments, as from the years commencing 1 January 2004. Financial assets and liabilities arising from transactions conducted before 1 January 2004, other than derivative instruments, written off as a result of the above rules, are not recognised unless they must be recorded as a result of a subsequent transaction or event. The allowances or provisions recognised to cover the contributions to securitisation funds, subordinated securities, financing and credit commitments of any kind that, upon liquidation of those funds, rank below unsubordinated securities in the order of creditors, will be released in proportion to the redemption of the financial assets, unless there is any new evidence of impairment, in which case the allowances or provisions necessary to cover them are made

3.6. Financial guarantees, loan commitments and other commitments given

The contracts under which the Group undertakes to pay specific amounts for a third party in the event of non-payment by the latter, are considered to be financial guarantees irrespective of their legal form, including, inter alia, a deposit, financial guarantee and irrevocable documentary credit issued or confirmed by the Group, insurance policies and credit derivatives in which the Group acts as a seller of protection.

Financial guarantees are classified on the basis of the insolvency risk attributable to the customer or transaction, and, if appropriate, the need for provision is estimated through the application of criteria similar to those indicated in Notes 3.1 and 3.3 for debt instruments measured at amortised cost.

When the Group issues this type of contract, they are recognised under the heading “Financial liabilities measured at amortised cost – Other financial liabilities” on the liability side of the balance sheet at fair value, plus transaction costs that are directly attributable to their issue (Note 8.7.5) and, at the same time, under the heading “Loans and advances” (Note 8.6.2) at the present value of the future cash flows to be received by using, for both items, a discount rate similar to that for financial assets granted by the Group to a counterparty with a similar term and risk.

Subsequent to their issue, the value of the contracts recognised under “Loans and advances – Customers” will be updated, recognising the differences as finance income, and the fair value of the guarantees recognised under “Financial liabilities measured at amortised cost – Other financial liabilities” will be attributed on a straight-line basis over their useful life to fee and commission income.

In the event that a provision needs to be recognised for financial guarantees, any unpaid fees and commissions recorded under “Financial liabilities measured at amortised cost – Other financial liabilities” on the liability side of the accompanying balance sheet are reclassified to the corresponding provision.

Loan commitments are irrevocable commitments, or revocable only in the case of a significant adverse change, to provide financing under certain previously stipulated terms and conditions, such as balances drawable by third parties within limits pre-established by the Group. Loan commitments given are recognised at fair value, i.e. the value of the consideration received, unless: (i) they meet the definition of a derivative because they can be settled net, in cash or by delivering or issuing another financial instrument; or (ii) they are contracts that are classified as financial liabilities designated at fair value through profit or loss.

Other commitments given are off-balance sheet exposures that do not meet the definition of a loan commitment or financial guarantee. These exposures include non-financial guarantees. Non-financial guarantees are deposits or guarantee contracts under which the Group is obligated to compensate a beneficiary in the event of non-compliance with a specific obligation other than a payment obligation by a specific debtor of the beneficiary, such as the cash bonds provided to ensure the participation in auctions and public tenders, or the proper completion of a project or transaction or any other type of technical guarantee, including irrevocable formal undertakings to provide bank guarantees and letters of guarantee when required by law.

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

This balance sheet heading includes the carrying amount of the individual items included in a disposal group or which are part of the business unit that is intended to be sold (discontinued operations) that do not form part of operations, where there is a high probability that the sale will be made, under the conditions in which said assets are currently to be found, within one year from the reporting date. This applies unless, due to circumstances or events beyond the institution's control, the time frame needed to carry out the sale has to be extended and there is sufficient evidence that the institution still intends to go ahead with the plan to sell the asset.

Therefore, the carrying amount of these items, which may be financial and non-financial in nature, will presumably be recovered through the price obtained on their disposal and not through their continuing use.

The real estate assets or other non-current assets received by the Group from debtors in lieu of payment are classified as non-current assets held for sale, unless the Group has decided to use these assets on an on-going basis.

Furthermore, "Liabilities included in disposal groups of assets classified as held for sale" include the payables deriving from the Group's disposal groups and discontinued operations.

Assets classified as "Non-current assets and disposal groups of assets classified as held for sale" are generally measured at the lower of the carrying amount at the time of their consideration as such and fair value less estimated costs to sell. While they are classified as "Non-current assets and disposal groups of assets classified as held for sale", non-current assets and disposal groups of assets classified as held for sale are not depreciated.

If the carrying amount of the assets exceeds their fair value less estimated costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to "Profit or (-) loss from non-current assets held for sale not qualifying as discontinued operations" on the statement of profit or loss. If the fair value of such assets subsequently increases, the Group reverses the losses previously recognised and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with a credit to "Profit or (-) loss from non-current assets held for sale not qualifying as discontinued operations" on the statement of profit or loss.

The results in the year of those components of the Group classified as discontinued operations are recorded under "Profit or loss after tax from discontinued operations" on the statement of profit or loss both if the Group component has been derecognised from assets and if it is still included under assets at year-end.

When, exceptionally, the sale or handover to owners is expected to take place in a period of more than one year, the institution measures the costs to sell or distribution costs in revalued terms, recognising the increase in value due to the passage of time under "Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" on the statement of profit or loss.

Assets foreclosed or received in payment of debts

Assets foreclosed or received in payment of debts are assets the Entity receives from its borrowers or other debtors in full or partial payment of financial assets representing rights to collect from them.

The fair value of the real-estate assets foreclosed or received in payment of debts at the time of the foreclosure or when they are received must be estimated, using as a reference, the market value of the assets obtained from a full individual appraisal, in compliance with the requirements established in Bank of Spain Circular 4/2017.

3.8. Investments in subsidiaries, joint ventures and associates

Details of the Entity's investments, as well as its most relevant information, are included in Note 11 and Appendix I. The Entity classifies its investments in subsidiaries, joint ventures or associates according to the following criteria:

- **Subsidiaries**: are the investees which, together with the Entity, form a group of entities since they constitute a decision-making unit. The Entity presumes that a decision-making unit exists when it holds a majority of voting rights, it has the power to appoint or remove the majority of the members of the governing board, and may have, by virtue of agreements reached with other shareholders, the majority of voting rights or has exclusively designated the majority of the members of the governing board.

- **Joint ventures:** are investees that are not subsidiaries and that are jointly controlled by two or more entities, including the Entity or other Group entities, under a contractual agreement.

- **Associates:** are investees in which the Entity, either on its own or together with other Group entities, has significant influence and which are not subsidiaries or joint ventures. To determine whether significant influence exists the Entity considers, among other factors, representation on the board of directors or equivalent management body at the investee, participation in the process of establishing policies, including those relating to dividends and other distributions, the existence of significant transactions between the Entity and the investees, and the exchange of senior management personnel and supply of essential technical information.

Investments in subsidiaries, joint ventures and associates are recorded at cost and are adjusted for impairment losses if there is evidence of impairment. To calculate impairment losses, the Entity compares the recoverable amount (the higher of fair value less costs to sell and value in use) with the carrying amount. Impairment losses and any recoveries in value revealed through this valuation are recognised immediately in the Entity's statement of profit or loss.

3.9. Tangible assets

Tangible assets includes the amounts for buildings, land, furnishings, vehicles, computer equipment and other installations owned by the Group or acquired under finance leases. Tangible assets are classified based on their use as: property, plant and equipment for own use, other assets assigned under operating leases, property, plant and equipment linked to the Education and Development Fund and investment property.

Tangible assets for own use includes mainly offices and bank branches, both built and under construction, in the Group's possession.

The cost of tangible assets includes the payments made, both at the time of their acquisition and production, and subsequently if there is any expansion, replacement or improvement, if it is considered likely that future profits will be obtained from their use. In accordance with IFRS 1 and paragraph B).6. of Transitional Provision One of Bank of Spain Circular 4/2004 and subsequent amendments thereto, regarding the first-time application of this circular, the cost of acquisition of unrestricted property, plant and equipment for own use includes their fair value at 1 January 2004, which is their deemed cost at that date. That fair value at 1 January 2004 was obtained based on independent expert valuations. Tangible assets deriving from business combinations are stated at fair value at the date of the combination, and this is their new deemed cost (Note 3.24).

For foreclosed assets included under property, plant and equipment, the acquisition cost is the net amount of the financial assets delivered in exchange for the foreclosure.

The acquisition or production cost of tangible assets, except for plots of land (which are considered to have an indefinite life and therefore are not depreciated), net of their residual value is amortised on a straight-line basis over their estimated useful lives.

	Years of Useful Life	Annual depreciation rate
Buildings	50-75	2% - 1.33%
Furniture	3-15	33% - 6.6%
Plant	5-20	20% - 5%
Computer hardware	3-8	33.3% - 12.5%
Vehicles	6-9	17% - 11%

At least a year at year-end, the Group reviews the estimated useful lives of property, plant and equipment for own use in order to detect significant changes in the same which, if any, are adjusted through the relevant adjustment to the amount recorded in future statements of profit or loss in respect of the depreciation charge in accordance with the new estimated useful life.

Repair and maintenance expenses that do not extend the asset’s useful life are charged to the statement of profit or loss for the year in which they are incurred.

Finance costs incurred on the financing of the acquisition of tangible assets, do not increase the acquisition cost and are recorded on the statement of profit or loss for the year in which they accrue, except for tangible assets that require more than one year to be readied for use, for which the acquisition price or production cost includes the finance costs that had accrued before the assets entered into operation or have been charged by the supplier or relate to external financing directly attributable to the acquisition.

Assets acquired under deferred payment arrangements are recognised at an amount equal to the cash price and a liability is recorded for the same amount that has yet to be paid. In cases where the deferral exceeds the normal deferral period (180 days for buildings and 90 days for all others), the expenses deriving from the deferral are discounted from the acquisition cost and are taken to the statement of profit or loss as a finance cost.

Tangible assets are written off the balance sheet when they are disposed of, even when assigned under a finance lease or when permanently withdrawn from use and no economic benefits are expected to be received in the future for their disposal, assignment or abandonment. The difference between the sale price and the carrying amount is recognised on the statement of profit or loss in the period in which the asset is derecognised.

The Group regularly determines whether or not there is any internal or external indication that an item of property, plant and equipment could be impaired at the reporting date. It estimates the recoverable amount of the asset, which is understood to be the higher of: (i) fair value less costs to sell and (ii) value in use. If the recoverable amount determined in this manner is less than the carrying amount, the difference is recognised on the statement of profit or loss, reducing the carrying amount of the asset to its recoverable amount.

The main accounting policies applied to assets assigned under operating leases, non-current assets and disposal groups of assets classified as held for sale, and assets linked to the Education and Development Fund coincide with those described for property, plant and equipment for own use referred to in this note.

Capital expenditures on property, plant and equipment correspond to the net values of the land, buildings and other constructions the Group holds to lease out or to earn a capital gain on their sale as a result of future increases in their respective market prices.

3.10. Intangible assets

Intangible assets are non-monetary assets, which are identifiable but have no physical substance. Intangible assets are considered identifiable when they may be separated from other assets because they may be sold, leased or disposed of individually or they derive from a contract or other type of legal business. An intangible asset is recognised when, in addition to conforming to the above definition, the Entity considers the flow of economic benefits from that asset probable and its cost may be reliably estimated.

Intangible assets are recognised initially at cost (either acquisition cost or production cost) and are subsequently measured at cost less any accumulated amortisation and any impairment loss.

Intangible assets are amortised using criteria similar to those used for tangible assets with a duration of between 3 and 35 years.

In any event, the Entity records any impairment loss in the recognised value of these assets as an expense in the statement of profit or loss. The criteria for recognising impairment losses on these assets and, if appropriate, the reversal of impairment losses recorded in prior years are similar to those for property, plant and equipment.

Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill sometimes arises from the significant synergies and economies of scale expected from combining the operations of two or more businesses. Where goodwill is to be recognised, it will be recognised and measured in accordance with the provisions for business combinations (Note 3.24). Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. Goodwill is allocated to the CGUs that are expected to benefit from the business combination in which the goodwill arose.

Impairment losses in respect of goodwill are not reversed in subsequent periods.

3.11. Leases

At inception of a contract, it shall be assessed whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises lease contracts according to the economic substance of the arrangement, irrespective of its legal form, initially classifying them as "Finance leases" or "Operating leases".

If following recognition of the contract, the lessor and lessee agree to change the terms thereof leading to a change in its classification, the revised contract will be treated as a new lease for the remainder of the lease term.

- **Finance leases**

In the case of contrats classified as finance leases, the amounts to be recognised on commencement of the lease term will be determined. The commencement date will, in all cases, be the date from which the lessee has the right to use the leased asset, i.e. when all the risks and rewards incidental to ownership of the leased asset are substantially transferred. This is normally when:

a) At the end of the lease term, ownership of the asset is transferred, or it is deduced that it will be transferred, to the lessee; in particular when there is an option to purchase the asset at a price that is notably lower than the fair value at the date the option is exercised.

b) At the inception date, the present value of the lease payments to be made, excluding contingent payments, for services and taxes amounts to at least substantially all of the fair value of the leased asset.

c) The lease term is for the majority of the economic life of the asset even if title of the asset is not transferred.

d) The leased asset is of such a specialised nature that only the lessee can use it without major modifications.

e) The lessee can cancel the lease, bearing the lessor's losses associated with the cancellation.

f) Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee.

g) The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

The assets transferred under a finance lease are recognised on the lessor's balance sheet as credits to lessees at an amount equal to the net investment in the lease, which is equal to the discounted value of the balances the lessor is due to receive from the lessee over the lease term plus any residual value whose payment to the lessor has been guaranteed, directly or indirectly, excluding contingent payments.

Lease payments received, including those corresponding to guaranteed residual value, are discounted using the interest rate implicit in the lease using the fair value of the leased asset at the acquisition or production date, plus any initial direct costs borne by the lessor. The Group recognises finance income on the statement of profit or loss using the effective interest rate method, such that a constant return is obtained on the lessor's net investment.

As lessee and at the start of any finance leases, an asset is recognised on the balance sheet according to the nature of the underlying asset, along with a liability for the same amount, which is equal to the lower of :

a) The fair value of the leased asset, or

b) The discounted value of the payments to be made over the lease term, including the purchase option if the exercise price is expected to be lower than the asset's fair value at the exercise date, plus any sum guaranteed directly or indirectly by the lessee, excluding contingent payments and service costs and taxes passed on by the lessor.

The present value of these items is calculated using the interest rate implicit in the lease as the discount rate or, if this cannot be determined, the interest rate payable in a similar lease arrangement or, otherwise, the interest rate on the funds needed to purchase the asset in similar circumstances. Initial direct costs for the lessee are included at the amount initially recognised as an asset. The finance charges of discounting the payments included in the lease instalments are distributed over the term of the lease using the effective interest rate method, while contingent payments are expensed on an accruals basis. Any lease contracts that are not finance leases are classified as operating leases.

- **Operating leases**

Any lease contracts that are not finance leases are classified as operating leases.

Lessors recognise on their balance sheets the assets transferred through operating leases according to their nature and take the lease income to profit or loss on a straight-line basis over the lease term. On the other hand, initial direct costs assumed are added to the leased asset's carrying amount and expensed over the lease term using the same criteria used to recognise lease income. The depreciation charge for the leased asset is expensed as per the Group's general depreciation policy for similar assets according to the nature of the leased asset in question.

Under Circular 4/2017 a lessee is required to post almost all operating lease contracts on the balance sheet, recognising a right-of-use asset representing its right to use the leased asset and a lease liability representing its obligation to make lease payments. The only exceptions allowed under this standard are short-term leases or leases with underlying assets of low value, the payments of which are expensed directly against profit or loss. The Group considers leases with a term of 12 months or less to be short-term leases, while low-value underlying assets include IT equipment and small items of office furniture.

Pursuant to this standard, operating lease assets and liabilities are initially measured at present value. Lease liabilities therefore include the present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments tied to an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, as well as payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate. Holding the liability will require subsequent measurement similar to that for a financial liability, and will therefore result in a finance expense. This expense will be taken to profit or loss during the lease term to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The interest expense will be recognised on a declining-balance basis.

On the other hand, right-of-use assets are measured at cost, comprising:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received; and
- An estimate of any initial direct costs, and costs of dismantling, restoring or removing the underlying asset to meet the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term.

Depending on the nature of the new right-of-use asset recognised under Circular 4/2017, the Group will use pertinent prudential treatment, i.e. if it concerns a right to use an underlying tangible asset, the risk weighting for the specific type of asset must be applied; in the case of a right to use an underlying intangible asset (as determined in article 36.1.b) of Regulation (EU) No 575/2013, a capital deduction must be made.

Assets transferred to Group entities through operating lease agreements are recognised in the Entity's individual financial statements as investment property, whereas in the consolidated financial statements they are treated as assets for own use.

The accounting treatment for impairment losses and derecognitions is described in Note 12 to the accompanying annual accounts.

3.12. Foreign currency transactions

The euro has been considered as the functional and presentation currency for the purpose of preparing the annual accounts. Foreign currency is any currency different to the euro.

At initial recognition, receivables and payables in foreign currency are converted to euros using the spot exchange rate. Subsequently, the following rules are applied to translate balances denominated in foreign currency to euro:

- Monetary assets and liabilities have been converted into euro using the average official spot exchange rates published by the European Central Bank at the closing date for each year.

- Non-monetary items valued at historical cost are converted at the exchange rate prevailing on the date of acquisition.

- Non-monetary items valued at fair value are converted at the exchange rate prevailing on the date on which the fair value is determined.

- Income and expenses are converted at the exchange rate on the transaction date.

- Amortisation and depreciation charges are converted at the exchange rate applied to the related asset.

Exchange differences arising from the translation of balances in foreign currency are recognised on the statement of profit or loss, except differences arising in non-monetary items at fair value. In this case, fair-value adjustments are recognised in equity, breaking down the exchange-rate component and the revaluation of the non-monetary item.

3.13. Other provisions and contingent liabilities

The Entity makes a distinction between provisions and contingent liabilities. The Entity's present obligations resulting from past events are considered provisions when their nature is clearly defined at the date of the financial statements but the amount or timing of settlement are not defined, and upon the maturity of which and in order to settle them the Entity expects an outflow of resources which embody economic benefits. Such obligations may arise due to the following:

- A legal or contractual obligation;

- A tacit or implicit obligation deriving from the creation by the Entity of a valid expectation on the part of third parties with regard to its discharge of certain responsibilities. Such expectations are created when the Entity accepts responsibility publicly, and they derive from past conduct or business policies that are public knowledge;

- The virtually certain development of certain aspects of legislation, in particular, legislative bills which the Entity will be unable to circumvent.

The Entity's possible obligations resulting from past events, the existence of which is conditional on the occurrence or otherwise of one or more future events beyond the Entity's control, are contingent liabilities. Contingent liabilities include present obligations, the settlement of which is unlikely to give rise to a decrease in resources that embody economic benefits or the amount of which, in extremely rare cases, cannot be sufficiently reliably quantified.

Provisions and contingent liabilities are classified as probable when the likelihood of occurrence is greater than that of non-occurrence, possible when the likelihood of occurrence is less than that of non-occurrence, and remote when their occurrence is extremely rare.

The Entity includes in the annual accounts all significant provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the annual accounts. Instead, they are disclosed in the notes thereto, unless the possibility of their giving rise to an outflow of resources embodying economic benefits is considered remote.

Restructuring costs are recognised when the Entity has a present obligation, whether legal or constructive, as a result of past events, it is probable that an outflow of resources will be necessary to settle the obligation and the amount may be reliably estimated. The provisions for restructuring include the amounts payable to employees as a result of the termination of employment contracts.

Provisions are quantified taking into account the best available information concerning the consequences of the event that originated them and are estimated at each accounting close. Provisions are only used for the specific expenditures for which they were originally recognised and they are reversed, in part or in full, when the originating obligations cease to exist or they diminish.

At 31 December 2023 and 31 December 2022, a number of legal proceedings and claims had been initiated against the Entity, arising in the ordinary course of business. The Entity's legal advisors and its directors understand that the outcome of these proceedings and claims will not have a significant effect, in excess of any provision recognised, on the annual accounts for the years in which they are concluded (Notes 14.3 and 14.4).

3.14. Education and Development Fund

The contributions the Entity makes to the Education and Development Fund are of two different kinds, namely:

I. Mandatory contributions which are recognised as an expense for the year. Under article 57.3 of the Entity's Bylaws, the mandatory contribution to the Education and Development Fund is set at 10% of the distributable surplus (Note 5).
II. Additional contributions, which are recognised as an allocation of profit.

Grants, donations and other assistance linked to the Education and Development Fund in accordance with the law and funds arising from the levying of fines on members in relation to the Fund are recognised as cooperative income and are allocated to the Fund in the same amount.

Expenses arising from the Education and Development Fund are presented on the balance sheet as a deduction from "Other liabilities – Education and Development Fund" and under no circumstances are they charged to the statement of profit or loss.

Tangible assets and liabilities associated with community projects are presented in separate headings on the balance sheet.

3.15. Exchanges of assets

Tangible and intangible asset swaps are acquisitions of assets of that nature in exchange for the delivery of other non-monetary assets or a combination of monetary and non-monetary assets, except for foreclosed assets, which are treated as "Non-current assets and disposal groups of assets classified as held for sale".

An asset received in an asset swap is recognised at the fair value of the asset delivered plus any monetary consideration delivered in exchange, unless there is clearer evidence of the fair value of the asset received.

3.16. Minimum capital requirement

As Parent of Grupo Cooperativo Cajamar ("GCC") and being a Spanish credit institution, Banco de Crédito Social Cooperativo, S.A. is subject to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("CRD IV"), subsequently amended by Directive (EU) 2019/878, of 20 May 2019 ("CRD V").

CRD IV was transposed into Spanish law, during its initial phase, by virtue of Royal Decree-Law 14/2013, of 29 November. This transposition was completed thereafter with the publication of Circular 2/2014, Circular 2/2016, Act 10/2014, and Royal Decree 84/2015. CRD V was transposed by way of Royal Decree-Law 7/2021, of 27 April.

The rules governing the composition of eligible own funds and the levels of capital GCC is required to have are laid down in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("CRR"), subsequently amended by Regulation (EU) 2019/876, of 20 May 2019 ("CRR II") and Regulation (EU) 2020/873, of 24 June 2020 ("CRR Quick Fix") as regards certain adjustments in response to the COVID-19 pandemic.

The key component of the European bank recovery and resolution framework is Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms ("BRRD"), subsequently amended by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 ("BRRD II"). These directives were transposed into Spanish law through Act 11/2015, of 18 July, and Royal Decree 7/2021, of 27 April.

These directives and the regulation, along with the various guidelines and implementing technical standards of the European Banking Authority (EBA) comprise the central regulatory solvency framework for credit institutions in the Spanish legal system.

This central regulatory solvency framework has a three-pillar structure:

- Pillar I establishing minimum capital requirements:
    - Common Equity Tier 1 (CET1) ratio: 4.5%
    - Tier 1 Capital (T1) ratio: 6%
    - Total Capital ratio: 8%

  However, it should be noted that the regulators may exercise their powers under the new regulatory framework and require institutions to retain additional levels of capital (Note 19).

- Pillar II defining the procedures for internal capital adequacy self-assessments and supervision.

- Pillar III setting out the procedures for reporting to the market.

On the supervision side, the approval of Council Regulation (EU) No. 1024/2013 of 15 October 2013 (Regulation (EU) No. 1024/2013) entailed a pivotal change in Europe, as it led to the creation of the Single Supervisory Mechanism (SSM), comprising the ECB and the competent national authorities, including the Bank of Spain.

The SSM is one of the pillars of the Banking Union, together with the Single Resolution Mechanism and a harmonised deposit guarantee scheme. The three pillars are based on two sets of regulations applicable to all the Member States: capital requirements for credit institutions (Regulation (EU) No. 575/2013 and Directive 2013/36/ EU) and the provisions on the restructuring and resolution of credit institutions and investment firms (Directive 2014/59/EU).

Bank of Spain Circular 2/2016, of 2 February, included a definition of competent authority, which will be the ECB or the Bank of Spain, as per the allocation and distribution of competences stipulated in Regulation (EU) No. 1024/2013 and completed by Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities.

In general terms, the entry into force of the SSM entailed the reassignment of supervisory responsibilities from the national arena to the ECB. Since 4 November 2014, the ECB has been responsible for direct supervision of the significant institutions and the Bank of Spain for direct supervision of the less significant institutions. Additionally, other supervisory functions not attributed to the ECB, and supervision of certain institutions not included in the definition of a credit institution, are still performed by the Bank of Spain.

Lastly, Regulation (EU) No 575/2013 stipulates that the competent authorities may fully or partially exempt institutions belonging to consolidated groups from the obligation to comply individually with the requirements of this Regulation. Accordingly, the Bank of Spain's Executive Committee recognised Grupo Cooperativo Cajamar as an Institutional Protection Scheme and consolidated group of credit institutions, thus exempting the entities in the Group institutions from the fulfillment of capital requirements on an individual basis. Grupo Cooperativo Cajamar is therefore only required to fulfil the capital requirements on a consolidated basis.

3.17. Fees

The Entity classifies the fees and commissions it pays or receives in the following categories:

- Lending fees and commissions: This type of fees and commissions, which form an integral part of the yield or effective cost of a financial transaction that is paid or received in advance, are recognised on the statement of profit or loss over the course of the expected term of the financing, net of the associated direct costs, as an adjustment to the effective cost or yield on the transaction. They comprise fees and commission received for arranging or acquiring finance, fees and commission agreed as compensation for the commitment to grant finance, and fees and commission paid to issue financial liabilities measured at amortised cost.

- Non-lending fees and commissions: This type of fees and commissions arise from the rendering of financial services by the Entity and they are recorded on the statement of profit or loss over the course of the period over which the service is executed or, if involving a service executed in a single transaction, at the time the transaction takes place.

3.18. Deposit Guarantee Fund

The Entity is a member of the Deposit Guarantee Fund for Credit Institutions, regulated by Royal Decree-Law 16/2011, of 14 October.

The legal regime governing the Deposit Guarantee Fund for Credit Institutions is set out in Royal Decree 2606/1996, of 20 December, on deposit guarantee funds in credit institutions, as reworded by Royal Decree 1012/2015, of 6 November, which implements Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms, amending Royal Decree 2606/1996, of 20 December, on deposit guarantee funds for credit institutions.

Royal Decree 1012/2015, of 6 November, amended, among other regulations, Article 4 of Royal Decree 2606/1996, which defines the deposits, securities and other financial instruments deemed to be covered by the Deposit Guarantee Fund, and Article 7.1 to extend the deposit guarantee to accrued interest.

Additionally, Final Provision Ten of Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms amended Article 10.1 of Royal Decree-Law 16/2011, of 14 October, which created the Deposit Guarantee Fund for Credit Institutions, in order to treat deposits that fulfil certain conditions as guaranteed, irrespective of their amount, for three months as from the moment the amount is paid or as from the moment the deposits become legally transferable.

Final Provision One of Royal Decree 2606/1996 authorises the Bank of Spain to develop technical accounting matters relating to guaranteed deposits and securities, while Final Provision Three of Royal Decree 948/2001, of 3 August, on investor indemnity schemes, authorises the Bank of Spain to determine the valuation approach to be applied to the different types of unlisted securities and financial instruments that must be included in the calculation base of annual contributions to the Deposit Guarantee Fund for Credit Institutions.

As indicated, the Bank of Spain approved Circular 4/2001, of 24 September, on members institutions of a deposit guarantee fund, containing information on the balances that form the calculation base of contributions to deposit guarantee funds and on the amounts guaranteed. In addition to addressing the technical accounting matters referred to in Royal Decree 2606/1996 and Royal Decree 948/2001, this Circular stipulates the information that member institutions and branches must submit annually to the Bank of Spain for the purposes of calculating the contributions.

In December 2015, Bank of Spain Circular 8/2015, of 18 December, was published, for entities and branches that are members of the Deposit Guarantee Fund for Credit Institutions, on information to determine contribution calculation bases, establishing two compartments: the “Deposit guarantee compartment”, which will relate to deposits guaranteed under Royal Decree 2606/1996; and the “Securities guarantee compartment”, regulated by the same Royal Decree, the calculation base being 5% of guaranteed securities. Subsequently, Bank of Spain Circular 5/2016, published on 27 May 2016, amended the criteria for contributions to the categories indicated in the preceding paragraph, such that in accordance with Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014, the contributions made by member institutions must be based on the amount of covered deposits and the degree of risk exposure, taking into account indicators such as capital adequacy, the quality of the assets and liquidity.

The Management Committee of the Deposit Guarantee Fund for Credit Institutions has determined the annual contributions to be made by fund members for 2023, as provided for in article 6 of Royal Decree-Law 16/2011, of 14 October, and article 3 of Royal Decree 2606/1996, of 20 December, on deposit guarantee funds for credit institutions, as follows:

- Annual contribution to the deposit guarantee compartment equal to 1.75 per mille of the calculation base, comprising the monetary deposits secured in accordance with article 3.2.a) of the aforesaid Royal Decree and existing at 31 December 2022, calculated on the basis of the amount of secured deposits and their risk profile.

- Annual contribution to the securities guarantee compartment equal to 2 per mille of the calculation base comprising, as explained above, 5% of the value of covered securities defined in accordance with article 3.2.b) of the aforementioned Royal Decree and existing at 31 December 2023, as per article 3.2.b) of Royal Decree 2606/1996.

- The Management Committee also agreed that the contributions calculated as explained in the previous points will be paid by the last business day in February 2024.

The amount guaranteed by the Deposit Guarantee Fund for Credit Institutions is established at €100 thousand per account holder and entity, in accordance with Royal Decree-Law 1642/2008, of 10 October, which establishes the guaranteed amounts referred to by article 7.1 Royal Decree 2606/1996, of 20 December, and article 6.1 of Royal Decree 948/2001, of 3 August, on investor indemnity systems.

When the Deposit Guarantee Fund's assets reach an amount sufficient to fulfil its purpose, the Ministry of Finance, at the proposal of the Bank of Spain, may resolve to reduce the contributions. In any event contributions will be suspended when the Fund's assets not committed to operations forming part of the Fund's objects are equal to or exceed 1% of the calculation base of forecast contributions.

In order to restore the Fund's capital to an adequate level in accordance with article 6.2 of Royal Decree-Law 16/2011, of 14 October, the Management Committee of the Deposit Guarantee Fund for Credit Institutions agreed on 30 July 2012 to ask members for an extraordinary payment, distributed according to the contribution calculation base at 31 December 2011, payable through 10 equal annual instalments. The amounts of these instalments payable on each date may be deducted from the ordinary annual contribution which, if applicable, is paid by the entity on that same date and up to the amount of the ordinary instalment.

In 2023 and 2022, the expense incurred by the entity in respect of its contributions to the Fund is recognised under "Other operating expenses – Contribution to the Deposit Guarantee Fund" on the accompanying statement of profit or loss (Note 25).

3.19. Income tax

Income tax is determined by tax payable calculated with respect to the tax base for the year, taking into account the variations in accounting profit during that year deriving from temporary and permanent differences, deductions and allowances, and any tax losses.

Income tax expense is recognised on the statement of profit or loss except when it derives from a transaction recorded directly in equity, in which case the deferred tax is also recognised in equity as an additional equity line item.

In order for deductions, allowances and tax loss carry forwards to be effective they must meet the requirements established by current legislation.

The tax effect of any temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities", as applicable, on the accompanying balance sheet. These relate to those taxes that are expected to be payable or recoverable for the differences between the values of the assets and liabilities in the financial statements and the related tax bases, and are quantified by applying to the relevant temporary difference or credit the tax rate at which it is expected to be recovered or settled.

The tax rate applicable at 31 December 2023 and 31 December 2022 was the reduced rate of 25% for cooperative income and the general rate of 30% for non-cooperative income (Note 15).

In view of the projections based on the Group's business plan, prepared using parameters similar to the ones included in the plan and in accordance with current legislation, the Entity expects to recover the deferred tax assets within 20 years (currently no tax statute of limitations).

At each accounting close deferred tax assets and liabilities are reviewed in order to verify that they are still valid and make any necessary adjustments.

With effect from 2022, taxpayers with a turnover of €20 million or more or who pay tax under the tax consolidation regime (regardless of turnover) will apply a minimum rate to the tax base, namely, 15% in general and 18% for credit institutions. In the case of cooperatives, the minimum net tax payable must not be less than 60 percent of the gross tax payable calculated in accordance with the provisions of Law 20/1990, of 19 December, on the Tax Regime for Cooperatives. Application of the minimum corporate income tax rate to taxable income has not had a significant impact on the Entity.

3.20. Recognition of income and expenses

In general, income is recognised at the fair value of the consideration received or to be received, less any discounts, credits or commercial rebates. When cash inflows are deferred over time, the fair value is calculated by discounting future cash flows.

Income and expenses arising from interest and similar items are generally calculated on an accruals basis using the effective interest rate method.

Dividends received from other entities are recognised as income when the right to receive them arises.

Subsequent to initial recognition, dividends from equity instruments are taken to income on the statement of profit or loss when the right to collect the pay-out is declared. If the distribution corresponds unequivocally to results generated by the issuer prior to the date of initial recognition, dividends are not taken to income but are deducted from the instrument's carrying amount because they represent a recovery of part of the investment made. Among other cases, the generation date is taken as falling before initial recognition when the amounts distributed by the issuer since initial recognition exceed its profit over the same period.

Financial service fees and commissions paid and received, however contractually denominated, are classified under Lending fees and commissions and Non-Lending fees and commissions (Note 3.17), which determines how they are recognised on the statement of profit or loss.

Income and expenses from commissions and similar fees are generally recognised on the statement of profit or loss based on the following criteria:

- Those related to financial assets and liabilities measured at fair value through profit or loss are recorded at the time of collection.

- Those that relate to transactions or services which are carried out over a period of time are recorded in the period in which such transactions or services take place.

- Those relating to a transaction or service performed in a single act are recorded when such act takes place.

Non-financial fee and commission income and expenses are recorded on an accrual basis.

Deferred collections and payments are carried at the amount resulting from discounting the expected cash flows at market rates.

3.21. Staff expenses and post-employment benefits

<u>Short-term benefits</u>

Short-term employee benefits to employees comprise payments made within twelve months following the end of the year in which the employees have rendered services. This remuneration is measured, without discounting, at the amount payable for the services received, and recorded, in general, as staff expenses for the year and a liability accrual account is recorded for the difference between the total expense and the amount already paid.

<u>Post-employment benefits</u>

Post-employment benefits (or pension commitments) are defined as remuneration paid to Group employees after the end of their period of employment. Post-employment benefits, including those covered by internal or external funds, classified as defined contribution plans when pre-determined contributions are made to a separate entity or defined benefits plans for which the Entity commits to making payment of an amount when the contingency arises. This classification is carried out based on the conditions of those obligations, taking into account all of the commitments assumed, both in accordance with and outside the terms formally agreed with employees.

- Defined contribution plan

The Entity recognises the contributions made to these plans by recording the expense under the heading “Staff expenses” on the accompanying statements of profit or loss and crediting the account “Pensions and other post-employment defined benefit obligations” under the heading “Provisions” on the accompanying balance sheets. Payments of the contributions are recorded as a charge against “Pensions and other post-employment defined benefit obligations”.

- Defined benefit plan

The Entity calculates the present value of its legal and implicit obligations deriving from its defined benefit plan at the date of the financial statements, and deducts the fair value of the plan assets, including insurance policies, if the following conditions are met:

- They are owned by a legally separate unrelated third party.
- They are only available to pay or finance commitments to employees.
- They cannot be returned to the Entity except when the assets remaining in the plan are sufficient to cover all commitments to employees, or to reimburse the Entity for benefits it has paid.
- When the assets are held by an entity (or fund) that manages long-term post-employment benefits, such as a pension fund, they cannot be non-transferable financial instruments issued by the Entity.

The figure obtained as indicated above is recorded in the account “Pensions and other post-employment defined benefit obligations” under the heading “Provisions” on the accompanying balance sheets, if positive, or under “Other assets” if negative (Notes 14 and 16).

In the event that the figure calculated is negative, the asset to be recognised will be the lower of that figure and the present value of any financial benefit available in the form of refunds from the plan or reductions in future contributions to the plan.

Changes in the provision/asset for post-employment remuneration from defined benefit plans are recorded as follows:

- In the statement of profit or loss: the cost of employee service, including the current service cost and unvested past service costs, the net interest on the defined benefit liability/asset and the gains or losses on settlements.

  These items are recognised in the statement of profit or loss using the following criteria:

  - The current service cost is recognised within staff expenses.
  - The net interest on the provision is recognised as interest expense and similar charges.
  - The net interest on the asset is recognised as interest and similar income.
  - The past service cost is recognised as a charge to provisions (net).
  - When the Entity has recognised under assets a pension related insurance contract, the expense for the year related to the defined benefit plan is recognised at the amount recognised in the year as reimbursable.

- In the statement of total changes in equity: the changes in the value of the liability/asset as a result of actuarial gains or losses, the return on plan assets, excluding the amount included in net interest on the liability/asset, and changes in the present value of the asset as a result of changes in the present value of the cash flows to which the entity is entitled, insofar as not included within net interest on the liability/asset. The amounts recognised on the statement of total changes in equity are not reclassified to profit or loss in subsequent years.

The valuation of all of the obligations deriving from defined benefit plans is carried out by a qualified actuary.

<u>Other long-term employee benefits</u>

The commitments assumed with early-retired personnel, length of service awards, widow(er) and disability commitments before retirement that depend on the time the employee has worked for the Entity, and other similar items, will be treated for accounting purposes, where applicable, as established by the post-employment defined benefit plans, with the proviso that the entire past service cost and actuarial losses and gains be recognised immediately.

<u>Termination benefits</u>

Termination benefits are recorded under the heading "Staff expenses" on the accompanying statements of profit or loss and crediting the account "Pensions and other post-employment defined benefit obligations" under the heading "Provisions" on the accompanying balance sheets only when the Group is demonstrably committed to terminating the employment of an employee or group of employees before their normal retirement date, or to paying remuneration as a result of an offer made as an incentive for the voluntary resignation of the employees.

<u>Pension commitments entered into by the Entity</u>

The pension commitments asumed by each Entity corresponding to employees who provide their services to the Entity are specified in the prevailing collective bargaining agreement and the relevant resolutions of the Governing Board, ratified by the General Assembly.

From 1 January 2016, the rest of the savings banks belonging to the Group joined the joint pension scheme.

In addition, the Entity maintains insurance policies with the company Generali y Rural Vida, S.A. de Seguros y Reaseguros to cover certain commitments entered into before joining the joint pension plan.

<u>The defined benefit commitments envisaged by the Entity are</u>:

- A top-up over the social security pension, established as the difference between the amount of the latter and the ordinary wage during the last month of active service, for personnel taking up employment at the former Caja Rural de Almería, Sociedad Cooperativa de Crédito before 31 December 1984, and for employees who came to the Entity from a number of banks through the acquisition of part of these banks' branch networks and who were entitled to such a top-up at their original institution.

- A top-up over the widower's and orphans' pension under the terms stipulated in the collective bargaining agreement and the pension plan rules for all employees of the Entity.

- Payments in the event of death or total disability (€25.95 thousand), workplace accident (€51,89 thousand) or certified major disability (€112.29 thousand) for all employees of the Entity.

- Award for long service afforded to all employees with more than 20 years' service at the Entity in the event of retirement, death or disability, consisting of three months of ordinary wages.

The Entity has assumed commitments to certain employees under early retirement agreements, to which end it has set up funds that cover the commitments undertaken with early retirees in terms of salaries and other social benefits from the date of early retirement until the date of official retirement and covering the remuneration top-up after the date of official retirement.

On 31 May 2023, a new early retirement exit agreement was signed, for which the Entity has set aside funds that cover the acquired commitments to the employees concerned for supplements and social security contributions.

At 31 December 2023 and 2022, actuarial studies have been carried out relating to the coverage of the main post-employment benefit obligations, using the projected unit credit calculation method. The main assumptions used in the actuarial studies, for active, retired and early-retired personnel, are as follows:

Actuarial assumptions used by Grupo Cooperativo Cajamar

	2023		2022	
	Active employees	**Early retirees (*)**	**Active employees**	**Early retirees (*)**
Mortality tables	PER2020 1st order	PER2020 1st order	PER2020 1st order	PER2020 1st order
Invalidity tables (only for risk benefits)	Not applicable	Not applicable	Not applicable	Not applicable
Retirement age				
Pension plan	Earliest age	Earliest age	Earliest age	Earliest age
Bank group	Earliest age	Earliest age	Earliest age	Earliest age
Annual effective technical interest rate:		3.90%		3.10%
Active (retirement benefits)	3.98%	-	3.54%	-
Retired (immediate benefits)	3.92%	-	3.50%	-
Length of service award	3.91%	-	3.51%	-
Return on assets		0.00%		0.00%
Active (retirement benefits)	3.98%	-	3.54%	-
Retired (immediate benefits)	3.92%	-	3.50%	-
Length of service award	3.91%	-	3.51%	-
Salary increase (including slippage)	3.00%	1.00% / 1.50% / 2.00%	3.00%	1.50% / 2.00%
Inflation (CPI)	2.00%	-	2.00%	-
Increases in pensions	75% of salary increase	-	75% of salary increase	-
Maximum Social Security pension (€ thousand) (**)	42.82	-	39.5	-
Annual revaluation of the maximum monthly Social Security pension (**)	2.00%	-	2.00%	-
Annual increases in Social Security contribution bases (**)	2.00%	-	2.00%	-

(*) Paid leave and partial retirement
(**) Calculated taking into account the maximum pension and the maximum contribution base for 2023

The expected return on plan assets is as follows:

	Expected return on assets	
	2023	**2022**
Active (retirement benefits)	3.98%	3.54%
Retired (immediate benefits)	3.92%	3.50%
Long service award	3.91%	3.51%

The valuations of pension obligations and other long-term employee benefits could be affected if the main actuarial assumptions used were to change. In a scenario in which the discount rate changed by +/- 25 basis points, the present value of the Entity's post-employment obligations could change by -2.32% or 2.41%, as the case may be, although any such change would be partially offset by a change of 2.55% or -2.45%, respectively, in the fair value of the pension-related assets and insurance policies. This same scenario would give rise to a +/-0.16% change in other long-term employee benefits.

3.22. Off-balance sheet customer deposits

The Entity uses memorandum accounts to recognise the fair value of third-party deposits placed for investment in investment funds and companies, pension funds, savings-insurance policies and discretionary portfolio management contracts, distinguishing between those managed by Group entities and those marketed by the Group but managed by outside parties.

In addition, the memorandum accounts also reflect the fair value or, in the event that there is no reliable estimate of the fair value, the cost of assets acquired on behalf of the Bank by third parties, and debt securities, equity instruments, derivatives and other financial instruments that are held in custody, as collateral or for collection by the Bank and for which it is liable.

The fees and commissions charged for providing these services are recorded under the heading "Fee and commission income" on the statement of profit or loss (Note 25).

3.23. Statement of cash flows

The terms used in the statement of cash flows have the meanings set out below:

- Cash flows: inflows and outflows of cash and cash equivalents, understood as short-term investments which are highly liquid and involve a low risk of changes in value.
- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities and interest paid for some financing received.
- Investing activities means acquisition, sale or other disposal of long-term assets and other investments not included under cash and cash equivalents.
- Financing activities: activities that give rise to changes in the size and composition of equity and the liabilities that do not form part of operating activities.
- Cash equivalents: highly liquid short-term investments that have a low risk of change in value, such as the balances at central banks, short-term treasury bills and promissory notes, and demand balances at other credit institutions.

3.24. Business combinations

Under Rule 44 of Bank of Spain Circular 4/2017, of 27 November, a business combination is the union of two or more entities or independent financial units within a single entity or group of entities that may occur as the result of an acquisition of:

- Equity instruments in another entity;
- All the assets and liabilities of another entity, as in a merger;
- A portion of the assets and liabilities of an entity that form an economic unit, such as a network of branches.

In any business combination an acquirer will be identified, which will be that which on the acquisition date obtains control over another entity, or in the event of any doubt or difficulty to identify the acquirer, the following factors, among others, will be taken into account:

- The size of the participating entities, regardless of their legal status, measured by the fair value of their assets, liabilities and contingent liabilities; in this case the acquirer will be the largest entity.
- The means of payment for the acquisition, in which case the acquirer will be the entity that pays in cash or with other assets.
- The persons charged with the management of the combined entity, in which case the acquirer will be the entity whose management team manages the combined entity.

In business combinations performed mainly through the exchange of equity instruments, the acquirer will normally be the entity that issues new equity instruments. However, where one of the entities participating in the combination, as a result of a significant issue of equity instruments, to be delivered to the owners of the other participating entity in exchange for ownership of the latter, ends up being controlled by the former owners of the business acquired, sometimes known as “reverse acquisitions”, the acquirer will be the entity whose former owners obtain control unless it fails to meet the requirements to be classified as a business. In any event, when there is an exchange of equity instruments among the combined entities, the following situations and circumstances, inter alia, should also be taken into account:

- Relative voting rights in the combined entity following the business combination. The acquirer will be the entity combined whose owners as a group retain or receive the highest proportion of voting rights.
- The existence of a significant minority group when the combined entity has no majority controlling group. The acquirer will be, of the entities combined, that whose owners as a group have the largest minority interest.
- The Board of Directors, or equivalent body, resulting from the combination. The acquirer will be the entity of those combined whose owners, as a group, have the capacity to select, appoint or dismiss the majority of the members of the Board of Directors or equivalent body.
- The key management personnel of the combined entity. The acquirer will be the entity, from among the combined entities, whose key management personnel, prior to the combination, controls the key management personnel of the combined entity.
- The conditions for exchanging equity instruments. The acquirer will be the entity that pays a premium over the fair value of the equity instruments, prior to the combination date, of the other combined entities.

At the acquisition date, i.e. when control is obtained over assets and liabilities:

- The acquiring company will include in its consolidated financial statements the assets, liabilities and contingent liabilities of the acquired company, including intangible assets not recognised by the latter, which on that date meet the requirements to be recognised as such, measured at fair value calculated in accordance with the valuation criteria indicated in the Bank of Spain Circular 4/2017, of 27 November.
- The cost of the business combination will be the sum of the fair value of the assets delivered, the liabilities incurred, and any equity instruments issued by the acquirer, together with any costs directly attributable to the business combination, such as fees paid to legal advisors and consultants to carry out the combination. Contracting and issue costs for the financial liabilities and equity instruments are not included.
- The acquirer will compare the cost of the business combination with the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities recorded by the acquiree, and the difference resulting from this comparison will be recognised as follows:
    - When positive, as goodwill in assets, in any event, will be amortised but on an annual basis will be subjected to the impairment test established in Rule 30 of Bank of Spain Circular 4/2017, of 27 November.
    - When negative, as income on the statement of profit or loss under “Negative differences on business combinations”, after verification of the fair values assigned to all of the assets, liabilities and contingent liabilities and the cost of the business combination.

If the cost of the business combination or the fair values assigned to the identifiable assets, liabilities or contingent liabilities cannot be definitively calculated, the initial recognition of the business combination will be considered to be provisional and, in any event, the process must be completed within a maximum of one year after the acquisition date and taking effect on that date.

Deferred tax assets that at initial recognition do not satisfy the criteria for being recognised as such, but which do so at a subsequent date, will be recognised as income in accordance with Rule 42 of Bank of Spain Circular 4/2017 and, simultaneously, an expense will be recorded to reduce the carrying amount of goodwill to the amount that would have been recognised if the tax asset had been recorded as an identifiable asset at the acquisition date.

3.25. Inventories

This balance sheet heading records assets other than financial instruments that the Group:

- Holds for sale during the ordinary course of its business,
- Is in the process of making, building or developing for such purposes, or
- Plans to consume in the production process or in the provision of services.

Inventories include land and other properties that are held for sale as part of the property development business; i.e. if they should not be classified as non-current assets held for sale.

Inventories are stated at the lower of cost, which includes all amounts paid to acquire and transform the inventories and all direct and indirect costs incurred to bring them to their present condition and location, and “net realisable value”. The net realisable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses. The cost of inventories is increased for any directly attributable borrowing costs, provided they require more than a year to be in condition for sale. Borrowing costs will cease to be capitalised when all the tasks needed to ready the asset for sale have been substantially completed.

Decreases in and, if applicable, subsequent recoveries of the net realisable value, below their carrying amount, are recognised in the statement of profit or loss in the year they are incurred, under “Impairment or reversal of impairment of non-financial assets – Other” (Note 25).

The carrying amount of inventories is derecognised and an expense recognised in the period when the related income from the sale of the inventories is recognised; i.e. on the date the customer takes control of the inventories.

3.26. Insurance policies

Insurance policies are deposits or guarantee contracts under which the Entity is obligated to compensate a beneficiary in the event of non-compliance with a specific obligation other than a payment obligation by a specific debtor of the beneficiary, such as the cash bonds provided to ensure the participation in auctions and public tenders, or the proper completion of a project or transaction or any other type of technical guarantee, including irrevocable formal undertakings to provide bank guarantees and letters of guarantee when required by law.

They are classified on the basis of the insolvency risk attributable to the customer or transaction, and, if appropriate, the need for provision is estimated through the application of criteria similar to those indicated in Notes 3.1 and 3.3 for debt instruments measured at amortised cost.

When providing a guarantee, the Entity initially recognises the fair value of the guarantee plus transaction costs under “Other liabilities” on the balance sheet and this fair value is the amount of the premium received plus the present value of any cash flows to be received (Note 16). Simultaneously, it recognises under assets the present value of the cash flows pending receipt.

Subsequent to initial recognition, the value of fees and commissions or premiums to be received for the guarantees recorded will be restated by recognising the differences on the statement of profit or loss as finance income and the value of the guarantees recorded under liabilities in “Other liabilities” that have not been classified as non-performing are taken to the statement of profit or loss on a straight-line basis over the expected life of the guarantee as fee and commission income.

When a guarantee contract is classified as non-performing, it is reclassified to "Provisions – Commitments and guarantees given", which are measured in accordance with Annex 9 of Bank of Spain Circular 4/2017.

3.27. Statements of changes in equity

The statement of changes in equity presented in the accompanying annual accounts shows all changes in equity during the year. This information is broken down into two statements: the statement of comprehensive income and the statement of total changes in equity.

The main characteristics of the information in both parts of the statement are as follows:

Statement of recognised income and expenses

This statement presents the income and expenses generated by the Entity as a result of its business activity in the year. A distinction is made between, on the one hand, income and expenses recognised on the statement of profit or loss and, on the other, income and expenses recognised directly in equity pursuant to prevailing laws and regulations.

Statement of total changes in equity

This statement presents all the changes in equity, including those deriving from changes in accounting criteria and error corrections. This statement therefore presents a reconciliation of the carrying amount at the start and end of the year for all the items making up equity, grouping the movements based on their nature in the following headings:

- Adjustments due to changes in accounting policies and error correction: include changes to equity as a result of the retroactive restatement of financial statement balances due to changes in accounting criteria or error corrections.

- Income and expenses recognised during the period: include the aggregate total of all the above-mentioned items recognised on the statement of recognised income and expenses.

- Other changes in equity: includes the rest of the items recognised in equity, such as capital increases or reductions, distribution of profit or allocation of loss, transactions with own equity instruments, transfers between components of equity, and any other increase or decrease in the Entity's equity.

3.28. Fair value of financial instruments

<u>Fair value of financial assets</u>

The fair value of "Debt securities" that are listed on active markets is calculated based on the market price. Barring exceptions, for those debt securities that are not listed on an active market the measurement is carried out in accordance with the zero coupon curve through the IRR, adjusted by a spread that will depend on the solvency of the issuer of the securities, specifically on the sector, the remaining term and the rating of the issue. The zero-coupon curve used for any given issue will depend on the characteristics of that issue.

"Equity instruments" includes investment funds and other investments listed on active markets that are measured at fair value, i.e. using the market price on the last business day of the year. Other investments at the Entity that are not listed on organised markets are measured using the discounted cash flow method, adjusted to the market yield rate for other securities with similar characteristics.

There are also other investments that are measured at cost, i.e. adjusting the Entity's equity for unrealised gains existing at the measurement date.

The fair values of "Loans and advances" have been brought into line with the present value of the cash flows that will be generated by those instruments by applying market interest rates to each maturity tranche and taking into consideration the manner in which the transaction is instrumented, as well as the guarantees in place.

"Hedging derivatives" are measured at fair value using the quoted price, the discounted cash flow method and other accepted measurement methods.

Fair value of financial liabilities

The measurement of the Group's financial liabilities has been carried out using the present value of future cash flows to be generated by those instruments, through the application of market interest rates.

"Hedging derivatives" are measured at fair value using the discounted cash flow method.

Measurement of financial instruments at fair value

The Entity measures all positions that must be recorded at fair value, using either available market prices for the same instrument or measurement models that employ observable market variables, or, if appropriate, they are estimated based on the best information available.

Note 8.1 provides details of the Entity's financial assets and liabilities at fair value at 31 December 2023 and 31 December 2022, broken down by class of financial assets and liabilities and the following levels:

- Level 1: Financial instruments whose fair value has been determined taking into account their quoted prices on active markets without making any changes to those prices.

  The Entity will treat financial instruments for which quoted prices are directly observable and readily accessible as Level 1 financial instruments. In this regard, this category will include all instruments that have a Bloomberg (BGN) price or a value in active markets, including the European Stock Exchanges and the AIAF, SENAF and MEFF.

- Level 2: Financial instruments whose fair value has been estimated on the basis of quoted prices on organised markets for similar instruments or using other valuation techniques where all the inputs involved are based on directly or indirectly observable market data.

  The Entity will treat as Level 2 assets any financial instruments measured using information that can be directly observed in the market but that do not fulfil the conditions to be classed as Level 1 assets.

  Level 2 assets will include:

- Instruments for which internal or external valuations may be obtained, based solely on observable market inputs: interest-rate curves, credit risk spreads, yields, implied volatilities, etc. Examples of such external values are Bloomberg's Bval and Bfv tools.
- Instruments for which prices may be obtained for at least two contributors with sufficient market depth, other than the issuer, and that have bid/ask spreads of less than 500 bps.

- Level 3: Financial instruments whose fair value has been estimated using valuation techniques where a certain significant input is not based on directly or indirectly observable market data. An input is considered to be significant when it is important to the calculation of fair value as a whole.

  The Entity will treat instruments the value of which cannot be obtained as described above for the measurement of Level 1 and Level 2 instruments as Level 3 financial instruments.

  Level 3 assets are measured applying the following or other similar procedures: issuer prices, comparable prices, custodian prices and internal prices.

3.29. National Resolution Fund and Single Resolution Fund

Act 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms and Royal Decree 1012/2015 implementing this act transpose into Spanish law Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, regulating the creation of a “National Resolution Fund”, as one of the mechanisms for funding the measures stipulated in that act.

By virtue of this legislation, in 2016 the Single Resolution Fund was launched. This is managed by the Single Resolution Board, which replaced the national resolution authorities in managing the financing arrangements for the resolution mechanisms of credit institutions and certain investment firms within the scope of the Single Resolution Mechanism (SRM), and is therefore tasked with decision-making for resolution-related matters and is responsible for calculating the contributions to be made by each institution within the scope of application.

In order to determine the annual contribution, the Single Resolution Board applies the methods laid down in Article 70.6 of Commission Delegated Regulation (EU) 2015/63 supplementing Directive 2014/59/EU, Regulation (EU) No. 806/2014 and Council Implementing Regulation (EU) No. 2015/81. The methodology provided by these regulations requires institutions subject to the reporting obligation laid down therein to submit the required information using the official forms, through the FROB (Fund for Orderly Bank Restructuring).

Contributions are based on:

- A lump-sum contribution, or base annual contribution, calculated pro rata on the basis of the amount of the Group’s liabilities, excluding own funds and covered deposits, with respect to total liabilities less own funds and covered deposits; and

- A risk-adjusted contribution based on the criteria stipulated in Article 103.7 of Directive 2014/59/EU.

The National Resolution Fund’s financial resources will be raised by the FROB through ordinary contributions, as stipulated in Article 1.2.a) of Act 11/2015.

The expense for the Entity’s ordinary contributions to the Single Resolution Fund is recognised in “Other operating expenses – Contribution to the Deposit Guarantee Fund” on the accompanying statements of profit or loss for 2023 and 2022 (Note 25).

Council Implementing Regulation (EU) 2015/81 allows entities to use Irrevocable Payment Commitments (“IPCs”) to meet part of their payment obligations for contributions to the Single Resolution Fund (“SRF”). IPCs are a mechanism through which the Group makes an irrevocable commitment to pay into the SRF a set proportion of the contribution for each cycle, backed by collateral assigned to the Single Resolution Board.

4. Errors and changes in accounting estimates and policies

During 2023 and up to the date the annual accounts were authorised for issue, no errors were detected that, due to their materiality, had to be included in the annual accounts prepared by the Governing Board.

When an error relating to one or more years is corrected, mention will be made, together with the nature of the error, of:

- The amount of the correction for each of the headings in the financial statements that are affected in each of the years presented for the purposes of comparison;

- The amount of the correction on the opening balance sheet in the earliest year for which information is presented; and

- The circumstances that make retroactive restatement impractical and a description of how and since when the error has been corrected.

The Entity will indicate the nature and the amount of any change in an accounting estimate that affects this year or is expected to affect future years. When it is impractical to make an estimate of the effect in future years, this will be disclosed.

5. Distribution of profit

The proposed distribution of the Entity's profit for 2023 that the Entity's Governing Board will submit for approval at the General Assembly of partners, and the distribution already approved for 2022, are as follows:

	Thousands of Euros	
	2023	**2022**
Profit for the year before the mandatory contribution to the Education and Development Fund and after corporate income tax	134,778	59,956
Interest on capital contributions (Note 18)	(52,897)	(22,443)
Total to be distributed or available surplus	**81,881**	**37,513**
To the mandatory reserve fund	16,376	7,503
To the voluntary reserve fund	50,517	23,917
To the Education and Development Fund - mandatory contribution (Note 17)	8,188	3,751
To the Education and Development Fund - voluntary contribution (Note 17)	6,800	2,342
Total distributed	**81,881**	**37,513**

The proposal for 2022 and the subsequent distribution were approved by the Entity's partners at the General Assembly held on 19 April 2023.

6. Risk management policies and objectives

This section includes a description of the various financial risks faced by the Group, deriving from its activity as well as the objectives and policies relating to risk management, assumption, measurement and control, including the strategies and processes, the structure and organisation of the relevant risk management unit and hedging policies, broken down for each of the main types of financial instruments or planned transactions for which accounting hedges are used.

Irrespective of the fact that the General Investment Division performs risk acceptance, monitoring and recovery functions, risks are basically controlled by the Risk Control Division.

6.1. Corporate risk culture: general risk management principles

The Group has a clear retail banking focus and its main risks are typical retail banking risks, i.e. credit risk, liquidity risk and interest rate risk.

The following sections explain the basic principles of risk management in each case; to summarise, it will suffice to say that all risks are managed prudently so that (i) credit risk relates basically to financing granted to families and SMEs; (ii) liquidity ratios are high and dependence on wholesale markets is moderate; (iii) the vast majority of loans bear variable rates; (iv) operational losses are low and relate mostly to small operations; and (v) market risk exposure is moderate and instrumental, since financial instrument trading portfolios are restricted.

In the Group's risk control environment, the basic principle of functional independence is well implemented, as reflected above all in the existence of a General Control Division, reporting to the Parent's Board of Directors, the functions and organisational structure of which encompass all the above-mentioned risks, as explained below.

6.2. Credit risk and credit concentration risk

The Group's Credit Risk Policy and Procedures Manual, which is updated regularly, regulates: (i) the principles and criteria that should guide credit policy; (ii) the credit risk management and control policies; (iii) the bodies responsible for these risk management and control duties; and (iv) the procedures in place for facilitating said management and control.

The most important sections of this Manual are extracted here to provide the reader with a better understanding of its contents and scope.

a) <u>Basic principles and guidelines for defining credit risk management and control policies</u>

a.1) The basic principles are established by the Parent's Board of Directors and underlie the credit policy. The six basic principles are as follows:

- **<u>Principle of independence:</u>** Credit risk decisions must always be taken on the basis of the established credit policy and must not be made conditional upon the fulfilment of commercial objectives.

  In order to guarantee independent decisions, the lending activity must be tied to the following three pillars:

  - There must be a technical unit engaged solely in credit risk acceptance, monitoring and recovery processes, providing analytical support for the commercial function and expressing opinions when decisions are taken. Unit management must not report to Commercial Network management.
  - The system of powers delegated for the granting of loans must be hierarchical and must depend, among other factors, on an objective evaluation of credit quality, obtained either from a technical analysis or from the appraisal provided by the scoring and rating models in place.
  - A control unit must independently verify fulfilment of the credit policy in general and the individual and aggregate acceptance limits in particular, as well as ensuring the correct rating and coverage of credit risks.

- **<u>Principle of uniformity:</u>** This principle states that credit risk control and management criteria relating to policies, structures, tools, circuits and processes must be common throughout the Group and must not depend on the territorial scope of the activity.

  In order to guarantee fulfilment of this principle, the Board of Directors has defined the limits of the regulation competencies contained in the Credit Risk Manual, reserving:

  - For the Board of Directors, the establishment of criteria and policies for credit risk management and control.
  - For the CEO, the definition of the responsible bodies for the management and credit risk control, and also the management procedures.
  - Lastly, for the General Control Division, the definition of procedures to control such risk.

- **<u>Principle of consistency:</u>** As one of the main credit portfolio management criteria is diversification, a common and consistent measure must be in place to quantify credit risk in transactions, together with uniform evaluation methods, irrespective of the segment, portfolio or sub-portfolio.

In accordance with the Basel Committee's recommendations, the common measure that must be used to compare the size of credit risk assumed in each operation is the economic capital required in each case, i.e. the amount of capital that the entity must hold to cover its unforeseen losses.
In order to reliably estimate economic capital and therefore guarantee the consistency principle, the Group requires:

- Rating and scoring tools consistently incorporating the risk factors deemed relevant to each type of operations and providing an objective appraisal of the probability of default.

- Periodic estimates of credit exposure and loss severity values, in the event of default.

- Adjustment of total credit portfolio loss distribution and periodic estimates of the amount of capital necessary to cover the losses, with a confidence level that is compatible with the Group's solvency objective.

- A criterion for allocating the total economic capital required to each current or potential operation.

- **Principle of globality:** The Group's total credit risk is not the algebraic sum of the risk inherent in each of its operations, since risk may be mitigated or aggravated by diversification or concentration factors.

  A good approximation of risk incurred cannot be achieved through the Group's non-performing loan ratios either, since they only reflect obvious risks, while latent risks will impact ratios in the future.

  The Group's credit risk management must not be limited to individual operations and customers; it must address the credit portfolio in aggregate terms, covering both the correlation between operations and overall default, and the evolution of credit value over time.

- **Principle of delegation:** The Parent's Board of Directors assumes its responsibility as the ultimate credit risk management and control body, which does not preclude reasonable delegation to subordinate bodies to favour rapid adaptation and response to changing circumstances and to customer demands.

  It delegates to its Delegated Committee the approval of credit operations that cannot be resolved by subordinate bodies but must be resolved before the next Board meeting. The CEO has been delegated the authority to approve transactions raised by the Investment Committee and which, falling under the authority of the Board of Directors or the Delegated Committee, must be approved before the next meeting of the Board of Directors or the Delegated Committee. In these cases, the transactions will be presented during the first meeting of the Board of Directors or Delegated Committee that takes place, so that the matter may be heard and ratified and the delegated authority controlled.

The application of this delegation principle means that the Board of Directors of the Parent defines the following outline for the approval of amendments to the Credit Risk Manual:

Part of the manual affected by the amendment	Competent body	Procedure
Preliminary chapter Chapter one Chapter two	BCC Board of Directors	On its own initiative, or at the proposal of the Chief Executive Officer or Control Division
Chapter three Chapter four	Chief Executive Officer	Reasoned proposal by Investments Division Opinion of Control Division Report to Board Risks Committee
Chapter five	General Control Division	On its own initiative, notifying the Investments Division Report to Board Risks Committee

- **Principle of effectiveness:** The management of credit risk must be effective in terms of responding to the needs of the network and customers. The credit risk management processes will therefore attain a balance between ensuring strict risk selection practices and a quick and firm response for customers.

  The Parent will ensure the effectiveness of its processes, applying automation and standardisation to the procedures as much as possible while maintaining channels that allow exceptions to provide a flexible response to customer needs.

a.2) Guidelines are also issued by the Parent's Board of Directors establishing the rules that must be observed by all the subordinate bodies when defining the credit policy. They address each stage of the risk management cycle and related content, as summarised below:

- **Regarding the risk acceptance policy:**
  - Diversification. The Group's credit portfolio must be suitably diversified and show the lower possible degree of correlation with overall default.
  - Credit quality. Criteria for approving operations must depend basically on the borrower's capacity to fulfil financial obligations in due time and form, based on income from a business or habitual source of income. Nonetheless, personal or real property guarantees must be sought to secure recovery as a secondary course of action, when the primary procedure has failed.
  - Operational security. Loans must be arranged through a secure procedure which guarantees that agreements concluded have full legal effect and faithfully reflect the applicable terms and conditions.
  - Yields. Loans must have yields that match the inherent risk.
- **Regarding the credit loss oversight and prevention policy:**
  - Relative importance. Actions to prevent loan losses must be graduated on the basis of the harm that could be caused to the Group's results by default, seeking a reasonable balance between the cost and benefits of the control procedure. o Anticipation.
  - Anticipation. Actions to prevent loan losses must be implemented sufficiently in advance in order to assess and optimise management of loan recovery options.

- **Regarding the past due loan collection policy:**

    - Resolute management. A default situation must be managed in a resolute manner so as to regularise the loan, propose a restructuring of the debt or initiate a claim in or out of court as soon as possible.

    - Economic effectiveness. A court claim for debts is not always the best recovery route. On occasions it is preferable to accept payment proposals comprising the dation of assets or reductions and/or deferrals; in other cases, the amount owed or the debtor's limited solvency make other forms of collection management more advisable.

- **Regarding the policy for appraising and restating real property guarantees:**

    - Objective valuation. As price formation in property markets is clearly imperfect, guarantees based on such assets must be valued as objectively as possible, since this determines the correct and rational management of the secured credit risk.

    - Efficient restatement of appraisals. The value of properties securing loans must be restated periodically both to take credit risk management decisions and to correctly calculate impairment and capital for the purposes of regulatory compliance. Nonetheless, restatement procedures must be efficient in terms of both frequency and the instruments employed.

b) Parameters defining the credit policy

b.1)Credit risk concentration limits

As diversification is one of the criteria guiding credit risk acceptance, the Group has established a limits structure to guarantee diversification; limits become more conservative when certain levels defined by the Supervisor are reached. The limits are explained below:

- **Limits on concentration by segment, credit portfolio and credit sub-portfolio**

  The Group has defined a set of precise criteria for segmenting its credit operations, giving rise to the segments, portfolios and sub-portfolios for which credit exposure limits are established, depending on overall portfolio exposure or RWAs, as shown in the following table:

Segment / Portfolio / Subportfolio	Exposure limits	RWA limits
1. Retail	**80%**	**80%**
1.1. Home mortgage	**45%**	**36%**
Usual residence	45%	36%
Other uses	10%	8%
1.2. Other household financing	**10%**	**12%**
Consumer finance	5%	5%
Other household financing	10%	10%
1.3. Automatically renewable	**5%**	**8%**
Credit cards	5%	8%
Overdrafts	1%	2%
1.4. Small businesses	**20%**	**30%**
Self-employed	15%	23%
Micro-enterprises	15%	23%
Small retail	15%	23%
Medium retail	15%	23%
1.5. Retail agri-food	**20%**	**30%**
Greenhouse farming	15%	23%
Rest of agri-food sector	15%	23%
2. Corporate	**40%**	**88%**
2.1. Developers	**6%**	**18%**
Development	3%	9%
Land	2%	6%
Other developers	2%	6%
2.2. Corporate agroi-food	**15%**	**30%**
Agroi-food producer	15%	30%
Agroi-food distributor	15%	30%
Agroi-food auxiliary industry	15%	30%
2.3. SMEs	**15%**	**30%**
Small	10%	20%
Medium	10%	20%
2.4. Large companies	**20%**	**30%**
3. Public sector	**15%**	**6%**
Governments	15%	6%
Public non-financial companies dependent on central government	15%	6%
Public non-financial companies dependent on other levels of government	15%	6%
4. Social economy	**5%**	**8%**
5. Financial intermediaries	**5%**	**8%**

- **Limits on leveraged finance**

  Leveraged finance, as defined in the ECB Guidance on leveraged transactions issued in May 2017, may not exceed 10% of the total exposure of the loan book, irrespective of the segment, portfolio or sub-portfolio it is part of.

- **Limits on geographical concentration**

  To ensure sufficient geographic diversification, credit exposure in the Group's core provinces of Almería, Murcia, Málaga, Valencia, Alicante and Castellón must not exceed 75% of its total exposure.

- **Limits on sovereign risk concentration**

  Sovereign risk is understood as that taken in the form of fixed-income securities acquired on organised markets and any form of financing issued to public authorities and publicly owned companies. The following limits are applied (to sovereign debt outside Spain):

  - Maximum exposure to sovereign risk: 350% of eligible capital;
  - Maximum exposure to sovereign risk of issuers outside the EMU: 10% of eligible capital;
  - Maximum sovereign exposure in terms of carrying amount as a proportion of eligible capital: 275%
  - Minimum rating of the sovereign debt issuer: investment grade per a credit rating agency authorised to issue ratings on monetary policy matters. The aforementioned minimum rating requirement will not apply to sovereign exposures that are considered immaterial, defined as those that represent less than 1% of eligible capital;
  - Permitted currencies: euro. In the case of issuers outside the EMU, foreign currency issues may be contracted provided the interest rate risk is neutralised by means of appropriate hedging instruments;
  - The economic capital consumed by each sovereign issuer may not exceed 7% of CET1 capital.

- **Limits on borrower and risk group concentration**

  Concentration limits applied to individual borrowers and risk groups are considerably below the limits stipulated by the Bank of Spain:

	% of TIER 1
Limit on total exposure to a borrower or group	10%
Consideration of material exposure	4%
Limit on sum of material exposures	200%

- **Concentration limits applicable to specially-related companies**

  A distinction is made between companies that are controlled by the Entity and those that are not controlled; risks accepted with both sub-groups are subject to the following limits (expressed as a percentage of eligible capital):

Limits in % of Tier 1 capital of GCC

Degree of control of GCC	Limit on accumulated exposure of each company	Limit on sum of exposures of all companies
Controlled	5%	10%
Not controlled	5%	50%

- **System of powers for the approval of lending operations**

  The powers system for the granting of loans is based on the principle of delegation and forms a hierarchical pyramid founded on two fundamental variables: (i) Exposure volume; and (ii) counterparty credit quality. The essential features of this system are as follows:

  - Delegate bodies: bodies to which powers are delegated. There are ten levels in the Group, from high to low.

    - BCC's Board of Directors / Delegated Committee:
    - Investment Committee
    - Non-performing Asset Committee

- General Investments Division
- Analysis Centres
- Savings Banks' Governing Board / Committee
- Central Business Committee
- Non-performing Asset Team
- Area and Territorial Business Committee
- Branch Management Committee

There are also specialised committees with powers to approve certain types of operations:

- Assets and Liabilities Committee, for financial market operations, the function of which is to approve, within its authorisation limits, increases in lines of credit assumed by the expert model for use in arranging financial market transactions, and to refer any exceeding these limits to the Delegated Committee.
- Employee Financing Committee, for transactions requested by employees under collective labour agreements and arrangements with personnel.

- Exposure volume limits: Each delegate body is assigned an overall limit, sublimits per operation and franchise limits.
- Credit quality models:

  The internal credit risk models provide a reliable rating for the customer and the transaction. In particular, the credit risk models generate the following ratings:

  - Green Policy – Favourable: there is scope for considering a possible increase in the level of exposure to the borrower. In all cases, any such increase in exposure will be subject to the credit approval procedure.
  - Amber Policy – Hold / Secure Risk: loans may be renewed and the current level of exposure may be maintained.
  - Red Policy – Reduce Risk: the level of exposure to the borrower must be reduced, either by not renewing loans when they mature or by incorporating additional guarantees.
  - Grey Policy – Reduce with Default: the level of exposure to the borrower must be reduced, either by not renewing loans when they mature or by incorporating additional guarantees. Mainly because the borrower has debts that are significantly past due.
  - Black Policy – Extinguish / Recover Risk: the level of exposure to the borrower must be reduced or extinguished.
  - Approve: The model concludes that there is an acceptable probability of default for the transaction and therefore recommends it be approved.
  - Analyse: The model is not conclusive. Additional judgement is required before the transaction can be approved.
  - Reject: The model concludes that the probability of default for the transaction is too high and therefore recommends it be rejected.

The limits of attributions of branches, areas and regions are adjusted depending on whether they are subject to model ratings, and in which case, the rating given to the customer and transaction. If a delegate body authorises a transaction against the contrary opinion of a binding credit rating model or of an analyst, the reasons for authorisation must be stated in the report.

- Assignment of risk lines vis-à-vis financial institutions

  In view of its specific nature, credit risk affecting the Treasury function is also managed specifically, using a risk limits system incorporated into the treasury application; this facilitates the automation of control processes and expedites daily operations.

  The limit assignment system is slightly different for Spanish entities and for foreign entities. The process is as follows for Spanish entities:

  - An initial limit is assigned based on parameters measuring the counterparty's size.
  - This limit is adjusted based on the counterparty's solvency and profitability.
  - The adjusted value is corrected based on the rating, providing an overall limit for the counterparty analysed.

  In the case of foreign entities, the adjustment for solvency and profitability is not applied, although the counterparty volume limit and rating correction are stricter.

  In both cases, as a measure to mitigate counterparty risk in uncertain situations, a number of reductions have been applied to the limits stipulated in the established methodology. These adjustments are summarised below:

  - Limit the maximum line granted to 10% of the Group's capital.
  - Not open a counterparty line for entities that show a risk limit of below €5 million after applying the above-mentioned reductions.

b.2) Credit risk mitigation. Guarantee procurement policy

Irrespective of the fact that loans must be granted based fundamentally on the borrower's repayment capacity, the Group mitigates default losses by obtaining guarantees, which must be larger and more effective the longer the term of the loan and/or the lower the borrower's repayment capacity.

The risk accepted is deemed to be sufficiently secured in either of the following two circumstances:

- The fair value of the assets owned by the borrower and the guarantors amount to more than twice the value of their debts.
- Through real estate collateral pledged in first lien (and subsequent lien) mortgage loans, provided they are duly arranged and show the bank as the beneficiary.

- The loan is secured by a pledge or a mortgage on certain assets (basically buildings, lands, deposits and securities) and the ratio of the debt to the asset's value does not exceed the values stated in the following table:

Asset used as collateral	% LTV
1. Buildings and finished constructions	
1.1. Borrower's primary home address	80%
1.2. Housing, other uses	70%
1.3. Offices, retail units and multi-use facilities	70%
1.4. Other buildings, such as single-use premises, hotels, etc.	70%
2. Urban land and building land	**50%**
3. Rural properties	
3.1. Intensive horticulture operations	70%
3.2. Other agricultural operations	50%
3.3 Livestock rearing operations	70%
3.4 Other uses	50%
4. Other properties	
4.1. Buildings under construction	50%
4.2. Components of buildings under construction	50%
4.3. Other land	50%
5. Foreclosed assets owned by GCC	**100%**
6. Monetary deposits	**100%**
7. Pledges of financial instruments	
7.1. Fixed income securities issued by the State or autonomous communities and by other issuers with a rating equal to or exceeding BB	90%
7.2. Fixed income securities issued by entities with a rating lower than BB but equal to or higher than B	80%
7.3. Listed equity securities. Securities consisting of shares in collective investment institutions will be categorised as appropriate based on the profile of the investment portfolio	70%
7.4 Administrative concessions	50%

The Group does not contract hedges using sophisticated products such as credit derivatives, on the understanding that, given the tight limits structure and low concentration levels, the use of this type of products would not bring significant management improvements but would increase our operational, legal and counterparty risk.

Guarantee assurance policy

Assets securing mortgage operations should be insured over the entire life of the transactions according to their nature in order to avoid that risk events can significantly reduce their value and therefore their effectiveness as a guarantee.

Therefore these assets should be covered by an insurance policy tailored to the type and current situation of the asset and meeting at least the following conditions:

- It should cover at least the damages deriving from claims which may affect the container.
- The sum insured must be at least equal to the value for insurance purposes recorded in the valuation certificate.
- It should reflect the express declaration that the insurance company is aware of the existence of the creditor until the loan has been fully repaid.

Internal authorisation of appraisal companies

Valuations of buildings securing loans are entrusted to appraisal companies authorised by the Group.

In order to be authorised, an appraisal company must fulfil the following requirements:

- Be entered in the Bank of Spain's Register of Appraisal Companies.
- Be independent from the Bank, which entails:
  - Not being a related party as per Bank of Spain Circular 4/2017.
  - Have human and technical resources to perform the work, as well as appropriate, recent experience in its field of work.
  - Have internal procedures to assure independence and detect conflicts of interest.
  - Have an internal control department that reviews the appraiser's work.

Valuation of properties for new risk acceptance

The value of a property at the risk acceptance date is the lower of the following:

- Purchase price declared in a public deed, plus all post-acquisition costs incurred during construction, repair, extension or development of the building, excluding commercial and financial charges, and provided there are documents supporting the costs.
- The appraised value, which must fulfil the following requirements:
  - Issued by an appraisal company authorised by Cajamar Group.
  - Issued less than six months earlier.
  - Prepared for mortgage market purposes and in accordance with Ministerial Order ECO/805/2003, of 27 March.
  - No determining factors.

Update of the value of the property held as collateral

The criteria provided in the following table are used to update the value of properties under guarantee securing credit transactions:

Transaction classification	Property type/transaction type		Individual appraisal	Statistical appraisal (i)	Frequency	Starting point	Method
Performing	Guarantee for buildings and components of finished buildings		Yes	Yes	Annual verification (ii)	On arrangement of credit	Individual appraisal of up to 6 months
	Guarantee other than for buildings and components of finished buildings		Yes	No	Three years if no significant decrease in risk		
	Transactions with a gross carrying amount of more than €3 million or 5% of eligible capital						
Performing under special monitoring	Guarantee for buildings and components of finished buildings	Transactions pertaining to segments with an aggregate gross amount of more than €300 million or 10% of eligible capital (v)	Yes	Yes	Annual	On arrangement of credit	Individual appraisal of up to 6 months
		Transactions with a gross amount of more than €1 million and LTV >70%		Only exceptionally and where justified			
		Other	Yes	Yes	Annual verification (ii)		
	Guarantee other than for buildings and components of finished buildings		Yes	No	Annual		
	Transactions with a gross carrying amount of more than €3 million or 5% of eligible capital						
Non-performing	Guarantee for buildings and components of finished buildings	Gross transaction amount less than or equal to €0.3 million and non-performing for not more than 3 years	No	Yes	Annual	On being classified as non-performing	Individual appraisal or statistical appraisal (iii)
		Gross transaction amount less than or equal to €0.3 million and non-performing for more than 3 years	No	Yes	Annual		
			Yes	No	Three years		
	Guarantees not included in the previous point (by type of guarantee or by gross carrying amount)	Guarantees other than for buildings and components off finished buildings and any guarantee for non-performing transactions with a gross carrying amount of more than €0.3 million	Yes	No	Annual		
Real estate assets foreclosed or received in payment of debt	Transactions with a fair value less than or equal to €0.3 million	On balance sheet for 3 years or less	No	Yes	Annual	On being foreclosed or at time of dation	Individual appraisal
		On balance sheet for 3 years or more(iv)	No	Yes	Annual		
			Yes	No	Three years		
	Rest (fair value greater than €0.3 million)		Yes	No	Annual		

(i) Statistical valuation may be applied to the following types of property: homes (including garages and storage rooms), offices, multi-purpose commercial premises and multi-purpose industrial buildings.

(ii) Appraisals must be updated if there is a significant decrease in value. Checks for evidence of significant decreases in value must be carried out at least annually.

(iii) At the time of classification as non-performing, an updated appraisal is required, which may be a full individual appraisal or a statistical appraisal, as appropriate. Once a transaction has been on the balance sheet for 3 years, the two valuation methods may be combined, so that full individual appraisal are performed at least every three years. In any case, both the appraisal company that updates the reference appraisal, using any of the accepted procedures, and the professional responsible for the update must be changed after two consecutive appraisals by the same company.

(iv) At the time of acquisition of the property, a full individual appraisal is required. Once a transaction has been on the balance sheet for 3 years, the two valuation methods may be combined, so that full individual appraisal are performed at least every three years. In any case, both the appraisal company that updates the reference appraisal, using any of the accepted procedures, and the professional responsible for the update must be changed after two consecutive appraisals by the same company.

(v) These are the segments of section III of Annex 9 where the aggregate gross amount of transactions under special monitoring exceeds one of the two stated parameters.

The restated value of a property pledged to secure a loan is the lower of the following:

- Purchase price declared in a public deed plus post-acquisition costs allowed in the valuation of a property at the risk acceptance date, restated applying coefficients when more than three years have elapsed since the relevant amounts were incurred.
- Restated appraisal value.

b.3) Rules for measuring customer payment capacity

The analysis performed before a loan is granted must study and measure the borrower's capacity to meet scheduled repayments. The following steps must be taken to do this:

- Inclusion in the loan files of sufficient economic and financial information to assess the borrower's capacity to generate funds. In the case of companies and self-employed professionals, this information must be updated yearly.

- Elimination of payment facilities included in products for commercial differentiation purposes.

- Assessment of the ability to pay, comparing the customer's payment obligations with their ability to generate funds. For loans covered by scoring or rating models, their evaluation will include the assessment of the ability to pay.

b.4) Policy for loan terms, grace periods and settlement periods; general criteria

- Term:

  The maximum repayment period for loans secured by personal guarantees is the period in which the generation of funds by the borrower may be reliably estimated, subject to a maximum of 10 years.

  The maximum repayment period for loan secured by real property is the property's useful life, subject to a maximum of 15 years, except for private properties, subject to a maximum of 30 years.

  For operations with individuals, the loan must mature before the date on which the youngest borrower is 75 years old for loans secured against personal guarantees and 80 years old for loans secured against assets.

- Settlement periods:

  The capital and interest settlement frequency will be monthly, in general. Quarterly settlement frequencies will only be allowed if justified by the borrower's resource generation frequency. In the case of financing agri-food campaigns, longer interest settlement periods are possible.

  Loans with no defined maturity date are excluded from this policy, which must be granted at the Analysis Centre level or higher, as indicated in the tables of authorisation levels.

- Grace period:

  Capital payment grace periods may be applied when:

  1) Financing a project that will only start to provide income at a future date;
  2) It is bridge financing;
  3) It forms part of the design of a specific product, in which case this credit facility must be taken into account to adjust the calculation of the customer's capacity to make payment;
  4) It is a debt restructuring operation.

  Capital and interest payment grace periods may be applied when:

  1) It forms part of the design of a specific product, in which case this credit facility must be taken into account to adjust the calculation of the customer's capacity to make payment;
  2) It is a debt restructuring operation.

  Interest-only payment grace periods may be applied when:

  1) It forms part of the design of a specific product approved by the Investment Committee /Non-performing Asset Committee.

b.5) Restructuring policy

Debt restructuring is only available when there is an improvement in the collection status within the restructured position. This improvement must derive from the adaptation of the transaction conditions to the customer's payment capacity, accompanied by improvements in collateral, if appropriate.

Restructuring operations will observe the following policies in general:

- The transaction will not be restructured if the customer does not show a clear will to make payment.
- After the restructuring the customer's capacity to generate resources must be deemed sufficient to fulfil the modified conditions.
- The customer must make payment of accrued interest up to the date of the restructuring.
- Exposure will not increase, unless such an increase improves the Group's position with respect to the borrower (for example, when the increase allows the financed project to be completed and, therefore, start to generate inward flows, or when the increase is applied to lift prior obligations that would make recovery by us through the execution of guarantees difficult).
- Capital grace periods will be avoided. If granted, they will not exceed 2 years and must always be based on the clear expectation that the borrower will generate sufficient funds to make payment at maturity.
- No interest grace periods will be granted in general.
- Successive restructurings will be avoided and restructuring proposals based on the same budgets should not be successful more than two times within five years.
- The authority to grant restructuring operations must preferably fall to the Investment Management area.
- In general, the same body approving the risk in the first place cannot approve the restructuring. The following are not covered by this principle:
    - Transactions initially approved by BCC's Board of Directors and its Delegated Committee, who may approve restructuring of arrangements approved by them.
    - Any body, under its exemption of the body, in the terms established in chapter 4 of the Credit Risk Manual.

Note 24.4 provides the required disclosures regarding refinanced and restructured transactions.

c) <u>Organisation of the risks, powers, responsibilities and delegation function. Risk unit reports. Management tools and control procedures.</u>

The Parent's Board of Directors assumes its responsibility as the highest management and credit risk control body, which does not impede it from reasonably delegating that authority to lower bodies.

The Parent's Board of Directors may thus delegate, in turn, to the Delegated Committee or Governing Boards of the GCC's savings banks, which may also delegate to lower bodies within their organisations.

The organisation of and bodies responsible for credit risk management and control, and the tools available to them, are described below through an analysis of the three risk stages:

c.1) Credit risk acceptance stage:

- **Bodies involved**

  - Bodies empowered to grant loans:

The credit risk acceptance stage first involves the bodies empowered to grant loans, as explained previously.

The delegate bodies must exercise their powers while observing established policies and when a decision is taken that does not fulfil these policies, the reasons must be placed on record.

  - Analysis Centres Area, Special Financing Area, Major Borrowers Centre, Asset Contracts Area and Real Estate Legal Advisory:

These areas report to the Investments Division, and their functions are to (i) analyse, from a technical viewpoint, and report on the credit operation proposed by the Commercial Network; (ii) participate in decision-taking, forming part of the delegate bodies, and oversee compliance with established policy; (iii) manage loan arrangement, ensuring that agreements faithfully reflect the grant terms.

- **Organisation**

  - Special Financing Area:

It engages in the analysis, approval and management of the admission of Grupo Cooperativo Cajamar's loan transactions that must be resolved by the Cooperative Bank's Board of Directors, its Executive Committee and the Investment Committee as a result of the authority delegated to those areas. It also performs the credit risk assessments requested by the General Investment Department.

  - Major Borrowers Area:

Its role is to manage on an end-to-end basis the admission and monitoring of loans in the Major Borrowers Portfolio to achieve two objectives: early management if there is evidence of a deterioration, and identification of opportunities to do business with/retain the loyalty of these groups in what is currently such a competitive market.

  - Analysis Centres Area:

It engages in the management of the admission of Grupo Cooperativo Cajamar's loan transactions, ensuring that they are granted with the maximum credit quality in accordance with the authority delegated to it or raising them to higher bodies if the proposal exceeds its authority level. It is also responsible for formalising proposals in the terms indicated by the authorising body.
The area is divided into four offices to correctly fulfil its duties:

- ***Agro Analysis Centre:*** Analyse and report credit transactions in Portfolio 15 (Retail Agri-food) that must be resolved by the various bodies with authority delegated by Cajamar through the Business Offices and Committees.

- ***Corporate Analysis Centre:*** Analyse and report credit transactions related with the customer segment and transactions that the unit is responsible for analysing that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar to bodies higher than the Business Offices and Committees, excluding those that must be analysed by the Special Financing Centre.

- ***Overdraft and Working Capital Finance Analysis Centre:*** Analyse and approve proposed overdrafts, excess withdrawals and other exceptional items with respect to discounting facilities, foreign trade, confirming, factoring and C-19 that exceed the authority of the Business Offices and Committees for all of Cajamar Grupo Cooperativo or, if appropriate, inform BCC and/or Group Entities, to address these extraordinary customer requests such that the situation can be normalised and prevent them from reoccurring.

- ***Retail Analysis Centre:*** Operations corresponding to the residential mortgages portfolio, other household lending, auto-renewable loans, lending to small businesses and not-for-profit institutions outside the scope of special lending and large borrowers. Segmented operations in these customer portfolios with a turnover of up to €25 million and risk of under €5 million.

c.2) Credit and concentration risk monitoring, measurement and control stage:

- <u>**Bodies involved**</u>

Monitoring of the credit risk is understood as the permanent classification of operations and customers in order to establish an individual action policy which strengthens credit recovery expectations in the event of default.

Responsibility for defining the evaluation systems and rating loans and customers is attributed to the General Control Division, through the following organisational units and systems under the auspices of the Risk Control Division:

- <u>Expert Analysis Area</u>

  Comprising the following units:

  - ***Individual analysis of credit loss allowances:*** Its primary functions are to verify and, where applicable, propose the correct accounting classification and credit loss allowances for the Entity's significant exposures analysing each exposure.
    - Borrowers/groups with credit risk exposure > 0.75% of the Group's eligible capital.
    - Borrowers/groups with aggregate positions under special monitoring > 0.1% of the Group's eligible capital.
    - Borrowers/groups holding delinquent positions as a result of an event of default, or defaults > €3 million.
    - Transactions with no appreciable risk of default > €0,1 million.
  - ***Borrower control:*** Its main functions are to control compliance with policies concerning borrowers and risk groups, investees and related parties, define and review the early-warning based classification system and the monthly control of restructuring of arrears in payment and write-offs of non-performing assets; and to perform the necessary controls to ensure credit risk data is of the required quality.

- <u>Real Estate and Credit Risk Control Area</u>

  - ***Real Estate Risk Control:*** The main functions are to ensure policies concerning asset acquisitions and transfers of assets in lieu of payment are properly complied with, define the methods for revising the value of assets securing transactions ensuring they are updated on systems, and analyse fulfilment of the approval requirements for appraisal firms and control their performance.
  - ***Credit Risk Control*:** Its main functions are to control concentration limits by Segment, Portfolio and Sub-portfolio, control general compliance with the credit policy and study the evolution of portfolio credit risk, identify and analyse changes in the credit risk of the loan book over time.

- ***Classification and provisioning control***: Verify the correct application of regulatory accounting classification and provisioning criteria; maintain alignment with applicable regulations and check that provisions are calculated correctly; identify and analyse the performance of restructured credit, monitoring the accounting classification and provisioning criteria applied; and develop and regularly monitor the internal models for the accounting classification of credit transactions.

- Market risk control

Control of the credit and counterparty risk with financial institutions is handled by the Market and Operational Risk Control Area, which reports to the Risk Control Division. The area is formed by two management groups, one of which is responsible for market and counterparty, exchange rate, liquidity and interest risk.

- **Monitoring, measurement and control tools:**

The main tools employed to monitor, measure and control credit risk are listed below:

- Tracking and accounting classification models based on early warning systems.
- Cecabank Risk and Treasury Platform (CITRIX): Application used to channel counterparty risk control.

- **Monitoring controls:**

Information from the different credit rating models has been included in order to assign a credit policy to the customers assessed.

The following credit policy options are defined:

Green – Favourable: there is scope for considering a possible increase in the level of exposure to the borrower. In all cases, any such increase in exposure will be subject to the credit approval procedure.

Amber Policy – Hold / Secure Risk: loans may be renewed and the current level of exposure may be maintained.

Red Policy – Reduce Risk: the level of exposure to the borrower must be reduced, either by not renewing loans when they mature or by incorporating additional guarantees.

Grey Policy – Reduce with Default: the level of exposure to the borrower must be reduced, either by not renewing loans when they mature or by incorporating additional guarantees. Mainly because the borrower has debts that are significantly past due.

Black Policy – Extinguish / Recover Risk: the level of exposure to the borrower must be reduced or extinguished.

- Operation rating using operation monitoring models.

Operations are grouped into four categories on the basis of default probabilities:

Low risk: The loan is unlikely to become past due.

Average risk: There is a certain likelihood of the loan becoming past due.

High risk: The loan is quite likely to become past due.

Very high risk: The loan is very likely to become past due.

- Rating of Significant Exposure borrowers.

  The Individual Analysis Office performs individual reviews of borrowers and risk groups to which exposure is significant.

- Monitoring of credit and counterparty risks relating to financial institutions.

  Daily checks are performed to ensure the credit risk limits for each counterparty are being adhered to. The ratings of financial counterparties are also monitored monthly and the lines of counterparty risk are comprehensively reviewed every year.

  Similarly, there is a daily control of the work of the treasury desk, especially concerning flows of collections and payments associated with each operation.

- Control over restructured loans

  The Risk Committee of the Parent's Board of Directors is informed of the performance of restructured credit on a regular basis.

c.3) Impaired asset recovery stage:

- **<u>Bodies involved</u>**

The recovery stage is performed mainly by three functional units:

- **<u>Regional Divisions</u>**, which have:

  - <u>Branches</u>, where the recovery of loan operations is initiated.

  - <u>Risk Managers</u>, whose role is to manage recovery in their areas of influence and to directly manage the most significant defaults.

- **<u>Risk Recovery Area</u>**, whose mission is to control and provide guidance on compliance management across the Group, from the moment a breach is identified to restructuring or settlement of the position; and to support the Parent's General Investments Division in attaining its objectives regarding risk recovery, identifying available resources to achieve maximum efficiency, developing initiatives, actions and support to most effectively and inexpensively obtain recoveries by the Group.

  To this end, it has the following internal offices:

  - **<u>Judicial Foreclosure Management</u>**, whose mission is to control and monitor the servicer, Haya, and provide support in connection with Haya's requests and incidents encountered. It also manages enquiries from other units/departments concerning Haya and questions outside Haya's remit. It prepares regular progress reports on actions to recover unpaid, past-due loans at the pre-litigation and litigation stages.

  - **<u>Debt Recovery Accounting Management</u>**, whose function is to manage and record any exposures in arrears but not yet non-performing, non-performing exposures and those in default (in arrears for 120 days or less, or borrower in a non-court bankruptcy situation) that are not being handled in-branch or by other organisational units, and the recording of accounting entries concerning asset purchases.

  - **<u>Past-due Debt Management</u>**, which carries out all action intended to control the projected and actual evolution of exposures in arrears but not yet non-performing, non-performing exposures and those in default, as well as to monitor such transactions (in arrears for 120 days or less, or borrower in a non-court bankruptcy situation) on behalf of the Group.

- **Pre-litigation Case Management**, which monitors and supports the servicer, HAYA, to analyse unpaid loans within its remit and prepare legal claims. It responds to enquiries from the network and other units in the Bank regarding loans that are past due by more than 90 days and are being analysed to possibly be collected through legal action or where legal action has been ruled out.

- **Bankruptcy Risk Analysis and Monitoring**, which analyses any bankruptcies affecting GCC, setting out the strategies for mitigating bankruptcy risk to achieve the general non-performing asset objectives, and receive, evaluate, refer and monitor any proposals received to further safeguard GCC's interests.

- **Restructuring and Non-performing Asset Analysis Centre:**

  Its responsibility is to analyse the situation and the alternatives that best safeguard the Group's interests, ensuring the proper receipt, review, response, formal processing and monitoring by Haya and Grupo Cooperativo Cajamar of the proposals that are specified as part of its duties, evaluating the impacts of the measures to be adopted to mitigate the repercussions of non-performing assets and/or reflecting payment difficulties while ensuring an adequate internal control environment and facilitating operational efficiency. This centre also analyses debt restructuring transactions where there is a marked potential risk of default, focusing its analysis on the best accounting outcome for our Group.

- **Non-performing Asset Teams:**

  The Teams comprise a separate Area, that does not report to the Risk Recovery Area in formal or operation terms. Their current functions are:

    - To exercise the Risk Recovery powers assigned to them in the Credit Risk Manual;
    - To support and advise their assigned territorial divisions and the Group's savings banks on the restructuring and recovery of risk;
    - To supervise and monitor the management of past-due loans by territorial divisions and the group members affiliated to their allocated territory.

- **Asset Acceptance and Management**, whose task is to disintermediate non-performing assets (primarily real estate assets) owned by Grupo Cooperativo Cajamar, mainly with a view to disposing of them at the lowest cost and in the shortest time possible. The primary function to achieve this is to establish, oversee and monitor general policies on the management of non-performing assets, and coordinate and oversee the management activity outsourced to Haya RE.

- **Servicer and Portfolio Control**, whose task is to monitor Haya, while also providing support and escalating any proposals it may receive that lie outside its authority. Provide support for consultations made by other Departments regarding the management of Haya. Monitor compliance with adaptations to court-ordered bankruptcies. Prepare regular business activity monitoring reports. Prepare the reports required by the Bank of Spain or other Group departments.

  It is also responsible for post-deal management, which consists of handling relations with the assignees of assigned loan books, liaising with them, and verifying and managing compliance with the commitments assumed in the assignment agreements. Handle requests for information and documentation on the assigned loans received from assignees and Group Entities' branches and organisational units.
  It is also responsible for monitoring asset approval processes until the assets are put on sale, optimising the management and monitoring of major assets, and proposing and implementing improvements to circuits with a view to achieving efficiency and minimising the time between receiving an asset and putting it on sale.

- **Haya Real Estate (HRE)**, a company contracted to manage the pre-litigation and litigation cases of associates, receiving cases that have payments past due by more than 120 days. Its mission is to expedite litigation if seizable assets or rights are identified during its analysis. Alternatively, it may act through external specialist collection agencies in the case of non-performing transactions that given their amount or the lack of seizable collateral or rights may be open to recovery over the telephone.

- **Recovery management tools:**

  The Entity's recovery process is managed using a number of applications including:

  - Monthly Close Planning built into the Non-performing Asset Console so past-due and prudential provisioning of non-performing exposures can be managed consistently.
  - Past due loan management, so recovery can be managed from the first day of non-payment.
  - Overdraft management, providing information on overdrafts and overdrawn accounts from day one.
  - Management of past due loans in foreign lending operations.
  - Information on non-payments on credit cards.
  - Information on collateral and classifications.
  - Non-performing Asset Network monitoring system.

- **Recovery controls:**

  Procedure manuals are in place describing actions to be taken by each body involved in management and in what time frame, modulating the involvement of higher bodies based on the default period and amount.

d) Responsible consumer loan and credit approval policies

In accordance with Article 29 of Act 2/2011, of 4 March, the Group's Credit Risk Manual includes responsible consumer loan and credit approval policies applied. The last version of this manual was published by the Parent's Board of Directors on 19 December 2023.

Specifically, Title 2 of the manual sets out the policies for approving transactions and for analysing the ability to pay, the terms, grace periods, settlement and collateral. The section of Title 4 on approval processes provides more detail of these policies and how they are implemented, stipulating in particular the general and specific guidelines for the structuring of transactions. One of these is responsible lending as per the aforesaid law.

6.3. Market and exchange rate risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic principles applicable to market and foreign exchange risks are as follows:

- The utilisation and holding of financial instruments quoted in official secondary markets must fulfil the following purposes:

    1) Compliance with supervisory and regulatory standards that require the holding of financial assets, such as liquidity ratios;

    2) Adequate management of liquidity and the funding structure; and/or

    3) Diversification of the Group's income sources.

- Only the Parent may, in general, have exposure to market risk. However, when circumstances so dictate, and on an exceptional basis, the Parent may authorise any of the Group's entities or the consolidated group to be exposed to market risk.

- Financial instruments carrying market risk may only be acquired and held as part of the management of a "portfolio" the creation of which must be specifically authorised by the Parent's Executive Committee, which will establish each portfolio's investment policy and management objectives and, if applicable, will impose limits on value losses, value at risk and concentration. Where these limits are not necessary, the Executive Committee's resolution must be reasoned.

- Market risk exposures have different risk levels depending on the reason for holding the instruments carrying the risk, so that separate limits will be established based on the category in question. To this end, the portfolios referred to above will be included in one of the following categories:

    1) Not treated based on exposure to market risk:

        a) Fixed income classed as held to maturity in the accounts. As the securities included in this category will not be sold in the market but will be held until they are redeemed by the issuer, the predominant risk is the issuer credit risk; these securities must be treated as stipulated in the Group's Credit Risk Manual. Consequently, no limit is applied to the market risk arising from these investments. Consequently, no limit is applied to the market risk arising from these investments.

        b) Institutional financial instruments, including shareholdings in Group entities and other financial instruments in respect of which the investment is made in response to the Group's operating needs and institutional obligations. For these exposures, which are indefinite in nature, no market risk limit is applied.

    2) Treated based on exposure to market risk, in line with the following principles:

        a) Liquid and listed financial instruments in which a position is taken in order to generate short-term gains, which are therefore included in a trading portfolio ("trading activity"). This portfolio must operate under the principles of diversification and moderate value at risk, in the terms of the Market Risk Manual.

        b) Financial instruments exposed to market risk that are not included in the abovementioned categories.

    The financial instruments included in this category will be subject to the market risk exposure limits established in the Market Risk Manual.

- The above principles will not apply to instruments contracted for hedging purposes unrelated to the portfolio management referred to in the previous point.

- Foreign exchange risk limits will be adjusted to levels strictly necessary to facilitate customers' operating needs and the trading activity described in the previous point.

The following limits structure is applied to ensure that exposure to market and foreign exchange risks is at levels compatible with the basic principles referred to above:

- Limit on trading positions. The sum of net positions in trading portfolios may not exceed 10% of eligible capital.
- Limit on VaR of trading positions. The value at risk (VaR) of positions held in trading portfolios may not at any time exceed 1% of eligible capital. To this end, one-day VaR will be used, with a 99% confidence threshold.
- Limit on the overall market risk position. The Group's net overall market risk position may not exceed 150% of eligible capital.
- Limit on VaR of positions subject to market risk. The value at risk (VaR) of positions exposed to market risk may not at any time exceed 2.59% of eligible capital. To this end, one-day VaR will be used, with a 99% confidence threshold.
- Limit on variations in the economic value of the fixed-income portfolio subject to market risk over a six-month time horizon. Decline in the economic value of the fixed-income portfolio subject to market risk over a six-month time horizon, using the interest rate curve discounted by the market at that moment, which must not exceed 10% of eligible capital.
- Limit on the overall currency position. The sum of the equivalent value in euros of currency positions, using absolute values, may not exceed 2.0% of eligible capital.
- Limit on the maximum position in an individual currency. The equivalent value in euros of the position in each currency, in absolute terms, may not exceed 1.50% of eligible capital.
- Limit on currency VaR. The value at risk of the currency position expressed in annual terms and at a 99% confidence level may not exceed 0.35% of eligible capital.

b) <u>Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports</u>

The following bodies are responsible for managing and controlling market and exchange risks:

- Board of Directors
- Risk Committee
- CEO
- Assets and Liabilities Committee (ALCO)
- Treasury and Capital Markets Division
- Risk Control Division Market Risk Control
- Investor Relations and Balance Sheet Management
- Accounting Operations, Securities and Cash Management
- General Internal Audit Division

The Market Risk Control Office is responsible for controlling market, counterparty, exchange, liquidity and interest rate risks, reporting to the Market and Operational Risk Control Area, which forms part of Risk Control Division.

c) Management tools: measurement, communication, control and monitoring systems

The Bank manages market risk using Bloomberg terminals to obtain value inputs and to consult market factors.

It also uses the Cecabank Risk and Treasury Platform (CITRIX), which includes specialist front, middle and back-office tools, and applications to integrate and reconcile these.

6.4. Operational risk

- **Risk policy: limits, diversification and mitigation**

In the Operational Risk Management and Control Manual, the following are regulated: (i) the basic management and control principles; (ii) the scope of operation; (iii) the risk management cycle; (iv) the bodies tasked with management and control; and (v) the operational risk management and control tools.

The general principles of operational risk management and control that must be observed in all related activities are as follows:

- Principle of accountability: Senior management and the governing bodies are responsible for designing and transmitting the values, basic principles and policies of management. They are ultimately responsible for the Group's operational risks.

- Principle of functional independence: In order to establish the effective management of the operational risk, there must be autonomy in decision taking with respect to the persons and departments directly affected by this risk.

- Principle of unity, according to which there must be consistency in policies, processes, procedures and tools. As a result, the concept of operational risk has been accurately defined and its definition is known and adopted by all those involved. The Operational Risk Control Office was set up and a network of Operational Risk Coordinators was defined with specific and concrete functions in order to extend this principle to each of the areas and offices affected by this risk.

- Principle of transparency. In light of the need for a corporate culture of operational risk, it is necessary to establish appropriate disclosure of the actions performed to manage this risk at both internal and external level, ensuring that the organisation and market players are able to know and assess the Group's operational risk approach.

- Principle of adapting to change. Due to the on-going changes in the regulation and management of credit institutions, the need is established for the bodies responsible for operational risk control to analyse specifically (i) the operational risk profile of new products, processes, systems and lines of business, (ii) the change of the overall risk profile resulting from acquisitions, mergers or integrations and (iii) the operational risk inherent in regulatory amendments.

- Principle of assurance. Group entities should cover their operational risk through insurance contracts, the establishment of a self -insurance fund or through the combination of both systems. The Parent is ultimately responsible for these decisions.

The fundamental objectives of operational risk management and control are listed below:

- Identify events that could cause a loss.
- Define appropriate controls to avoid losses.

- Measure the capital necessary to cover operational risk.
- Prepare periodic reports on exposure to operational losses.

In order to achieve these objectives, a five-phase management cycle has been defined: identification, evaluation, monitoring, measurement and mitigation.

GCC's operational risk model has three lines of defence:

1. First line of defence: Business and support units.
   These are charged with managing the operational risk associated with the Bank's products, activities, processes and systems.
2. Second line of defence: Operational Risk Control Office.
   This office is responsible for designing and maintaining the Group's operational risk management model and checking that it is applied correctly by the various units.
3. Third line of defence: GCC's Internal Audit team.
   This team is charged with performing an independent review of the management model, ensuring that existing corporate policies are adhered to and are effective.

The scope of application of the management cycle is the entire organisation, through all levels, such that it is applied to all risks entailing material exposure. The only exceptions are those areas, departments or processes where there is no material exposure to operational risk.

In order to assure this level of implementation, an analysis should be included of all the Group's credit institutions and special vehicle companies.

- **<u>Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports</u>**

  Senior management and the governing bodies are responsible for designing and transmitting operational risk values, basic principles and management policies and are ultimately responsible for the Group's operational risks.

  The following bodies have responsibilities relating to operational risk management and control:

  - Risk Committee.
  - Risk Monitoring Committee
  - Risk Control Division
  - Operational Risk Control
  - Coordinator Network
  - General Internal Audit Division

- **<u>Management tools: measurement, communication, control and monitoring systems</u>**

  The Bank has the necessary tools to manage and measure operational risk adequately and fully, especially the following management modules:

  - Loss database: Historical depth of over five years.
  - Risk and self-assessment map: Qualitative assessment of risks affecting each area (departments and branch network) and mitigating controls in place.
  - KRIs: Key risk indicators or operational risk indicators.
  - Action plans and proposals for improvement.

  For the calculation of capital consumption caused by operational risk, the necessary automatic procedures have been developed to allocate relevant income by business line, so as to calculate capital requirements under the standard approach of operational risk.

Grupo Cooperativo Cajamar takes part in external forums, benchmarking processes and working groups with other entities in the sector (Spanish Operational Risk Consortium (CERO)), in order to provide comparative event losses data, find out about best practices applied and implement standard criteria.

The Operational Risk Control Office has defined and periodically runs a raft of operational risk stress scenarios that incorporate the main factors found to affect exposure to this risk.

The operational risk stress scenarios are subject to the rules set out in the Group's stress test framework governance manual.

6.5. Interest rate risk

a) <u>Risk policy: limits, diversification and mitigation</u>

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic interest rate risk principles contained in the Guide are as follows:

- The Group must apply a commercial and financial policy of minimal exposure to interest rate risk.
- Despite this principle, since the mere evolution of the market interest rate curve could place the Group on undesired exposure levels, a system of powers must be established to determine whether to maintain the exposure reached or take measures to reduce it.
- Only structural balance sheet positions are considered when calculating interest rate risk, and therefore trading positions are excluded.

In order to ensure compliance with the principles, the following limits structure is in place:

- Limits on economic value, which dictate that the sensitivity of economic value may not exceed -20% of eligible capital, or of economic value, when rates rise or fall by 200 basis points (instantaneous parallel movements). The sensitivity of economic value cannot exceed -15% of Tier 1 Capital in any of the six scenarios defined in the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02).
- Limits on net interest income. The following internal limits are set:
    - The sensitivity of 12-month net interest income to 200 basis-point increases and decreases cannot exceed 30% of 12-month net interest income in the baseline scenario (implicit interest rates).
    - Decision authority for certain exposure levels. An indicator of exposure to interest rate risk is assessed, which measures the relative variation in the 12-month interest margin to a gradual +/-100 basis-point fluctuation in the interest rate curve, discounted by the market. This indicator determines which authorised body is responsible for deciding whether to retain an existing position or take measures to reduce exposure to interest rate risk:
        - Reduction in net interest income of between 5% and 10%: Assets and Liabilities Committee.
        - Reduction in net interest income of over 10%: Executive Committee.

- Limit on products showing significant exposure, whereby investments and financing for terms of over 40 months must be arranged at variable interest rates. Exceptions must be authorised by the Assets and Liabilities Committee (ALCO) after their impact on exposure to interest rate risk has been examined.

b) <u>Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports</u>

The bodies responsible for managing and controlling liquidity and interest rate risk are defined in the Balance Sheet Risks Manual, as follows:

- Board of Directors
- Risk Committee
- CEO
- Assets and Liabilities Committee (ALCO)
- Treasury and Capital Markets Division
- Risk Control Division Market Risk Control
- Investor Relations and Balance Sheet Management
- Cash Management, Securities and Accounting Operations
- General Internal Audit Division

c) <u>Management tools: measurement, communication, control and monitoring systems</u>

The Group manages interest rate risk using a specific tool (Quantitative Risk Research's QALM), which generates interest rate risk statements and all kinds of static and dynamic analyses to evaluate the impact of trends in different interest rate scenarios.

The Entity manages interest rate risk at Consolidated Group level, and has risk levels that are below the limits stipulated in both regulations. The sensitivity analysis performed by the Group from a "Net interest income perspective" and from an "Economic value perspective" is presented below:

<u>Net interest income perspective:</u>

The sensitivity of net interest income is analysed from a dynamic perspective, based on the assumption that the size and structure of the balance sheet remain unchanged, considering different scenarios of interest rate fluctuations. A 100 basis-point increase (1%) in interest rates, assuming that the size and structure of the balance sheet remains the same, would have an impact on net interest income over a one-year horizon of 5.09% (5.03% in 2022).

<u>Economic value perspective:</u>

Future cash flows are discounted to obtain an approximation of the Entity's present value, paying special attention to the repricing of equity figures and the effect of various options. As a result of the analysis, the impact on the Entity's economic value in the event of an instant 100 basis-point increase (1%) in interest rates would be 6.32% (5.38% in 2022).

Analysis of interest rate risk from an economic value perspective at 31 December 2023 and 31 December 2022

The following tables show the analysis of interest rate risk that affects the Entity's financial activity at 31 December 2023 and 31 December 2022:

Thousands of Euros

2023	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 12 months	Total sensitive	Sensitivity	Term	Not sensitive	Total
Assets										
Money market	892,830	16,650,801	285	286,621	377,092	18,207,629	518	0.28%	-	18,207,629
Credit market	3,238,513	5,797,795	4,592,170	9,606,632	4,183,221	27,418,331	3,818	1.39%	177,486	27,595,817
Capital markets	1,090,375	554,695	10,365	19,818	559,478	2,234,731	-	-	29,841	2,264,572
Other assets	-	-	-	-	-	-	-	-	5,361,611	5,361,611
	5,221,718	**23,003,291**	**4,602,820**	**9,913,071**	**5,119,791**	**47,860,691**	**4,336**	**0.91%**	**5,568,938**	**53,429,629**
Liabilities										
Money market	1,672,629	2,278,205	17,831	2,672	19,736	3,991,073	45	0.11%	-	3,991,073
Medium and long-term issues	217,642	570,423	631,406	939,242	1,281,232	3,639,945	-	-	-	3,639,945
Other liabilities	-	-	-	-	-	-	-	-	4,931,344	4,931,344
Payables	14,138,100	2,376,865	2,936,889	4,541,023	16,874,390	40,867,267	8,924	2.18%	-	40,867,267
	16,028,371	**5,225,493**	**3,586,126**	**5,482,937**	**18,175,358**	**48,498,285**	**8,969**	**1.85%**	**4,931,344**	**53,429,629**
Gap	**(10,806,653)**	**17,777,798**	**1,016,694**	**4,430,134**	**(13,055,567)**	**(637,594)**	**(4,633)**	**(0.94%)**	**637,594**	
Gap/Assets (%)	**(20.23%)**	**33.27%**	**1.90%**	**8.29%**	**(24.44%)**	**(1.19%)**				

Thousands of Euros

2022	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 12 months	Total sensitive	Sensitivity	Term	Not sensitive	Total
Assets										
Money market	228,189	10,732,909	-	-	-	10,961,098	255	0.23%	-	10,961,098
Credit market	3,391,941	4,323,242	5,548,621	10,168,605	4,353,417	27,785,826	3,650	1.31%	81,848	27,867,674
Capital markets	743,115	682,173	70,339	639,311	667,603	2,802,541	243	0.87%	2,466,928	5,269,469
Other assets	-	-	-	-	-	-	-	-	2,794,951	2,794,951
	4,363,245	**15,738,324**	**5,618,960**	**10,807,916**	**5,021,020**	**41,549,465**	**4,148**	**1.00%**	**5,343,727**	**46,893,192**
Liabilities										
Money market	84,479	479,568	208,696	3,508	24,981	801,232	28	0.35%	-	801,232
Medium and long-term issues	326,857	720,480	1,223,879	1,200,363	299,777	3,771,356	316	0.84%	-	3,771,356
Other liabilities	-	-	-	-	-	-	-	-	4,667,243	4,667,243
Payables	14,198,860	1,600,538	1,960,613	2,578,614	17,314,736	37,653,361	8,780	2.33%	-	37,653,361
	14,610,196	**2,800,586**	**3,393,188**	**3,782,485**	**17,639,494**	**42,225,949**	**9,124**	**2.14%**	**4,667,243**	**46,893,192**
Gap	**(10,246,951)**	**12,937,738**	**2,225,772**	**7,025,431**	**(12,618,474)**	**(676,484)**	**(4,976)**	**(1.14%)**	**676,484**	-
Gap/Assets (%)	**(21.85%)**	**27.59%**	**4.75%**	**14.98%**	**(26.91%)**	**(1.44%)**				

Note: the figures in the table above correspond to assets and liabilities analysed by the Balance Sheet Management area. In the case of securitisations with no swap, the outstanding balance and initial characteristics of securitised assets are shown under assets. Securitisation bonds acquired by the bank are also recognised under "Capital markets", while on the liabilities side, a liability is booked under "Medium and long-term issues" with the repricing structure of the securitised assets and with the same balance as these securitised assets.

As per Rule 50.4 of Bank of Spain Circular 2/2016 (with the one-off amendments established in Bank of Spain Circular 3/2022), completing the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No. 575/2013, institutions must regularly assess what effect interest rate risk may have on their future stability and solvency, especially when the potential impact of interest rate fluctuations on economic value is negative and results in more than a 20% reduction in an institution's economic value or its own funds.

The EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) also establishes the need to assess six interest rate shock scenarios. This change in value must not reduce TIER 1 capital by more than 15%.

Internal operations, the method used to manage assets and liabilities, the types of information and the criteria applied are set out in the Entity's Assets and Liabilities Committee Procedures Manual, which is approved by the ALCO, and in the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual.

6.6. Liquidity risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic principles regarding the management of liquidity risk, which are included in this manual, are:

- The Group must maintain a level of liquid assets that is sufficient to meet the closest maturities of liabilities.
- The Group must finance loan investments mainly using retail resources, and making the use of wholesale financing remain within prudent limits.
- The Group must maintain an adequate diversification of the maturity dates relating to wholesale financing, so it will establish limits for short-term wholesale financing, and control the maturity dates of those maturing at long term regarding any new emission.
- The Group must maintain an adequate reserve of assets that may be easily converted to cash.
- The Group must actively manage its intraday liquidity risk using tools to monitor daily incomings and outgoings.
- The Group must have defined and implemented a Liquidity Contingency Plan that foresees the action to be taken in the event of liquidity crisis situations deriving from both internal and external causes.
- The Group should have defined a set of relevant stress scenarios and periodically assess the levels of risk associated with each.
- The asset securitisation market will not be one of the Entity's business lines. Issuances on this market will only be permitted in relation to prudent liquidity management, principally to generate valid collateral within the scope of application of the European Monetary Policy.

The following limits structure is applied to ensure that liquidity risk exposure is compatible with the basic principles referred to above:

- Short-term liquidity risk limits:
  - Daily liquidity limit. The liquidity for immediate use by the Group at the start of business, adjusted for the expected movement of funds, should be sufficient to cover any unexpected outflow of funds on a working day with a confidence level of 99%.

  - Liquidity profile ratio (LPR) limit. The Group's effective liquidity, i.e. liquid assets minus enforceable liabilities derived from wholesale financing, in a six-month time horizon, may not fall below 4% of the total of customer funds and contingent liabilities. This limit must be fulfilled on a weekly average basis.

  - Guarantees limit available in the discountable assets portfolio. Grupo Cooperativo Cajamar must at all times keep discountable assets available to the European Central Bank with a cash value of at least €1,500 million.

  - Liquidity position limit. The Group must at all times maintain a liquidity position, understood as the sum of available liquid assets and other less liquid assets that can be used to cover possible liquidity gaps in times of stress, of at least 7.50% of the balance sheet total.

- Limit on dependence on wholesale financing. Wholesale financing may not exceed 20% of loans and receivables.

- Limits on short-term wholesale financing. Net wholesale financing falling due in six months or less may not exceed the lower of the following amounts:

  - Overall cash value of the portfolio of discountable assets at the European Central Bank.

  - 30% of total wholesale financing.

- Limit applicable to the eligible mortgage portfolio. The outstanding balance of mortgage covered securities issued by the Group may not exceed 65% of the eligible mortgage portfolio.

- Limits on adjustments to maturities of long-term wholesale financing. At least 100% of any negative liquidity gaps arising from differences between liquidity outflows due to the expiration of wholesale funding instruments and liquidity inflows from the expiration of wholesale investment instruments, over the life of the financing plan in place, must be covered using the Group's potential sources of liquidity at the evaluation date.

This raft of internal limits supplements the regulatory liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

- The LCR is intended to ensure credit institutions retain an adequate level of available high-quality liquid assets (HQLA) that can be converted into cash to meet liquidity needs for a 30 calendar day critical liquidity stress scenario.

  The Group's LCR at 31 December 2023 was 197.29% (comfortably above the regulatory level of 100%) and the annual average LCR was around 185.69% (181.45% at 31 December 2022).

- The NSFR is one of the key reforms of the Basel Committee to enhance stability in the banking sector. It is intended to ensure the robustness of banks' medium and long-term funding structure, requiring them to retain stable sources of funding sufficient for their operations in order to mitigate the risk of possible liquidity squeezes.

  The Group's NSFR at 31 December 2023 was 149.57% (comfortably above the regulatory level of 100%) and the annual average NSFR was around 140.40% (137.00% at 31 December 2022).

b) Organisation of the risks, powers, responsibilities and delegation function. Risk control function.

The bodies responsible for liquidity and interest rate risk management and control are the same bodies described in the point on interest rate risk.

c) Management tools: measurement, communication, control and monitoring systems

The tools used to measure, control and monitor this risk are:

- The Cecabank Risk and Treasury Platform (CITRIX), which includes specialist front, middle and back-office tools, and applications to integrate and reconcile these.
- Bloomberg screens.
- The application QALM, Quantitative Risk Research (QRR).
- The Group's core banking operational applications.

7. Cash, cash balances at central banks and other demand deposits

The details of this heading on the accompanying balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Cash	187,969	202,374
Cash balances at central banks	434,697	187,901
Other demand deposits	16,672,037	10,385,348
Total	**17,294,703**	**10,775,623**

The balance under the heading "Cash balances at central banks" relates to the deposit made to cover the minimum reserves ratio (Note 1.4).

The balance of this heading has been considered to be cash or cash equivalents for the purposes of preparing the statements of cash flows for 2023 and 2022.

8. Financial instruments

8.1. Breakdown of financial assets and liabilities by nature and category

Details of the carrying amount of the financial assets owned by the Entity at 31 December 2023 and 31 December 2022, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of Euros				
	2023				
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
Financial Assets: Nature/Category					
Derivatives	264	-	-	-	-
Equity instruments	-	-	-	11,828	-
Debt securities	-	-	-	9,717	35,772
Loans and advances:	-	440,139	-	-	29,239,023
Credit Institutions	-	-	-	-	1,170,068
Customers	-	440,139	-	-	28,068,955
Total	**264**	**440,139**	**-**	**21,545**	**29,274,795**
	2022				
Financial Assets: Nature/Category					
Derivatives	441	-	-	-	-
Equity instruments	-	-	-	11,778	-
Debt securities	-	-	-	9,699	-
Loans and advances:	-	427,525	-	-	28,591,984
Credit Institutions	-	-	-	-	474,657
Customers	-	427,525	-	-	28,117,327
Total	**441**	**427,525**	**-**	**21,477**	**28,591,984**

	Thousands of Euros		
	2023		
	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities measured at amortised cost
Financial Liabilities: Nature/Category			
Derivatives	237	-	-
Short positions	-	-	-
Deposits:			
Credit Institutions	-	-	4,003,334
Customers	-	-	41,481,080
Debt securities issued	-	-	1,122,346
Other financial liabilities	-	-	363,913
Total	**237**	**-**	**46,970,673**
	2022		
Financial Liabilities: Nature/Category			
Derivatives	403	-	-
Short positions	-	-	-
Deposits:			
Credit Institutions	-	-	802,691
Customers	-	-	38,403,687
Debt securities issued	-	-	439,536
Other financial liabilities	-	-	381,041
Total	**403**	**-**	**40,026,955**

The fair value of the Entity's financial assets and liabilities, by nature and counterparty, at 31 December 2023 and 31 December 2022 is as follows (Note 3.28):

2023	Thousands of Euros									
			Fair value hierarchy			**Change in fair value in the year**		**Accumulated change in fair value before taxes**		
	Balance	*Of which: Securities at fair value*	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets held for trading (Note 8.2)	**264**	**264**	**-**	**264**	**-**	**261**	**-**	**-**	**264**	**-**
Derivatives	264	264	-	264	-	261	-	-	264	-
Non-trading financial assets mandatorily at fair value through profit or loss	**440,139**	**440,139**	**-**	**-**	**440,139**	**-**	**-**	**-**	**-**	**-**
Loans and advances	440,139	440,139	-	-	440,139	-	-	-	-	-
Financial assets designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 8.5)	**21,545**	**21,545**	**394**	**-**	**21,151**	**-**	**175**	**(237)**	**-**	**(24,106)**
Equity instruments	11,828	11,828	393	-	11,435	-	22	(238)	-	(10,653)
Debt securities	9,717	9,717	1	-	9,716	-	153	1	-	(13,453)
Non-trading and non-derivative financial assets at fair value through profit or loss	-		-	-	-	-	-	-	-	-
Non-trading and non-derivative financial assets carried at fair value in equity	-		-	-	-	-	-	-	-	-
Derivatives – Hedge accounting (Note 9)	**25,333**	**25,333**	**-**	**25,333**	**-**	**13,925**	**-**	**-**	**13,925**	**-**
ASSETS	**487,281**	**487,281**	**394**	**25,597**	**461,290**	**14,186**	**175**	**(237)**	**14,189**	**(24,106)**
Financial liabilities held for trading (Note 8.2)	**237**	**237**	**-**	**237**	**-**	**(235)**	**-**	**-**	**237**	**-**
Derivatives	237	237	-	237	-	(235)	-	-	237	-
Financial liabilities designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – Hedge accounting (Note 9)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
LIABILITIES	**237**	**237**	**-**	**237**	**-**	**(235)**	**-**	**-**	**237**	**-**

2022	Thousands of Euros									
			Fair value hierarchy			**Change in fair value in the period**		**Accumulated change in fair value before taxes**		
	Balance	*Of which: Securities at fair value*	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets held for trading (Note 8.2)	**441**	**441**	**-**	**441**	**-**	**440**	**-**	**-**	**441**	**-**
Derivatives	441	441	-	441	-	440	-	-	441	-
Non-trading financial assets mandatorily at fair value through profit or loss	**427,525**	**427,525**	**-**	**-**	**427,525**	**-**	**-**	**-**	**-**	**-**
Loans and advances	427,525	427,525	-	-	427,525	-	-	-	-	-
Financial assets designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 8.5)	**21,477**	**21,477**	**242**	**70**	**21,165**	**-**	**(205)**	**(262)**	**-**	**(25,005)**
Equity instruments	11,778	11,778	241	-	11,537	-	469	(263)	-	(11,399)
Debt securities	9,699	9,699	1	70	9,628	-	(674)	1	-	(13,605)
Derivatives – Hedge accounting (Note 9)	**4,532**	**4,532**	**-**	**4,532**	**-**	**4,533**	**-**	**-**	**4,532**	**-**
ASSETS	**453,975**	**453,975**	**242**	**5,043**	**448,690**	**4,973**	**(205)**	**(262)**	**4,973**	**(25,005)**
Financial liabilities held for trading (Note 8.2)	**403**	**403**	**-**	**403**	**-**	**(400)**	**-**	**-**	**403**	**-**
Derivatives	403	403	-	403	-	(400)	-	-	403	-
Financial liabilities designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – Hedge accounting (Note 9)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
LIABILITIES	**403**	**403**	**-**	**403**	**-**	**(400)**	**-**	**-**	**403**	**-**

There were no material changes in terms of reclassification between the various levels of the fair value hierarchy in 2023 and 2022.

A breakdown of financial instruments by residual maturity at 31 December 2023 and 31 December 2022 is provided below. The maturity dates used in the table are the expected dates of maturity or cancellation based on the Entity's past experience:

2023

	Thousands of Euros									
ASSETS	**Repayable on demand**	**Up to 1 month**	**Between 1 month and 3 months**	**Between 3 months and 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Indeterminate, unclassified maturity**	**Valuation adjustments**	**Total**
Cash, cash balances at central banks and other demand deposits	**17,294,569**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**134**	**17,294,703**
Financial assets held for trading	**-**	**-**	**-**	**-**	**-**	**264**	**-**	**-**	**-**	**264**
Derivatives	-	-	-	-	-	264	-	-	-	264
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**440,139**	**-**	**-**	**440,139**
Loans and advances	-	-	-	-	-	-	440,139	-	-	440,139
Customers	-	-	-	-	-	-	440,139	-	-	440,139
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**12,773**	**11,828**	**(3,056)**	**21,545**
Equity instruments	-	-	-	-	-	-	-	11,828	-	11,828
Debt securities	-	-	-	-	-	-	12,773	-	(3,056)	9,717
Financial assets at amortised cost	**323,110**	**1,143,108**	**1,107,802**	**1,464,861**	**2,882,762**	**8,255,155**	**12,731,192**	**1,819,447**	**(452,642)**	**29,274,795**
Debt securities	-	-	-	-	-	-	35,772	-	-	35,772
Loans and advances	323,110	1,143,108	1,107,802	1,464,861	2,882,762	8,255,155	12,695,420	1,819,447	(452,642)	29,239,023
Credit institutions	-	456,645	22,908	-	286,882	377,092	89	25,402	1,050	1,170,068
Customers	323,110	686,463	1,084,894	1,464,861	2,595,880	7,878,063	12,695,331	1,794,045	(453,692)	28,068,955
TOTAL	**17,617,679**	**1,143,108**	**1,107,802**	**1,464,861**	**2,882,762**	**8,255,419**	**13,184,104**	**1,831,275**	**(455,564)**	**47,031,446**
LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**237**	**-**	**-**	**-**	**237**
Derivatives	-	-	-	-	-	237	-	-	-	237
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	**34,646,419**	**576,600**	**2,326,153**	**1,720,223**	**3,787,745**	**2,618,723**	**987,884**	**215,653**	**91,273**	**46,970,673**
Deposits	34,646,376	426,854	2,326,153	1,720,223	3,787,745	1,871,956	637,884	1,529	65,694	45,484,414
Credit institutions	612,728	1,146	751,032	3,418	845,085	1,587,552	189,202	910	12,261	4,003,334
Customers	34,033,648	425,708	1,575,121	1,716,805	2,942,660	284,404	448,682	619	53,433	41,481,080
Debt securities issued	-	-	-	-	-	746,767	350,000	-	25,579	1,122,346
Other financial liabilities	43	149,746	-	-	-	-	-	214,124	-	363,913
TOTAL	**34,646,419**	**576,600**	**2,326,153**	**1,720,223**	**3,787,745**	**2,618,960**	**987,884**	**215,653**	**91,273**	**46,970,910**

2022

ASSETS	Repayable on demand	Up to 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Indeterminate, unclassified maturity	Valuation adjustments	Total
	Thousands of Euros									
Cash, cash balances at central banks and other demand deposits	**10,775,612**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**10,775,623**
Financial assets held for trading	**-**	**-**	**-**	**-**	**441**	**-**	**-**	**-**	**-**	**441**
Derivatives	-	-	-	-	441	-	-	-	-	441
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**427,525**	**-**	**-**	**427,525**
Loans and advances	-	-	-	-	-	-	427,525	-	-	427,525
Customers	-	-	-	-	-	-	427,525	-	-	427,525
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**12,755**	**11,778**	**(3,056)**	**21,477**
Equity instruments	-	-	-	-	-	-	-	11,778	-	11,778
Debt securities	-	-	-	-	-	-	12,755	-	(3,056)	9,699
Financial assets at amortised cost	**465,391**	**845,428**	**1,548,996**	**1,578,302**	**2,656,592**	**7,344,223**	**12,176,701**	**2,618,813**	**(642,462)**	**28,591,984**
Loans and advances	465,391	845,428	1,548,996	1,578,302	2,656,592	7,344,223	12,176,701	2,618,813	(642,462)	28,591,984
Credit institutions	-	55,158	377,503	-	-	-	3	41,961	32	474,657
Customers	465,391	790,270	1,171,493	1,578,302	2,656,592	7,344,223	12,176,698	2,576,852	(642,494)	28,117,327
TOTAL	**11,241,003**	**845,428**	**1,548,996**	**1,578,302**	**2,657,033**	**7,344,223**	**12,616,981**	**2,630,591**	**(645,507)**	**39,817,050**
LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**403**	**-**	**-**	**-**	**-**	**403**
Derivatives	-	-	-	-	403	-	-	-	-	403
Financial liabilities designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities measured at amortised cost	**35,292,232**	**664,751**	**752,046**	**1,105,939**	**923,039**	**232,378**	**838,143**	**211,074**	**7,353**	**40,026,955**
Deposits	35,292,232	491,582	752,046	670,744	923,039	232,378	838,143	3,202	3,012	39,206,378
Credit institutions	545,457	1,645	1,469	5,220	6,833	34,131	204,805	2,400	731	802,691
Customers	34,746,775	489,937	750,577	665,524	916,206	198,247	633,338	802	2,281	38,403,687
Debt securities issued	-	-	-	435,195	-	-	-	-	4,341	439,536
Other financial liabilities	-	173,169	-	-	-	-	-	207,872	-	381,041
TOTAL	**35,292,232**	**664,751**	**752,046**	**1,105,939**	**923,442**	**232,378**	**838,143**	**211,074**	**7,353**	**40,027,358**

The following table shows the Entity's total credit risk exposure net of allowances at year-end 2023 and 2022:

	Thousands of Euros	
	2023	**2022**
Financial assets held for trading	**264**	**441**
Hedging derivatives	264	441
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**440,139**	**427,525**
Loans and advances	440,139	427,525
Financial assets designated at fair value through profit or loss	**-**	**-**
Debt securities	-	-
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	**21,545**	**21,477**
Equity instruments	11,828	11,778
Debt securities	9,717	9,699
Financial assets at amortised cost	**29,274,795**	**28,591,984**
Debt securities	35,772	-
Loans and advances	29,239,023	28,591,984
Hedging derivatives	**25,333**	**4,532**
Total credit risk on financial assets	**29,762,076**	**29,045,959**
Loan commitments given	4,248,416	4,246,768
Financial guarantees given	965,435	939,573
Other commitments given	936,336	817,053
Total off-balance sheet exposures	**6,150,187**	**6,003,394**
Total maximum exposure to credit risk	**35,912,263**	**35,049,353**

Credit risk concentration by activity, geographical area and counterparty at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros				
	2023				
	TOTAL	**Spain**	**Rest of European Union**	**Latin America**	**Rest of world**
Central banks and credit institutions	**19,823,383**	**19,823,350**	**-**	**-**	**33**
General governments	**2,488,062**	**2,488,061**	**1**	**-**	**-**
Central government	112,930	112,929	1	-	-
Other general government exposures	2,375,132	2,375,132	-	-	-
Other financial corporations and sole proprietorships (financial business activity)	**4,026,513**	**3,921,799**	**104,702**	**-**	**12**
Non-financial corporations and sole proprietorships (non-financial business activity) (broken down by sector)	**11,795,001**	**11,776,298**	**13,409**	**2,221**	**3,073**
Real estate development and construction (including land)	297,758	297,758	-	-	-
Civil works construction	-	-	-	-	-
Other purposes	11,497,243	11,478,540	13,409	2,221	3,073
Large corporations	3,170,994	3,170,994	-	-	-
SMEs and sole proprietorships	8,326,249	8,307,546	13,409	2,221	3,073
Other households (broken down by purpose)	**13,025,852**	**12,784,659**	**123,035**	**12,286**	**105,872**
Housing	11,547,458	11,310,792	120,428	12,113	104,125
Consumer	452,596	449,897	1,669	84	946
Other purposes	1,025,798	1,023,970	938	89	801
TOTAL	**51,158,811**	**50,794,167**	**241,147**	**14,507**	**108,990**

	2022				
	TOTAL	**Spain**	**Rest of European Union**	**Latin America**	**Rest of world**
Central banks and credit institutions	**12,573,778**	**12,573,730**	**-**	**-**	**48**
General governments	**1,667,346**	**1,667,345**	**1**	**-**	**-**
Central government	51,385	51,384	1	-	-
Other general government exposures	1,615,961	1,615,961	-	-	-
Other financial corporations and sole proprietorships (financial business activity)	**4,013,036**	**3,983,861**	**29,175**	**-**	**-**
Non-financial corporations and sole proprietorships (non-financial business activity) (broken down by sector)	**12,187,328**	**12,169,984**	**10,343**	**1,246**	**5,755**
Real estate development and construction (including land)	341,637	341,637	-	-	-
Civil works construction	3,792	3,792	-	-	-
Other purposes	11,841,899	11,824,555	10,343	1,246	5,755
Large corporations	2,699,916	2,699,772	140	-	4
SMEs and sole proprietorships	9,141,983	9,124,783	10,203	1,246	5,751
Other households (broken down by purpose)	**13,326,371**	**13,086,498**	**115,276**	**12,281**	**112,316**
Housing	11,967,797	11,733,103	112,681	12,111	109,902
Consumer	303,836	302,505	691	89	551
Other purposes	1,054,738	1,050,890	1,904	81	1,863
TOTAL	**43,767,859**	**43,481,418**	**154,795**	**13,527**	**118,119**

Total risk includes the following balance sheet items: deposits at credit institutions, customer loans, debt securities, capital instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting allowances for specific hedging operations.

Credit risk concentration in Spain by geographical area and counterparty at 31 December 2023 and 31 December 2022 is as follows:

Thousands of Euros

2023

	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla-León	Catalonia
Central banks and credit institutions	**19,823,350**	**41,460**	**12,772**	**-**	**710**	**-**	**491,101**	**-**	**-**	**-**
General governments	**2,488,061**	**690,715**	**18,748**	**45,699**	**26,468**	**398,612**	**-**	**64,583**	**79,323**	**326,411**
Central government	112,929	-	-	-	-	-	-	-	-	-
Other general government exposures	2,375,132	690,715	18,748	45,699	26,468	398,612	-	64,583	79,323	326,411
Other financial corporations and sole proprietorships (financial business activity)	**3,921,799**	**3,844,923**	**75**	**2**	**878**	**910**	**-**	**223**	**869**	**13,212**
Non-financial corporations and sole proprietorships (non-financial business activity) (broken down by sector)	**11,776,298**	**3,137,275**	**111,873**	**137,092**	**351,656**	**458,335**	**28,527**	**226,088**	**848,583**	**612,968**
Real estate development and construction (including land)	297,758	101,720	5	-	3,724	16,982	7	40,962	7,573	5,685
Civil works construction	-	-	-	-	-	-	-	-	-	-
Other purposes	11,478,540	3,035,555	111,868	137,092	347,932	441,353	28,520	185,126	841,010	607,283
Large corporations	3,170,994	512,728	43,368	115,851	56,761	89,042	3,737	25,243	83,461	227,189
SMEs and sole proprietorships	8,307,546	2,522,827	68,500	21,241	291,171	352,311	24,783	159,883	757,549	380,094
Other households (broken down by purpose)	**12,784,659**	**3,744,172**	**70,894**	**20,514**	**419,005**	**446,933**	**12,708**	**134,870**	**559,877**	**913,344**
Housing	11,310,792	3,361,777	31,018	18,566	382,459	396,315	10,950	121,975	469,767	860,694
Consumer	449,897	119,755	1,369	981	12,130	21,633	435	5,845	20,702	15,670
Other purposes	1,023,970	262,640	38,507	967	24,416	28,985	1,323	7,050	69,408	36,980
TOTAL	**50,794,167**	**11,458,545**	**214,362**	**203,307**	**798,717**	**1,304,790**	**532,336**	**425,764**	**1,488,652**	**1,865,935**

	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and credit institutions	**-**	**-**	**19,205,440**	**-**	**-**	**71,795**	**72**	**-**	**-**
General governments	**-**	**25,702**	**158,539**	**61,509**	**196**	**369,952**	**-**	**-**	**108,675**
Central government	-	-	-	-	-	-	-	-	-
Other general government exposures	-	25,702	158,539	61,509	196	369,952	-	-	108,675
Other financial corporations and sole proprietorships (financial business activity)	**61**	**19**	**41,639**	**6,911**	**6**	**12,048**	**-**	**9**	**14**
Non-financial corporations and sole proprietorships (non-financial business activity) (broken down by sector)	**49,071**	**168,483**	**1,669,523**	**1,686,984**	**62,486**	**1,948,307**	**246,077**	**22,753**	**10,217**
Real estate development and construction (including land)	13	350	27,307	34,549	252	57,621	62	-	946
Civil works construction	-	-	-	-	-	-	-	-	-
Other purposes	49,058	168,133	1,642,216	1,652,435	62,234	1,890,686	246,015	22,753	9,271
Large corporations	17,305	68,420	1,053,558	278,587	30,892	331,531	225,564	7,757	-
SMEs and sole proprietorships	31,753	99,713	588,658	1,373,848	31,342	1,559,155	20,451	14,996	9,271
Other households (broken down by purpose)	**8,939**	**48,624**	**713,327**	**2,392,318**	**49,761**	**3,176,270**	**7,719**	**9,220**	**56,164**
Housing	7,755	45,741	678,287	2,132,167	46,471	2,679,855	7,120	8,569	51,306
Consumer	391	1,270	12,364	87,611	1,949	146,186	174	374	1,058
Other purposes	793	1,613	22,676	172,540	1,341	350,229	425	277	3,800
TOTAL	**58,071**	**242,828**	**21,788,468**	**4,147,722**	**112,449**	**5,578,372**	**253,868**	**31,982**	**175,070**

	Thousands of Euros									
	2022									
	TOTAL	**Andalusia**	**Aragon**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castilla-La Mancha**	**Castilla-León**	**Catalonia**
Central banks and credit institutions	**12,573,730**	**114,178**	**12,684**	**-**	**710**	**-**	**4,873**	**-**	**-**	**-**
General governments	**1,667,346**	**232,486**	**17,334**	**25,175**	**50,765**	**354,182**	**-**	**71,325**	**67,485**	**173,405**
Central government	51,384	-	-	-	-	-	-	-	-	-
Other general government exposures	1,615,962	232,486	17,334	25,175	50,765	354,182	-	71,325	67,485	173,405
Other financial corporations and sole proprietorships (financial business activity)	**3,983,861**	**3,891,713**	**121**	**4**	**1,002**	**942**	**2**	**200**	**994**	**15,925**
Non-financial corporations and sole proprietorships (non-financial business activity) (broken down by sector)	**12,169,983**	**3,367,962**	**140,754**	**122,099**	**384,889**	**520,351**	**27,191**	**248,276**	**910,837**	**583,324**
Real estate development and construction (including land)	341,637	136,192	9	-	2,689	18,442	12	25,614	7,149	9,309
Civil works construction	3,791	260	-	-	-	-	-	-	-	-
Other purposes	11,824,555	3,231,510	140,745	122,099	382,200	501,909	27,179	222,662	903,688	574,015
Large corporations	2,699,774	420,315	43,211	97,994	59,983	92,370	2,966	39,338	78,285	146,058
SMEs and sole proprietorships	9,124,781	2,811,195	97,534	24,105	322,217	409,539	24,213	183,324	825,403	427,957
Other households (broken down by purpose)	**13,086,498**	**3,920,464**	**32,416**	**18,441**	**391,422**	**436,055**	**11,071**	**137,734**	**527,636**	**967,327**
Housing	11,733,104	3,505,905	29,946	16,880	354,714	386,164	10,411	126,457	488,144	910,939
Consumer	302,505	97,067	745	611	7,230	17,320	407	3,463	14,428	10,460
Other purposes	1,050,889	317,492	1,725	950	29,478	32,571	253	7,814	25,064	45,928
TOTAL	**43,481,418**	**11,526,803**	**203,309**	**165,719**	**828,788**	**1,311,530**	**43,137**	**457,535**	**1,506,952**	**1,739,981**

	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarra**	**Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Central banks and credit institutions	**-**	**-**	**12,423,517**	**-**	**-**	**17,666**	**102**	**-**	**-**
General governments	**-**	**-**	**157,864**	**27,163**	**219**	**345,670**	**-**	**1,517**	**91,372**
Central government	-	-	-	-	-	-	-	-	-
Other general government exposures	-	-	157,864	27,163	219	345,670	-	1,517	91,372
Other financial corporations and sole proprietorships (financial business activity)	**86**	**24**	**61,632**	**7,608**	**6**	**3,578**	**-**	**-**	**24**
Non-financial corporations and sole proprietorships (non-financial business activity) (broken down by sector)	**41,924**	**186,300**	**1,377,183**	**1,877,225**	**73,720**	**2,177,178**	**97,661**	**23,702**	**9,407**
Real estate development and construction (including land)	22	11	23,280	37,504	288	80,101	-	-	1,015
Civil works construction	-	-	3,531	-	-	-	-	-	-
Other purposes	41,902	186,289	1,350,372	1,839,721	73,432	2,097,077	97,661	23,702	8,392
Large corporations	10,753	80,878	1,001,431	274,703	35,101	280,424	26,930	9,034	-
SMEs and sole proprietorships	31,149	105,411	348,941	1,565,018	38,331	1,816,653	70,731	14,668	8,392
Other households (broken down by purpose)	**8,407**	**41,148**	**748,545**	**2,477,962**	**45,016**	**3,247,087**	**7,871**	**9,266**	**58,630**
Housing	7,708	37,991	713,704	2,213,005	41,920	2,818,316	7,188	8,554	55,158
Consumer	224	845	8,676	59,855	914	79,007	151	197	905
Other purposes	475	2,312	26,165	205,102	2,182	349,764	532	515	2,567
TOTAL	**50,417**	**227,472**	**14,768,741**	**4,389,958**	**118,961**	**5,791,179**	**105,634**	**34,485**	**159,433**

Total risk includes the following balance sheet items: deposits at credit institutions, customer loans, debt securities, capital instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting allowances for specific hedging operations.

Risk is distributed by geographic area based on the location of the Entity's customers, and primarily concerns businesses in Spain.

8.2. Financial assets and liabilities held for trading

Details of this financial asset and liability heading of the accompanying balance sheets are as follows:

	Thousands of Euros			
	Assets		**Liabilities**	
	2023	**2022**	**2023**	**2022**
Derivatives	264	441	237	403
Equity instruments	-	-	-	-
Debt securities	-	-	-	-
Loans and advances	-	-	-	-
Total	**264**	**441**	**237**	**403**

8.2.1. Derivatives

As indicated in Note 3.1, trading derivatives are classified in the trading portfolio and, as such, are measured at fair value, any changes in their fair value being recognised directly in the statement of profit or loss.

The fair values of trading derivatives are classified in Level 2 (Notes 3.28 and 8.1) because the valuations are based on observable market inputs.

The notional amounts of financial derivatives recorded as "Trading derivatives" at 31 December 2023 and 31 December 2022 are shown below, in accordance with the classification by type of market, type of product, counterparty, remaining term and type of risk:

	Thousands of Euros							
	2023				2022			
	Carrying amount		Notional amount		Carrying amount		Notional amount	
	Financial assets held for trading	Financial liabilities held for trading	Total trading	Of which: sold	Financial assets held for trading	Financial liabilities held for trading	Total trading	Of which: sold
Interest rate	**264**	**237**	**811,489**	**3,789**	**441**	**403**	**1,007,884**	**4,114**
OTC options	3	3	7,577	3,789	2	3	8,227	4,114
Other OTC	261	234	803,912		439	400	999,657	
Other OTC	-	-	-		-	-	-	
Derivatives	**264**	**237**	**811,489**	**3,789**	**441**	**403**	**1,007,884**	**4,114**
Of which: OTC - credit institutions	264	45	803,256		441	82	998,697	
Of which: OTC - Other	-	192	8,233		-	321	9,187	

The fair value of the Entity's derivative financial assets and derivative financial liabilities, by nature and counterparty, at 31 December 2023 and 31 December 2022 is as follows (Note 3.28):

2023	Thousands of Euros									
			Fair value hierarchy			Change in fair value in the period		Accumulated change in fair value before taxes		
	Balance	*Of which: Securities at fair value*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading										
Derivatives	264	264	-	264	-	261	-	-	264	-
Financial liabilities held for trading										
Derivatives	237	237	-	237	-	(235)	-	-	237	-

2022	Thousands of Euros									
			Fair value hierarchy			Change in fair value in the period		Accumulated change in fair value before taxes		
	Balance	*Of which: Securities at fair value*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading										
Derivatives	441	441	-	441	-	440	-	-	441	-
Financial liabilities held for trading										
Derivatives	403	403	-	403	-	(400)	-	-	403	-

8.2.2. Equity instruments

At 31 December 2023 and 31 December 2022, the Entity does not have any balances recognised under this heading.

8.2.3. Debt securities

At 31 December 2023 and 31 December 2022, the Entity does not have any balances recognised under this heading.

8.2.4. Loans and advances

At 31 December 2023 and 31 December 2022 there were no balances classified under this balance sheet heading.

8.3. Non-trading financial assets mandatorily at fair value through profit or loss

Details of this heading of the accompanying balance sheets are as follows:

	Thousands of Euros	
	2023	**2022**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	440,139	427,525
Total	**440,139**	**427,525**

The fair value of assets classified in the "Non-trading financial assets mandatorily at fair value through profit or loss" portfolio is classified in Level 3: assets whose valuation or valuation price is provided by a third party or calculated internally on the basis of in-house criteria and models (Note 8.1).

8.3.1. Equity instruments

At 31 December 2023 and 31 December 2022 there were no balances classified under this balance sheet heading.

8.3.2. Debt securities

At 31 December 2023 and 31 December 2022, there were no balances under the debt securities heading in the portfolio of "Non-trading financial assets mandatorily at fair value through profit or loss".

8.3.3. Loans and advances

At 31 December 2023, the Entity has recognised an account receivable from Generali in the amount of €440,139 thousand (€427,525 thousand at 31 December 2022) for the estimated variable price of the Cajamar Vida, S.A. transaction and balances relating to receivables obtained through various novation agreements.

In 2004, the Group sold 50% of the capital of Cajamar Vida, S.A. de Seguros y Reaseguros to Generali España, Holding de Entidades de Seguros, S.A., retaining the other 50% of the shares. According to the share sale-purchase agreement, the shares' overall price, which is to be settled in 15 years, consisted of a fixed price and a variable price that will be calculated based on the value of the business and the net value of the assets at the time the contract, which has been rolled over several times, expires. Subsequently, to give coverage to agreements reached by the newly configured SIP and branch network, the contract was renegotiated in subsequent years, mainly to modify the determination of the variable price.

In 2022 the Group signed the fourth novation of its banking insurance agreement with Generali, affirming their continued mutual interest in the alliance, with options to terminate in 2035, and introducing adjustments to the cash flows and calculations thereof, thereby rebalancing the agreement between the parties. In said novation agreement, a part of the variable price was established, referred to as the extraordinary accrued variable price. This income arose from the recognition of services provided in the past and was not, therefore, linked to any plan involving a minimum volume of products to be sold by the Group and its network. As a result of the estimate of the extraordinary accrued variable price and the consolidation of rights prior to the novation, at 31 December 2022 a sum of €18,632 thousand was recognised in the statement of profit or loss under "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net" and €2,752 thousand under net interest income as the financial component of the operation.

Also, during the third quarter of 2022, the Group recognised the earn-out corresponding to 2021 for a present value of €56,458 thousand, of which €55,482 thousand was recorded as "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net" and €976 thousand as net interest income (Note 25).

At 31 December 2023, €8,537 thousand for the annual recognition of the variable price resulting from the fourth novation are recognised in the statement of profit or loss under the heading "Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss with changes in net income" and €4,077 thousand in net interest income as the financial component of the operation. (Note 25).

8.4. Financial assets designated at fair value through profit or loss

At 31 December 2023 and 31 December 2022 there were no "Financial assets designated at fair value through profit or loss".

8.5. *Financial assets at fair value through other comprehensive income*

Details of this heading of the accompanying balance sheets are as follows:

	Thousands of Euros	
	2023	**2022**
Debt securities	9,717	9,699
Equity instruments	11,828	11,778
Loans and advances	-	-
Total	**21,545**	**21,477**

The fair value of assets classified in the "Financial assets at fair value through other comprehensive income" portfolio is classified in three levels: Level 1 includes all those assets whose valuation quoted are obtained from active markets; Level 2 is for assets having prices or quotations based on inputs other than those that apply to Level 1 and which are directly or indirectly observable in the market; and Level 3 contains assets whose quotation or quoted price provided by a third party or calculated internally on the basis of in-house criteria and models (Note 8.1).

8.5.1. Debt securities

Details of debt securities classified based on the counterparty are as follows:

	Thousands of Euros	
	2023	**2022**
Central banks	-	-
General governments	1	1
Credit institutions	12,772	12,684
Other private sectors	-	70
Non-performing assets	-	-
Valuation adjustments:		
Valuation adjustments for impairment	(3,056)	(3,056)
Total	**9,717**	**9,699**

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2023 was 0.80% (0.33% in 2022).

At 31 December 2023 and 31 December 2022 there were no amounts in “Debt securities” pledged as collateral.

The movements in the balance under this heading in the accompanying balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**9,699**	**11,889**
Sales and redemptions	(127)	(1,373)
Portfolio cost allowance	(8)	(17)
Accrued interest	-	(11)
Valuation adjustments in equity	153	(790)
Valuation adjustments for impairment	-	1
Closing balance	**9,717**	**9,699**

The interest accrued on debt securities at 31 December 2023 amounted to €12 thousand (€16 thousand at 31 December 2022) (Note 25).

The gains or losses on disposal of assets classified as “Financial assets at fair value through other comprehensive income” recognised in profit or loss at 31 December 2023 were zero (€56 thousand at 31 December 2022) (Note 25).

The breakdown of impairment losses booked at 31 December 2023 and 31 December 2022 for assets recognised under the heading of “Financial assets at fair value through other comprehensive income – Debt securities” is as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**(3,056)**	**(3,057)**
Allowances taken to profit or loss	-	-
Recoveries	-	1
Cancellations due to use and others	-	-
Closing balance	**(3,056)**	**(3,056)**

8.5.2. Equity instruments

This heading of the accompanying balance sheets records the financial instruments issued by other entities, such as shares, contributions and non-voting equity that are considered to be equity instruments by the issuer, except for those companies in which control is exercised, a stake exceeding 20% is held or, if a lower shareholding is held, significant influence is maintained.

At 31 December 2023 and 31 December 2022 the breakdown of this heading by the issuer's business sector is as follows:

	Thousands of Euros	
	2023	**2022**
Credit institutions	2,980	2,980
Other resident sectors	8,680	8,654
Non-residents	168	144
Total	**11,828**	**11,778**

The cumulative gains or losses on the sale of equity instruments from the "Financial assets at fair value through other comprehensive income" portfolio recorded in the Entity's other reserves at 31 December 2023 amounted to a gain of €9,825 thousand (a gain of €9,790 thousand at 31 December 2022) (Note 18.2).

Income from "Equity instruments" amounted to €181 thousand at 31 December 2023 (€143 thousand at 31 December 2022) (Note 25).

A breakdown of the "Equity instruments" account at 31 December 2023 and 31 December 2022 by listed/unlisted status and as a percentage of the total is provided below:

	2023		**2022**	
	Thousands of Euros	**% of total**	**Thousands of Euros**	**% of total**
Listed:	**393**	**3.32%**	**241**	**2.05%**
Cost	631	5.33%	503	4.27%
Accumulated other comprehensive income	(238)	(2.01%)	(262)	(2.22%)
Unlisted:	**11,435**	**96.68%**	**11,537**	**97.95%**
Cost	10,703	90.49%	10,825	91.91%
Accumulated other comprehensive income	732	6.19%	712	6.05%
Total	**11,828**	**100.00%**	**11,778**	**100.00%**

The movements in the "Equity instruments" account during 2023 and 2022 are shown below, making a distinction between securities that are listed on an organised market and those that are not listed:

	Thousands of Euros			
	Listed		**Unlisted**	
	2023	**2022**	**2023**	**2022**
Opening balance	**241**	**236**	**11,537**	**11,058**
Additions	6	-	-	12,435
Disposals	-	(4)	-	(12,778)
Transfers and reclassifications	122	-	(122)	10
Cost correction	-	-	-	343
Accumulated other comprehensive income	24	9	20	469
Closing balance	**393**	**241**	**11,435**	**11,537**

There were no significant additions or disposals in the "Equity instruments" account during 2023.

The main additions and disposals in 2022, relating to securities without an official listing, resulted from the acquisition and subsequent total disposal of an equity stake in the amount of €12,435 thousand in the company Promontoria Jaguar Real Estate, S.L., as part of the Jaguar Project.

In addition, in 2022 the company Centro Integral de Mercancías, S.A. was written off for €343 thousand.

8.5.3. Loans and advances

At 31 December 2023 and 31 December 2022 there were no balances classified under this balance sheet heading.

8.5.4. Accumulated other comprehensive income

In accordance with the description provided in Note 3.1 to the accompanying annual accounts, the re-measurement of “Financial assets at fair value through other comprehensive income”, net of taxes, is recorded in equity under “Accumulated other comprehensive income”, which therefore records the changes in fair value net of taxes (Note 20).

Details of these changes in the balance sheets at 31 December 2023 and 31 December 2022 are as follows:

Items that will not be reclassified to profit or loss	Thousands of Euros	
	2023	**2022**
Changes in the fair value of equity instruments at fair value through other comprehensive income	**491**	**454**
Gains/losses	494	450
Tax effect	(3)	4
Total valuation adjustments	**491**	**454**

Items that will be reclassified to profit or loss	Thousands of Euros	
	2023	**2022**
Debt instruments at fair value through other comprehensive income	**(10,089)**	**(10,204)**
Gains/losses	(13,452)	(13,605)
Tax effect	3,363	3,401
Total valuation adjustments	**(10,089)**	**(10,204)**

8.6. Financial assets at amortised cost

Details of this heading of the accompanying balance sheet are as follows:

	Thousands of Euros	
	2023	**2022**
Loans and advances to credit institutions	1,170,068	474,657
Loans and advances to customers	28,068,955	28,117,327
Debt securities	35,772	-
Total	**29,274,795**	**28,591,984**

The following table shows the amounts drawn under credit facilities and financial guarantees given at 31 December 2023 and 31 December 2022 by segment, portfolio and sub-portfolio:

	Thousands of Euros			
	2023		2022	
	Exposure	Distribution (%)	Exposure	Distribution (%)
Retail:	**20,621,575**	**65.29%**	**21,729,526**	**69.18%**
Housing:	**11,649,696**	**36.89%**	**12,282,187**	**39.10%**
Usual residence	10,226,481	32.38%	10,876,130	34.62%
Other uses	1,423,215	4.51%	1,406,057	4.48%
Other household financing:	**997,561**	**3.16%**	**880,485**	**2.80%**
Micro-consumer	679,981	2.15%	509,222	1.62%
Other goods and services	317,580	1.01%	371,263	1.18%
Automatically renewable:	**658,271**	**2.08%**	**641,505**	**2.05%**
Credit cards	653,035	2.07%	633,420	2.02%
Overdrafts	5,236	0.01%	8,085	0.03%
Small businesses:	**4,009,294**	**12.69%**	**4,539,589**	**14.45%**
Self-employed	1,110,541	3.52%	1,281,231	4.08%
Micro-enterprises	1,503,424	4.76%	1,785,542	5.68%
Small retail	1,001,432	3.17%	1,086,383	3.46%
Medium retail	393,897	1.24%	386,433	1.23%
Retail agri-food:	**3,306,753**	**10.47%**	**3,385,760**	**10.78%**
Greenhouse farming	601,027	1.90%	662,793	2.11%
Rest of agri-food sector	2,705,726	8.57%	2,722,967	8.67%
Corporate:	**7,027,725**	**22.25%**	**6,547,435**	**20.84%**
Developers:	**425,919**	**1.35%**	**525,490**	**1.67%**
Housing development	302,605	0.96%	375,792	1.20%
Land	44,618	0.14%	51,513	0.16%
Other developers	78,696	0.25%	98,185	0.31%
Corporate agri-food:	**2,974,311**	**9.42%**	**2,951,532**	**9.39%**
Agri-food producer	541,083	1.71%	631,754	2.01%
Agri-food distributor	2,061,843	6.53%	1,979,775	6.30%
Agri-food auxiliary industry	371,385	1.18%	340,003	1.08%
SMEs:	**1,330,450**	**4.21%**	**1,293,459**	**4.12%**
Small	775,987	2.46%	663,143	2.11%
Medium	554,463	1.75%	630,316	2.01%
Large companies:	**2,297,045**	**7.27%**	**1,776,954**	**5.66%**
General governments:	**3,562,603**	**11.28%**	**2,816,967**	**8.97%**
Non-profits:	**129,438**	**0.41%**	**132,700**	**0.42%**
Financial intermediaries:	**242,643**	**0.77%**	**186,298**	**0.59%**
Total loan portfolio	**31,583,984**	**100.00%**	**31,412,926**	**100.00%**
Of which: structured transactions	**84,003**	**0.27%**	**56,009**	**0.18%**

Note: the figures presented in the table above correspond to the information managed by the Loan Book Control Area and not the balance sheet figures. They include customer loans and advances, contingent liabilities, undrawn balances drawable by third parties (with the exception of developer loans which exclude amounts drawable due to subrogations), write-off assets and loans securitised and derecognised; they do not include valuation adjustments.

8.6.1. Loans and advances – Deposits at credit institutions

Details of this account under “Loans and advances” on the balance sheets, by instrument type, are as follows:

	Thousands of Euros	
	2023	**2022**
Term deposits	**414,409**	**387,859**
Reverse repurchase agreements	**686,621**	**-**
Other financial assets	**67,988**	**86,766**
Valuation adjustments	**1,050**	**32**
Accrued interest	1,046	32
Unaccrued transaction costs	4	-
Total	**1,170,068**	**474,657**

Details of the amounts, without valuation adjustments, at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Performing exposures	1,169,018	474,625
Of which: Performing exposures under special monitoring	-	-
Non-performing exposures	-	-
Closing balance	**1,169,018**	**474,625**

At year-end 2023 and 2022, there were no impairment losses on “Loans and advances to credit institutions”.

8.6.2. Loans and advances - Customer loans

The breakdown of this heading on the accompanying balance sheets is indicated below, in accordance with the type and status of the loan, and the sector in which the counterparty operates:

	Thousands of Euros	
	2023	**2022**
By credit type and status:		
Commercial loans	1,555,684	1,443,775
Loans with collateral	14,710,822	15,861,220
Other term loans	10,396,285	9,583,314
Finance leases	284,875	283,553
Receivables on demand and others	630,418	470,908
Non-performing assets	629,057	868,873
Other financial assets:		
Fees for financial guarantees and other commitments given (Note 21.2) (Note 21.3)	54,804	55,423
Other financial assets	260,702	192,755
Of which in arrears	*361*	*223*
Valuation adjustments	(453,692)	(642,494)
Total	**28,068,955**	**28,117,327**
By sector:		
General governments	2,451,421	1,666,218
Other private sectors:		
Financial corporations	2,048,667	2,027,875
Non-financial corporations	8,361,223	8,562,769
Households	15,207,644	15,860,465
Total	**28,068,955**	**28,117,327**

The heading “Other financial assets – Other assets” includes other balances receivable by the Entity for transactions that are not classified as loans, primarily guarantees required to operate in markets.

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2023 was 4.59% (2.04% in 2022).

During 2023 the Entity individually assigned certain loans for non-material amounts, recognising income in profit or loss of €9,002 thousand (€7,924 thousand in 2022). In 2023 and 2022, within the framework of its strategy for the management of non-performing assets, the Group sold a number of loan books containing receivables of various types, origin and amount and generally with varying terms and guarantees (mortgage and non-mortgage) (Notes 1.7, 8.6.5 and 8.6.6).

As a result of these sales the assignees acquired full ownership of the assigned loans.

Financial assets classified under “Loans and advances - Customer loans” are initially measured at fair value, adjusted for the transaction costs that are directly attributable at the transaction date. These assets are subsequently measured at amortised cost using the effective interest rate method. The Entity estimates the fair value of these assets net of allowances at €29,373,218 thousand at 31 December 2023 (€29,233,974 thousand at 31 December 2022).

The amounts of loans and advances to customers at 31 December 2023 and 31 December 2022, not including allowances, are as follows:

	Thousands of Euros	
	2023	**2022**
Performing exposures	27,893,229	27,890,725
Of which: Performing exposures under special monitoring	*2,987,119*	*3,223,112*
Non-performing exposures	629,057	868,873
Other assets in arrears	361	223
Closing balance	**28,522,647**	**28,759,821**

The amount of collateral received to secure loans and advances to customers at 31 December 2023 and 31 December 2022, is as follows:

2023	Thousands of Euros						
	Maximum amount of collateral or guarantee that can be considered						
	Loans collateralised by immovable property		Other collateralised loans				Financial guarantees received
	Residential immovable property	Commercial immovable property	Cash, deposits, [debt securities issued]	Moveable property	Equity and debt securities	Other	
Loans and advances	**12,309,051**	**2,284,734**	**15,976**	**1,634**	**-**	**16,716**	**2,693,121**
Of which: Other financial corporations	1,206	706	50	-	-	-	**3,799**
Of which: Non-financial corporations	310,074	1,370,514	9,425	1,553	-	1,642	**2,137,780**
Of which: Small and medium-sized enterprises	306,768	1,215,980	8,698	1,553	-	1,642	**1,732,816**
Of which: Commercial real estate loans to small and medium-sized enterprises	219,892	1,215,980	869	-	-	-	**99,233**
Of which: Commercial real estate loans to non-financial corporations other than small and medium-sized enterprises	2,957	154,534	-	-	-	-	**3,202**
Of which: Households	11,979,004	905,383	6,296	81	-	15,075	**546,877**
Of which: Lending for house purchase	11,269,708	120,552	1,150	-	-	-	**14,164**
Of which: Consumer credit	60,706	6,742	1,491	-	-	-	**8,839**

2022	Thousands of euros						
	Maximum amount of collateral or guarantee that can be considered						
	Loans collateralised by immovable property		Other collateralised loans				Financial guarantees received
	Residential immovable property	Commercial immovable property	Cash, deposits, [debt securities issued]	Moveable property	Equity instruments and debt securities	Other	
Loans and advances	**12,919,666**	**2,579,918**	**16,096**	**1,866**	**-**	**3,258**	**2,725,745**
Of which: Other financial corporations	1,312	803	81	-	-	-	**4,848**
Of which: Non-financial corporations	360,797	1,534,797	9,526	1,689	-	3,182	**2,282,750**
Of which: Small and medium-sized enterprises	358,640	1,379,181	9,024	1,689	-	3,182	**2,011,910**
Of which: Commercial real estate loans to small and medium-sized enterprises	261,739	1,379,181	1,616	-	-	-	**17,697**
Of which: Commercial real estate loans to non-financial corporations other than small and medium-sized enterprises	1,920	155,616	-	-	-	-	**-**
Of which: Households	12,537,110	1,035,974	6,153	177	-	75	**433,098**
Of which: Lending for house purchase	11,702,716	148,118	1,218	-	-	-	**10,347**
Of which: Consumer credit	1,871	123	941	-	-	-	**7,158**

Set out below is a breakdown of loans and advances to customers at 31 December 2023 and 31 December 2022, by counterparty, together with details of the amount covered by each of the main guarantees and the distribution of the collateralised financing according to the carrying amount of the financing as a percentage of the value of the collateral (according to the latest appraisal):

2023	Thousands of Euros							
				Collateralised loans, carrying amount as a percentage of the latest available appraisal. Loan to value				
	Total	**Of which: Real estate collateral**	**Of which: Other collateral**	**Less than or equal to 40%**	**More than 40% and less than or equal to 60%**	**More than 60% and less than or equal to 80%**	**More than 80% and less than or equal to 100%**	**More than 100%**
General governments	**2,444,627**	**31,513**	**205**	**9,210**	**10,297**	**1,374**	**205**	**10,632**
Other financial corporations and sole proprietorships (financial business activity)	**1,830,881**	**5,773**	**766**	**2,857**	**2,004**	**888**	**163**	**627**
Non-financial corporations and sole proprietorships (non-financial business activity)	**10,924,750**	**2,788,788**	**131,661**	**1,332,297**	**917,606**	**454,755**	**81,247**	**134,544**
Real estate development and construction (including land)	229,679	217,164	5,201	72,143	96,948	34,022	7,076	12,176
Other purposes	10,695,071	2,571,624	126,460	1,260,154	820,658	420,733	74,171	122,368
Large corporations	2,625,571	162,982	16,352	82,944	36,892	31,254	6,174	22,070
SMEs and sole proprietorships	8,069,500	2,408,642	110,108	1,177,210	783,766	389,479	67,997	100,298
Other households	**12,868,697**	**11,901,768**	**34,231**	**3,413,997**	**3,484,539**	**3,817,403**	**902,107**	**317,953**
Housing	11,547,458	11,460,875	4,253	3,208,500	3,370,730	3,732,197	872,134	281,567
Consumer	452,596	69,092	4,169	39,258	16,317	11,674	2,153	3,859
Other purposes	868,643	371,801	25,809	166,239	97,492	73,532	27,820	32,527
Total	**28,068,955**	**14,727,842**	**166,863**	**4,758,361**	**4,414,446**	**4,274,420**	**983,722**	**463,756**
Memorandum item:								
Refinancing, refinanced and restructured transactions	**745,951**	**468,944**	**2,995**	**115,330**	**154,090**	**115,581**	**45,669**	**41,269**

2022	Thousands of Euros							
				Collateralised loans, carrying amount as a percentage of the latest available appraisal. Loan to value				
	Total	**Of which: Real estate collateral**	**Of which: Other collateral**	**Less than or equal to 40%**	**More than 40% and less than or equal to 60%**	**More than 60% and less than or equal to 80%**	**More than 80% and less than or equal to 100%**	**More than 100%**
General governments	**1,656,389**	**34,053**	**336**	**8,179**	**11,248**	**3,145**	**482**	**11,335**
Other financial corporations and sole proprietorships (financial business activity)	**1,881,920**	**7,776**	**128**	**2,430**	**2,454**	**2,195**	**304**	**521**
Non-financial corporations and sole proprietorships (non-financial business activity)	**11,296,370**	**3,129,050**	**63,481**	**1,360,896**	**1,003,762**	**537,878**	**112,511**	**177,484**
Real estate development and construction (including land)	273,749	269,716	1,359	100,107	95,928	37,727	12,340	24,973
Civil works construction	3,792	3,792	-	19	3,773	-	-	-
Other purposes	11,018,829	2,855,542	62,122	1,260,770	904,061	500,151	100,171	152,511
Large corporations	2,231,837	175,186	2,136	66,856	53,412	15,691	22,015	19,348
SMEs and sole proprietorships	8,786,992	2,680,356	59,986	1,193,914	850,649	484,460	78,156	133,163
Other households	**13,282,648**	**12,520,316**	**6,073**	**3,533,547**	**3,698,843**	**3,861,939**	**1,046,606**	**385,454**
Housing	11,967,798	11,940,362	1,565	3,318,015	3,553,350	3,745,494	989,534	335,534
Consumer	303,836	2,092	1,003	1,295	256	243	828	473
Other purposes	1,011,014	577,862	3,505	214,237	145,237	116,202	56,244	49,447
Total	**28,117,327**	**15,691,195**	**70,018**	**4,905,052**	**4,716,307**	**4,405,157**	**1,159,903**	**574,794**
Memorandum item:								
Refinancing, refinanced and restructured transactions	**953,516**	**705,871**	**2,808**	**201,878**	**195,360**	**180,023**	**60,885**	**70,533**

The total exposure includes customer loans net of the impairment provisions recognised to cover specific transactions.

The composition of the exposure recorded under “Loans and advances to customers” in the “Financial assets at amortised cost” portfolio at 31 December 2023 and 31 December 2022, by total exposure amount per customer, is as follows:

	Thousands of Euros					
	2023			2022		
Thousands of Euros	Exposure	Distribution (%)	Of which: Non-performing assets	Exposure	Distribution (%)	Of which: Non-performing assets
More than 6,000	6,819,417	23.91%	8,004	5,689,961	19.79%	7,838
Between 3,000 and 6,000	657,666	2.31%	32,675	768,978	2.67%	40,951
Between 1,000 and 3,000	1,519,210	5.33%	73,623	1,580,380	5.50%	78,686
Between 500 and 1,000	1,458,113	5.11%	80,476	1,606,133	5.58%	91,894
Between 250 and 500	2,729,991	9.57%	77,480	2,936,393	10.21%	123,448
Between 125 and 250	4,724,227	16.56%	123,406	5,102,470	17.74%	208,326
Between 50 and 125	7,275,944	25.51%	140,367	7,799,149	27.12%	206,027
Between 25 and 50	2,050,540	7.19%	44,965	2,111,798	7.34%	59,924
Less than 25	1,287,539	4.51%	48,422	1,164,559	4.05%	52,002
Valuation adjustments	(453,692)			(642,494)		
Loans and advances	**28,068,955**	**100.00%**	**629,418**	**28,117,327**	**100.00%**	**869,096**

8.6.2.1. Valuation adjustments

Details of valuation adjustments to transactions classified as “Loans and advances – Customer loans” are as follows:

	Thousands of Euros	
	2023	2022
Valuation adjustments:		
Valuation adjustments for impairment of assets	(679,751)	(810,868)
Valuation adjustments for impairment other financial assets	(558)	(400)
Accrued interest	109,022	51,593
Accumulated changes in fair value not due to credit risk	(3,359)	(4,463)
Premiums/discounts on acquisition	(20,538)	3,000
Fees	(30,302)	(36,551)
Transaction costs	171,794	155,195
Total	**(453,692)**	**(642,494)**

8.6.2.2. Transfer and derecognition of financial assets

The Entity has completed various transfers of assets comprising customer loans. These transfers were recognised in accordance with the policy described in Note 3.5. The outstanding balance of these transactions at 31 December 2023 and 31 December 2022 was as follows:

	Thousands of Euros	
	2023	2022
Written off the balance sheet:	**181,635**	**66,189**
Other transfers to credit institutions	7,189	6,030
Other transfers	174,446	60,159
Held on the balance sheet:	**3,166,757**	**4,041,066**
Loans assigned to securitisation funds	3,166,757	4,041,066
Total	**3,348,392**	**4,107,255**

The change in “Other transfers” at 31 December 2023 is due to the Entity’s having derecognised certain transactions, as explained in Note 1.8, while continuing to manage and administer the associated receipts.

The Entity has transformed loans into bonds that may be discounted through assignment to securitisation funds, which, while recorded under “Loans and advances”, can be pledged to obtain financing. At 31 December 2023, the Entity retained a total of €2,757,658 thousand in securitised bonds relating to the above-mentioned loan and credit transformations (€3,443,039 thousand at 31 December 2022) (Note 8.7.3.).

Of the aforementioned €2,757,658 thousand in securitisation bonds existing at 31 December 2023 (€3,443,039 thousand at 31 December 2022), no amount was pledged in the loan agreement secured by a pledge of securities and other assets entered into with the Bank of Spain (Note 8.7.1).

The gains and losses on securitised assets derecognised from the balance sheet, namely all the securitisations prior to 1 January 2004, and recognised in the statement of profit or loss under “Gains or losses on financial assets and liabilities” were zero at 31 December 2023 (€1,029 thousand at 31 December 2022). At 31 December 2023, the Entity did not have any securitisation fund that had been derecognised from the balance sheet.

The net liability recorded on the balance sheet as a balancing entry for the securitised assets held on the balance sheet is classified under “Financial liabilities measured at amortised cost - Customer deposits”, totalling €444,020 thousand in 2023 and €629,017 thousand in 2022, under the heading “Participation mortgages issued” (Note 8.7.3.).

Of the loans and receivables recorded in the balance sheet, the Entity has certain balances that have been pledged, mainly to secure the securitisations carried out, the issue of mortgage bonds and the credit transformations carried out, as follows:

	Thousands of Euros	
	2023	**2022**
Secured loans and credit facilities		
Securing asset securitisations	3,341,203	4,101,225
Securing mortgage bonds and securities	6,995,959	6,246,525
Total	**10,337,162**	**10,347,750**

In accordance with the minimum coverage established by legislation governing the issue of mortgage covered bonds, the loans and credit facilities securing these issues have been calculated by applying 125% to the issues in force and they constitute the minimum coverage of the total eligible portfolio for these issues.

During 2023, the fund “Rural Hipotecario Global I FTA”, originated in November 2005 in the amount of €588,002 thousand and held on the balance sheet, was cancelled.

In 2022 the Entity set up a new €900 million securitisation fund, the “Fondo de Titulización IM BCC Cajamar PYME 4 FT”. The bonds were fully retained by the Entity and are backed by loans granted to SMEs. The Group also cancelled the €330,000 thousand “Fondo de Titulización TDA 18 Mixto FTA”, originated in November 2003 and held off-balance sheet. Following the expiry of this fund, the Entity no longer has any off-balance sheet securitisation funds.

Securitisation arrangements in force at 31 December 2023 and 31 December 2022 to which the Entity is party are as follows:

31 December 2023

Identifier	Stake	Origination date	Type of securitisation	Nature	Thousands of Euros Amount at origination date	Thousands of Euros Amount of securitised positions at reporting date
TDA19-MIXTO FTA	67.63%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	18,860
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	76,120
IM CAJAMAR3 FTA	100.00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000	131,543
RURAL HIPOTECARIO VIII FTA	34.54%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	39,643
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	140,944
RURAL HIPOTECARIO IX FTA	43.32%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	575,585	90,830
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	144,405
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	370,178
RURAL HIPOTECARIO X FTA	28.92%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	543,463	99,196
RURAL HIPOTECARIO XI FTA	26.63%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	580,747	129,845
RURAL HIPOTECARIO XII F.T.A.	27.70%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	252,092	57,882
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	328,899
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	161,246
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	457,270
IM BCC CAJAMAR PYME 3, F.T.	100.00%	06/04/2021	Other	ON-BALANCE SHEET	1,000,000	394,835
IM BCC CAJAMAR PYME 4, F.T.	100.00%	16/03/2022	Other	ON-BALANCE SHEET	900,000	525,061
					13,200,845	**3,166,757**

31 December 2022

Identifier	Stake	Origination date	Type of securitisation	Nature	Thousands of Euros Amount at origination date	Thousands of Euros Amount of securitised positions at reporting date
TDA19-MIXTO FTA	66.91%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	23,722
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	95,595
RURAL HIPOTECARIO Global I FTA	54.20%	18/11/2005	Multi-assignor	ON-BALANCE SHEET	588,002	48,990
IM CAJAMAR3 FTA	100.00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000	160,549
RURAL HIPOTECARIO VIII FTA	34.37%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	48,015
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	172,372
RURAL HIPOTECARIO IX FTA	43.41%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	575,585	108,643
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	176,113
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	435,264
RURAL HIPOTECARIO X FTA	28.92%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	543,463	117,140
RURAL HIPOTECARIO XI FTA	26.63%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	580,747	147,064
RURAL HIPOTECARIO XII F.T.A.	27.70%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	252,092	65,942
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	391,510
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	237,573
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	545,926
IM BCC CAJAMAR PYME 3, F.T.	100.00%	06/04/2021	Other	ON-BALANCE SHEET	1,000,000	568,798
IM BCC CAJAMAR PYME 4, F.T.	100.00%	16/03/2022	Other	ON-BALANCE SHEET	900,000	697,850
					13,788,847	**4,041,066**

8.6.2.3. Impairment losses on loans and advances – Customer loans

Details of impairment losses booked at 31 December 2023 for financial assets at amortised cost are as follows:

	Thousands of Euros				
	Valuation adjustments				
	Stage 1	Stage 2	Stage 3	Allowances for purchased or originated credit-impaired financial assets	Total allowance
Balance at 31 December 2022	**(104,091)**	**(289,884)**	**(416,893)**	**-**	**(810,868)**
Increases due to origination and acquisition	(8,966)	(12,652)	(7,717)	-	(29,335)
Decreases due to derecognition	12,626	11,781	207,550	-	231,957
Changes due to change in credit risk (net)	4,192	(32,052)	(138,356)	-	(166,216)
Changes due to modifications without derecognition (net)	559	(737)	253	-	75
Changes due to revision of the Entity's estimation model (net)	-	-	-	-	-
Decrease in allowance account due to write-offs	-	159	94,467	-	94,626
Other adjustments	17	(575)	568	-	10
Balance at 31 December 2023	**(95,663)**	**(323,960)**	**(260,128)**	**-**	**(679,751)**

Changes in gross exposures and impairment at 31 December 2023 are as follows:

	Thousands of Euros			
Transfers of gross exposures:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		717,307	9,412	**726,719**
To Stage 2:	861,606		42,158	**903,764**
To Stage 3:	107,229	176,248		**283,477**
Transfers of impaired exposures:				
To Stage 1:		3,704	43	**3,747**
To Stage 2:	29,931		3,307	**33,238**
To Stage 3:	35,716	42,044		**77,760**

Details of impairment losses booked at 31 December 2022 for financial assets at amortised cost are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	Stage 2	Stage 3	Total allowance
Balance at 31 December 2021	**(106,405)**	**(331,297)**	**(650,105)**	**(1,087,807)**
Increases due to origination and acquisition	(7,161)	(8,896)	(10,730)	(26,787)
Decreases due to derecognition	5,171	19,022	179,565	203,758
Changes due to change in credit risk (net)	4,338	31,686	(137,341)	(101,317)
Changes due to modifications without derecognition (net)	(20)	(818)	860	22
Changes due to revision of the Entity's estimation model (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	418	202,136	202,554
Other adjustments	(14)	1	(1,278)	(1,291)
Balance at 31 December 2022	**(104,091)**	**(289,884)**	**(416,893)**	**(810,868)**

Changes in gross exposures and impaired exposures at 31 December 2022 are as follows:

	Thousands of Euros			
Transfers of gross exposures:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		572,055	2,527	**574,582**
To Stage 2:	921,694		44,389	**966,083**
To Stage 3:	74,440	181,621		**256,061**
Transfers of impaired exposures:				
To Stage 1:		2,327	26	**2,353**
To Stage 2:	23,681		4,112	**27,793**
To Stage 3:	21,814	49,417		**71,231**

Details of impairment losses on “Other financial assets” classified in “Loans and advances – Customer loans” at 31 December 2023 are as follows:

	Thousands of Euros			
	Impairment losses			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2022	**(229)**	**-**	**(171)**	**(400)**
Increases due to origination and acquisition	(8)	-	(239)	(247)
Decreases due to derecognition	-	-	89	89
Changes due to change in credit risk (net)	10	-	(10)	-
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to revision of the Entity’s estimation model (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 December 2023	**(227)**	**-**	**(331)**	**(558)**

Details of impairment losses on other financial assets classified in “Loans and advances – Customer loans” at 31 December 2022 are as follows:

	Thousands of Euros			
	Impairment losses			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2021	**(245)**	**-**	**(705)**	**(950)**
Increases due to origination and acquisition	(12)	-	562	550
Decreases due to derecognition	-	-	-	-
Changes due to change in credit risk (net)	28	-	(28)	-
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to revision of the Entity’s estimation model (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 December 2022	**(229)**	**-**	**(171)**	**(400)**

8.6.3. Impairment or (-) reversal of impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes – Financial assets at amortised cost

Details of this heading on the statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows (Note 25):

	Thousands of Euros	
	2023	**2022**
Charges for the year:	**(653,156)**	**(558,951)**
Allowances recognised in profit or loss	(592,599)	(488,587)
Repayments, net of loan losses	(60,557)	(70,364)
Recovery of write-offs	**43,196**	**20,680**
Other recoveries	**421,484**	**417,715**
Country risk	**6**	**(5)**
Charges	(25)	(28)
Recoveries	31	23
Total	**(188,470)**	**(120,561)**

8.6.4. Debt securities

Details of debt securities, by counterparty, are as follows:

	Thousands of Euros	
	2023	**2022**
Central banks	-	-
General governments	35,772	-
Credit institutions	-	-
Other private sectors	-	-
Non-performing assets	-	-
Total	**35,772**	**-**

At 31 December 2023, the fair value of the securities in this portfolio was €32,402 thousand (no amount at 31 December 2022).

The average effective interest rate on the debt instruments classified in this portfolio in the Group in 2023 was €1.84 % (1.69% in 2022).

This account includes financial assets held within a business model whose objective is to collect cash flows comprising principal and interest, holding the assets until maturity or close to maturity.

At 31 December 2023 the return on “Debt securities” was €971 thousand (zero at 31 December 2022) (Note 25).

The movements under this heading of the accompanying balance sheet in 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**-**	**-**
Purchases	35,456	-
Portfolio cost allowance	(161)	-
Accrued interest	477	-
Closing balance	**35,772**	**-**

8.6.5. Information on performing exposures in Loans and advances

The classification by days past-due of the performing exposures in the loans and receivables portfolio is as follows:

2023	Thousands of Euros				
	Total	Not past due or past due <=30 days	Past due > 30 days <= 90 days	Of which: Instruments without a significant increase in credit risk since initial recognition (Stage 1)	Of which: Instruments with a significant increase in credit risk since initial recognition but not impaired (Stage 2)
Loans and advances (*)	**29,289,914**	**28,994,100**	**295,814**	**26,301,387**	**2,987,119**
Central banks	-	-	-	-	-
General governments	2,451,421	2,450,453	968	2,450,453	968
Credit institutions	1,170,068	1,170,068	-	1,170,068	-
Other financial corporations	2,229,779	2,229,776	3	1,329,035	900,745
Non-financial corporations	8,275,108	8,191,834	83,274	7,406,100	869,007
Of which: Small and medium-sized enterprises	5,628,903	5,551,252	77,651	4,896,529	732,374
Of which: Collateralised by commercial immovable property	1,466,663	1,442,517	24,146	1,152,555	314,109
Households	15,163,538	14,951,969	211,569	13,945,731	1,216,399
Of which: Loans collateralised by residential immovable property	12,088,181	11,915,929	172,252	11,117,498	970,683
Of which: Consumer credit	447,571	442,023	5,548	424,789	22,781
Total debt instruments at amortised cost	**29,289,914**	**28,994,100**	**295,814**	**26,301,387**	**2,987,119**

2022	Thousands of Euros				
	Total	Not past due or past due <=30 days	Past due > 30 days <= 90 days	Of which: Instruments without a significant increase in credit risk since initial recognition (Stage 1)	Of which: Instruments with a significant increase in credit risk since initial recognition but not impaired (Stage 2)
Loans and advances (*)	**28,534,156**	**28,290,512**	**243,644**	**25,286,877**	**3,223,113**
Central banks	-	-	-	-	-
General governments	1,666,217	1,666,217	-	1,665,168	1,049
Credit institutions	474,657	474,657	-	474,657	-
Other financial corporations	2,187,454	2,187,383	71	1,287,155	900,299
Non-financial corporations	8,452,224	8,397,482	54,742	7,497,715	943,736
Of which: Small and medium-sized enterprises	6,184,943	6,130,273	54,670	5,357,405	817,679
Of which: Collateralised by commercial immovable property	1,641,468	1,625,622	15,846	1,286,481	347,557
Households	15,753,604	15,564,773	188,831	14,362,182	1,378,029
Of which: Loans collateralised by residential immovable property	12,622,247	12,466,953	155,294	11,535,456	1,077,647
Of which: Consumer credit	303,225	299,879	3,346	276,261	26,627
Total debt instruments at amortised cost	**28,534,156**	**28,290,512**	**243,644**	**25,286,877**	**3,223,113**

(*) Not including cash balances at central banks and other on demand deposits.

In 2023, as indicated in Notes 1.8 and 8.6.2, the Entity sold various loan books. These sales resulted in the derecognition of a gross amount of €34,908 thousand of performing assets.

8.6.6. Information on non-performing exposures

The classification by days past-due of non-performing exposures in the loans and receivables portfolio is as follows:

2023	Thousands of Euros								
	Total	Unlikely to be paid <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year	Of which: Defaulted	Of which: Credit-impaired instruments (Stage 3)	Of which: purchased or originated credit-impaired financial assets	Collateral received on non performing exposures
Central banks	-	-	-	-	-	-	-	-	-
General governments	491	-	-	-	491	491	491	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	123	35	24	20	44	122	123	-	-
Non-financial corporations	361,893	75,011	45,690	55,958	185,234	358,897	361,893	-	58,557
Of which: Small and medium-sized enterprises	332,752	57,304	40,559	52,165	182,724	332,672	332,752	-	56,487
Of which: Collateralised by commercial immovable property	87,789	16,966	11,326	3,679	55,818	87,783	87,789	-	46,918
Households	266,911	65,307	30,077	35,120	136,407	260,464	266,911	-	129,160
Of which: Loans collateralised by residential immovable property	164,853	54,289	21,679	23,647	65,238	162,532	164,853	-	113,123
Of which: Consumer credit	15,594	1,504	1,726	2,388	9,976	15,498	15,594	-	1,771
Total debt instruments at amortised cost	**629,418**	**140,353**	**75,791**	**91,098**	**322,176**	**619,974**	**629,418**	**-**	**187,717**

2022	Thousands of Euros								
	Total	Unlikely to be paid <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year	Of which: Defaulted	Of which: Credit-impaired instruments (Stage 3)	Of which: purchased or originated credit-impaired financial assets	Collateral received on non performing exposures
Central banks	-	-	-	-	-	-	-	-	-
General governments	488	-	-	-	488	488	488	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	251	89	-	23	139	251	251	-	27
Non-financial corporations	440,781	82,584	28,945	65,129	264,123	435,667	440,781	-	110,713
Of which: Small and medium-sized enterprises	422,627	71,035	28,945	60,961	261,686	419,779	422,627	-	109,210
Of which: Collateralised by commercial immovable property	192,058	32,439	5,716	12,957	140,946	189,944	192,058	-	95,017
Households	427,576	82,177	17,155	29,834	298,410	422,260	427,576	-	187,297
Of which: Loans collateralised by residential immovable property	328,061	69,401	10,862	19,139	228,659	323,040	328,061	-	168,662
Of which: Consumer credit	6,205	508	718	1,044	3,935	6,153	6,205	-	81
Total debt instruments at amortised cost	**869,096**	**164,850**	**46,100**	**94,986**	**563,160**	**858,666**	**869,096**	**-**	**298,037**

The amount of accumulated finance income accrued on impaired loans to customers and recognised on the statement of profit or loss before the impairment was recognised was €10,099 thousand and €11,436 thousand at 31 December 2023 and 31 December 2022, respectively.

At 31 December 2023 and 31 December 2022 details of and movements in financial liabilities at amortised cost classified as non-performing are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**869,096**	**1,211,209**
Additions	480,896	445,998
Disposals	720,574	788,111
Collected in cash	110,353	197,756
Foreclosure or receipt of assets	18,058	87,889
Performing	22,286	13,601
Performing exposures under special monitoring	135,482	59,923
Write-offs	146,486	262,334
Asset transfers	277,649	132,514
Other disposals	10,260	34,094
Closing balance	**629,418**	**869,096**

At 31 December 2023 and 31 December 2022 details of and movements in financial liabilities at amortised cost classified as write-offs are as follows:

	Thousands of Euros	
	2023	**2022**
Write-offs (a)		
Opening balance	**573,163**	**1,695,581**
Total additions	183,261	326,330
Use of accumulated impairment balance	94,626	202,554
Direct write-down in profit and loss	71,437	77,015
Contractually callable interest (b)	15,219	44,015
Other items	1,979	2,746
Total disposals	260,663	1,448,748
Collection of principal in cash from counterparties	52,752	48,983
Collection of interest in cash from counterparties	80	681
Forgiveness	9,557	37,150
Expiry of limitation period	3,086	40,403
Foreclosure of tangible assets	-	-
Foreclosure of other assets	-	-
Debt refinancing or restructuring	-	-
Sale	195,188	1,321,531
Collection from assignees	12,138	34,722
Final write-off	183,050	1,286,809
Other items	-	-
Exchange differences	-	-
Closing balance	**495,761**	**573,163**

(a) Amount of additions and disposals during the year recognised under "Write-offs". Therefore does not include final write-offs due to forgiveness or outright sale of debt instruments recognised under assets on the date of forgiveness or sale.
(b) Contractually callable interest on debt instruments classified as write-offs.

As indicated in Notes 1.8 and 8.6.2 to these annual accounts, the Entity has derecognised a gross total of €242,344 thousand of non-performing assets and €98,347 thousand of assets classified as write-offs. Following the same strategy for the management of non-performing assets, in 2022 the Entity derecognised €110,449 thousand of non-performing assets and €931,408 thousand of write-offs.

8.7. Financial liabilities measured at amortised cost

Details of this liabilities heading on the accompanying balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Deposits from central banks	-	-
Deposits from credit institutions	4,003,334	802,691
Customer deposits	41,481,080	38,403,687
Debt securities issued	1,122,346	439,536
Of which: Subordinated liabilities	-	-
Other financial liabilities	363,913	381,041
Total	**46,970,673**	**40,026,955**

At 31 December 2023, the fair value of financial liabilities measured at amortised cost amounted to €46,983,541 thousand (€40,026,129 thousand at 31 December 2022).

8.7.1. Deposits from central banks

At 31 December 2023 and 31 December 2022, there were no balances classified as "Deposits from central banks" in the portfolio of financial liabilities measured at amortised cost.

Under the loan agreement secured by a pledge of securities and other assets entered into with the Bank of Spain in accordance with the mechanisms governing Eurosystem monetary policy, the Entity has obtained a loan for which it has pledged securities totalling €201,934 thousand (€202,372 thousand at 31 December 2022), (Notes 8.5.1,8.6.4. and 8.7.4.1).

8.7.2. Deposits from credit institutions

Details of this account under "Financial liabilities measured at amortised cost" on the liabilities side of the balance sheets according to instrument type are as follows:

	Thousands of Euros	
	2023	**2022**
Current accounts	612,728	545,457
Term deposits	228,830	256,503
Repurchase agreements	3,149,515	-
Valuation adjustments:		
Accrued interest	12,261	731
Total	**4,003,334**	**802,691**

8.7.3. Customer deposits

Details of this account under "Financial liabilities measured at amortised cost" on the liabilities side of the accompanying balance sheets, by counterparty and type of financial instrument, are as follows:

	Thousands of Euros	
	2023	**2022**
Demand deposits	34,033,389	34,745,496
Term deposits	6,945,686	3,022,772
Participation mortgages issued	444,020	629,017
Cash received	*3,207,617*	*4,077,995*
Loans (-)	*(5,939)*	*(5,939)*
Debt securities (-)	*(2,757,658)*	*(3,443,039)*
Other accounts	4,552	4,121
Valuation adjustments:		
Accrued interest	*57,853*	*5,997*
Unaccrued transaction costs	*(4,420)*	*(3,716)*
Micro-hedging transactions	-	-
Total	**41,481,080**	**38,403,687**

The average effective interest rate on customers' demand and term deposits at the Group in 2023 was 2.14% (0.08% in 2022).

8.7.4. Debt securities issued

Details of this heading under "Financial liabilities measured at amortised cost" on the liabilities side of the accompanying balance sheets are as follows:

	Thousands of Euros	
	2023	**2022**
Marketable debt securities	1,122,346	439,536
Total	**1,122,346**	**439,536**

8.7.4.1. Marketable debt securities

Details of this heading on the accompanying balance sheets by type of financial liability are as follows:

	Thousands of Euros	
	2023	**2022**
Mortgage bonds	5,596,767	4,997,220
Other secured bonds	750,000	-
Treasury shares	(5,250,000)	(4,562,025)
Valuation adjustments	25,579	4,341
Total	**1,122,346**	**439,536**

The movement of each type of financial liability during 2023 and 2022, without taking into account valuation adjustments, is as follows:

	Thousands of Euros				
	2023				
	Opening balance	**Issuances**	**Repurchases or redemptions**	**Exchange rate and other adjustments**	**Closing balance**
Debt securities issued in an EU member state that required the registration of a prospectus	**435,195**	1,846,767	(1,185,195)	-	**1,096,767**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage securities	**435,195**	1,096,767	(435,195)	-	**1,096,767**
Other debt instrument issued	**-**	-	-	-	**-**
Other secured bonds	**-**	750,000	(750,000)	-	**-**
	2022				
	Opening balance	**Issuances**	**Repurchases or redemptions**	**Exchange rate and other adjustments**	**Closing balance**
Debt securities issued in an EU member state that required the registration of a prospectus	**1,226,870**	1,000,000	(1,791,675)	-	**435,195**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage securities	**1,226,870**	1,000,000	(1,791,675)	-	**435,195**
Other debt instrument issued	**-**	-	-	-	**-**
Other secured bonds	**-**	-	-	-	**-**

In 2023 the Entity completed two issues of mortgage bonds for a total of €1,096,767 thousand. It also redeemed an issue of bonds at maturity for €497,220 thousand in cash. During 2022 the Entity completed a mortgage bond placement for a total of €1,000,000 thousand, fully retained and assigned to replenish collateral in the asset pledge facility with the Bank of Spain. A bond placement was also redeemed on expiration for €791,675 thousand and the issues carried out in 2016 and 2017, each in the amount of €500,000 thousand, expiring on 31 January 2022 and 30 June 2022, respectively, and fully retained on the balance sheet, were redeemed in full.

Details of issues placed and pending maturity under “Mortgage bonds” at 31 December 2023 are as follows:

Date		Thousands of Euros				
Issuance	**Maturity**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**
15/09/2017	15/09/2024	750,000	(750,000)	AA+	Standard & Poor's	1.15%
07/05/2020	07/05/2025	1,000,000	(1,000,000)	AA+	Standard & Poor's	0.15%
21/12/2020	21/12/2027	750,000	(750,000)	AA+	Standard & Poor's	0.00%
15/07/2021	15/07/2029	1,000,000	(1,000,000)	AAH	DBRS	0.10%
17/05/2022	17/05/2032	1,000,000	(1,000,000)	AAH	DBRS	2.00%
16/02/2023	16/02/2028	746,767	-	AA+	Standard & Poor's	3.38%
31/03/2023	31/03/2029	350,000	-	AA+	Standard & Poor's	3.55%
	Total issuances	**5,596,767**	**(4,500,000)**			

Details of issues placed and pending maturity under “Mortgage bonds” at 31 December 2022 were as follows:

Date		Thousands of Euros				
Issuance	**Maturity**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**
15/09/2017	15/09/2024	750,000	(750,000)	AA	Standard & Poor's	1.15%
07/06/2018	18/06/2023	497,220	(62,025)	AA	Standard & Poor's	0.88%
07/05/2020	07/05/2025	1,000,000	(1,000,000)	AA	Standard & Poor's	0.15%
21/12/2020	21/12/2027	750,000	(750,000)	AA	Standard & Poor's	0.00%
15/07/2021	15/07/2029	1,000,000	(1,000,000)	AAH	DBRS	0.10%
17/05/2022	17/05/2032	1,000,000	(1,000,000)	AAH	DBRS	2.00%
	Total issuances	**4,997,220**	**(4,562,025)**			

Mortgage bond repurchases are intended to increase the volume of discountable securities that the Entity holds in its portfolio, which may be deployed in the context of the implementation of European monetary policy.

The balances of “Other secured bonds” and “Other debt instruments issued” at 31 December 2023 break down as follows

Date		Thousands of Euros				
Issuance	**Maturity**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**
17/03/2023	17/03/2029	750,000	(750,000)	AAL	DBRS	3.55%
	Issuance	**750,000**	**(750,000)**			

At 31 December 2022, “Other secured bonds” and “Other debt instruments issued” had no balances.

In 2023, the Entity issued public sector bonds for a cash total of €750,000 thousand, which have been fully retained.

All of the issues were accepted for trading on the AIAF Fixed Income Market.

The interest accrued on debt securities issued at 31 December 2023 amounted to €33,806 thousand (€5,585 thousand at 31 December 2022) (Note 25) and is included under "Interest expense" on the accompanying statements of profit or loss.

At 31 December 2023, of the balance of "Debt securities issued", €1,934 thousand was pledged in the loan agreement with a pledge of securities and other assets entered into with the Bank of Spain (€2,372 thousand at 31 December 2022) (Note 8.7.1.).

8.7.4.2. Subordinated liabilities

At 31 December 2023 and 31 December 2022, there were no balances classified as "Subordinated liabilities" in the portfolio of financial liabilities measured at amortised cost.

8.7.5. Other financial liabilities

All of the financial liabilities recorded in this account on the accompanying balance sheet are classified as part of the "Financial liabilities measured at amortised cost" portfolio and therefore are recognised at amortised cost. This account includes the payment obligations recognised as financial liabilities and not included under other headings.

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

	Thousands of Euros	
	2023	**2022**
Bonds payable	75,186	87,865
Guarantees received	5,622	6,724
Clearing houses	15,201	10,469
Tax collection accounts	124,047	158,166
Special accounts	84,185	59,111
Financial guarantees	18,370	19,448
Other items	41,302	39,258
Total	**363,913**	**381,041**

At 31 December 2023 and 31 December 2022, the amount of the 'Guarantees received' account mainly includes guarantees received from various credit institutions amounting to €3,750 and €4,900 thousand, respectively, to mitigate the risk in hedging derivative transactions linked to the portfolio of debt securities at amortised cost (Note 9).

The liabilities recognised under "Bonds payable" on the accompanying balance sheet at 31 December 2023 and 31 December 2022, deriving from the obligations assumed by the Entity in operating leases, by remaining lease term, are as follows:

<u>2023</u>	Thousands of Euros							
Bonds for the right of use:	**Total Liabilities**	**Up to 12 Months**	**Between 12 and 18 Months**	**Between 18 and 24 Months**	**Between 24 and 30 Months**	**Between 30 and 36 Months**	**Between 36 and 42 Months**	**More than 42 Months**
Buildings and office premises	**25,119**	6,905	3,459	3,458	3,383	3,291	763	3,860
Rest of spaces	**622**	202	80	77	78	81	68	36
Vehicles	**944**	306	113	113	114	119	118	61
Total	**26,685**	**7,413**	**3,652**	**3,648**	**3,575**	**3,491**	**949**	**3,957**

<u>2022</u>	Thousands of Euros							
Bonds for the right of use:	**Total Liabilities**	**Up to 12 Months**	**Between 12 and 18 Months**	**Between 18 and 24 Months**	**Between 24 and 30 Months**	**Between 30 and 36 Months**	**Between 36 and 42 Months**	**More than 42 Months**
Buildings and office premises	**27,224**	6,614	3,151	3,163	3,144	3,136	3,056	4,960
Rest of spaces	**838**	280	111	91	85	85	86	100
Vehicles	**488**	393	59	26	7	3	-	-
Total	**28,550**	**7,287**	**3,321**	**3,280**	**3,236**	**3,224**	**3,142**	**5,060**

The average discount rate used to determine the bonds payable deriving from operating leases is 4.34 % at 31 December 2023 (3.41% at 31 December 2022).

The amount of capitalised rights of use arising from operating leases is shown in Note 12.

9. Derivatives – Hedge accounting (asset and liability)

This heading on the accompanying balance sheets records the hedging instruments carried at fair value in accordance with the explanation provided in Note 3.4.

At 31 December 2023, the Entity had recognised €25,333 thousand for the fair value of derivatives on the asset side (€4,532 thousand at 31 December 2022). The fair value of derivatives on the liabilities side is zero at 31 December 2023 and zero at 31 December 2022.

The instruments covered by micro-hedges are wholesale issues with a fixed-rate coupon.

With regard to macro-hedges, the Entity has an interest rate swap (IRS) portfolio to hedge the interest rate risk associated with the value of mortgages. This portfolio economically hedges the fair value of various mortgage loans granted to customers at fixed rates against a reference rate, thereby reducing exposure to changes in the fair value of the loans due to fluctuations in the reference rates. At 31 December 2023 the result of the fair-value adjustment to loans and receivables was a negative figure of €1,103 thousand (€3,670 thousand at 31 December 2022).

At 31 December 2023, the Entity did not have any hedging instruments recorded on the liabilities side of its balance sheet.

The methods used to determine the fair value of derivatives are the discounted cash flow method using discount curves and estimates of interest rate flows.

The fair value of hedging derivatives is classified in Level 2 because the valuations are calculated on the basis of observable market inputs (Note 8.1).

The notional amounts of the financial derivatives recorded under “Derivatives – Hedge accounting” at 31 December 2023 and 31 December 2022 are shown below, by counterparty, remaining term and type of risk:

	Thousands of Euros							
	2023				2022			
	Carrying amount		Notional amount		Carrying amount		Notional amount	
	Assets	Liabilities	Total hedges	Of which: sold	Assets	Liabilities	Total hedges	Of which: sold
Interest rate	21,704	-	1,100,000	-	-	-	-	-
Other OTC	21,704	-	1,100,000		-	-	-	
FAIR VALUE HEDGES	21,704	-	1,100,000	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
OTC options	-	-	-	-	-	-	-	-
Other OTC	-	-	-		-	-	-	
Options on organised markets	-	-	-	-	-	-	-	-
Others on organised markets	-	-	-		-	-	-	
CASH FLOW HEDGES	-	-	-	-	-	-	-	-
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	-	-	-	-	-	-	-	-
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	3,629	-	20,000	-	4,532	-	20,000	-
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	-	-	-	-	-	-	-	-
DERIVATIVES – HEDGE ACCOUNTING	25,333	-	1,120,000	-	4,532	-	20,000	-
Of which: OTC - credit institutions	25,333	-	1,120,000		4,532	-	20,000	
Of which: OTC - other financial corporations	-	-	-		-	-	-	
Of which: OTC - others	-	-	-		-	-	-	

The fair value of the Entity's derivative financial assets and derivative financial liabilities, by nature and counterparty, at 31 December 2023 and 31 December 2022 is as follows (Note 3.28):

	Thousands of Euros									
2023			**Fair value hierarchy**			**Change in fair value in the period**		**Accumulated change in fair value before taxes**		
	Balance	*Of which: Securities at fair value*	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
ASSETS										
Derivatives – Hedge accounting	25,333	25,333	-	25,333	-	13,925	-	-	13,925	-
LIABILITIES										
Derivatives – Hedge accounting	-	-	-	-	-	-	-	-	-	-

	Thousands of Euros									
2022			**Fair value hierarchy**			**Change in fair value in the period**		**Accumulated change in fair value before taxes**		
	Balance	*Of which: Securities at fair value*	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
ASSETS										
Derivatives – Hedge accounting	4,532	4,532	-	4,532	-	4,533	-	-	4,532	-
LIABILITIES										
Derivatives – Hedge accounting	-	-	-	-	-	-	-	-	-	-

The gains or losses from hedge accounting at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Changes in the fair value of the hedging instrument [including discontinuation]	(562)	3,670
Changes in the fair value of the hedged item attributable to the hedged risk	562	(3,668)
Ineffectiveness in profit or loss from cash flow hedges	-	-
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	-	-
GAINS OR (-) LOSSES FROM HEDGE ACCOUNTING, NET	**-**	**2**

To mitigate the risk in hedging derivative transactions linked to the portfolio of debt securities at amortised cost, at 31 December 2023 and 31 December 2022 the Entity has made security deposits totalling €3,750 thousand and €4,900 thousand, respectively (Note 8.7.5.).

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

Details of this heading on the accompanying balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	2022
Tangible assets for own use	**42,988**	**17,208**
Acquisition cost	44,921	19,202
Impairment allowances	(1,933)	(1,994)
Investment property	**3,977**	**4,386**
Acquisition cost	4,992	5,455
Accumulated depreciation	(135)	(137)
Impairment allowances	(880)	(932)
Tangible assets foreclosed	**39,107**	**82,797**
Acquisition cost	77,792	124,151
Accumulated depreciation	(1,741)	(1,691)
Impairment allowances	(36,944)	(39,663)
Total	**86,072**	**104,391**

Details of non-current assets held for sale classified by use, without taking into account impairment adjustments, are as follows:

	Thousands of Euros							
	Residential		Industrial		Agricultural		Other	
Tangible assets	2023	2022	2023	2022	2023	2022	2023	2022
Tangible assets for own use	26,598	652	18,323	18,550	-	-	-	-
Tangible assets foreclosed	51,262	90,493	21,155	25,611	3,290	5,524	344	832
Investment property	1,503	518	3,117	4,128	237	672	-	-
Total	**79,363**	**91,663**	**42,595**	**48,289**	**3,527**	**6,196**	**344**	**832**

The fair value of the tangible assets recorded under this heading at 31 December 2023 and 31 December 2022 matches the carrying amount.

The movements in these headings on the balance sheet during 2023 and 2022, without taking impairment losses into account, are as follows:

	Thousands of Euros		
	Tangible assets for own use	Foreclosed	Investment property
Cost			
Balance at 31 December 2021	**21,197**	**164,895**	**6,303**
Additions	-	14,995	-
Disposals	(944)	(56,439)	(848)
Transfers (Note 12)	(1,051)	700	-
Balance at 31 December 2022	**19,202**	**124,151**	**5,455**
Additions	25,946	4,273	-
Disposals	(227)	(50,334)	(463)
Transfers (Note 12)	-	(298)	-
Balance at 31 December 2023	**44,921**	**77,792**	**4,992**
Accumulated depreciation			
Balance at 31 December 2021	**-**	**(1,721)**	**(165)**
Increases with effects on profit or loss	-	-	-
Decreases	-	138	28
Transfers (Note 12)	-	(108)	-
Balance at 31 December 2022	**-**	**(1,691)**	**(137)**
Increases with effects on profit or loss	-	-	-
Decreases	-	140	2
Transfers (Note 12)	-	(190)	-
Balance at 31 December 2023	**-**	**(1,741)**	**(135)**

In 2023, loans granted to finance the sale of the Entity's foreclosed property, plant and equipment totalled €11,111 thousand (€14,730 thousand in 2022). The average amount of foreclosed assets financed as a percentage of the total amount sold at 31 December 2023 was 36.61% (44.16% in 2022). At 31 December 2023 there were no unrecognised gains from the sale of these assets (no unrecognised gains at 31 December 2022).

The average time to sell assets classified by the Entity as foreclosed is between two and five years, depending on the category of asset.

At 31 December 2023, sales and write-downs of certain items of property, plant and equipment generated gains of €2,617 thousand (€2,692 thousand at 31 December 2022) and losses of €10,520 thousand (€11,738 thousand at 31 December 2022) (Note 25).

The main additions to "Tangible assets for own use" in 2023 relate to plots of urban land registered in accordance with the commercial exchange agreed between Cajamar Caja Rural, Sociedad Cooperativa de Crédito and the Government of Andalusía (Junta de Andalucía) (Note 12).

Impairment losses recognised for assets classified in this balance sheet heading in 2023 and 2022 are as follows:

	Thousands of Euros		
	Tangible assets for own use	Foreclosed	Investment property
Balance at 31 December 2021	**(2,428)**	**(46,339)**	**(1,235)**
Allowances recognised in profit or loss (Note 25)	-	(15,189)	(174)
Recovered funds (Note 25)	434	4,971	477
Cancellation due to use, transfers and others	-	16,894	-
Balance at 31 December 2022	**(1,994)**	**(39,663)**	**(932)**
Allowances recognised in profit or loss (Note 25)	-	(19,386)	-
Recovered funds (Note 25)	-	1,745	-
Cancellation due to use, transfers and others	61	20,360	52
Balance at 31 December 2023	**(1,933)**	**(36,944)**	**(880)**

11. Investments in subsidiaries, joint ventures and associates

Details of this heading of the accompanying balance sheets are as follows:

	Thousands of Euros	
	2023	2022
Group companies	**2,436,484**	**2,452,818**
Securities held by the entity	2,782,591	2,782,592
Impairment allowances	(346,107)	(329,774)
Associates	**17,318**	**19,094**
Securities held by the entity	20,280	20,937
Impairment allowances	(2,962)	(1,843)
Total	**2,453,802**	**2,471,912**

The movements during 2023 and 2022 in “Investments in subsidiaries, joint ventures and associates”, which includes only securities without an official listing and does not take into account allowances for impairment, are as follows:

	Thousands of Euros	
	2023	2022
Opening balance	**2,803,529**	**2,802,933**
Additions	-	1,917
Disposals	(658)	(1.310)
Transfers	-	(10)
Closing balance	**2,802,871**	**2,803,529**

There were no additions to “Investments in subsidiaries, joint ventures and associates” during 2023.

The disposals in 2023 relate to the return of shareholder contributions totalling €357 thousand in the company Giesmed Parking, S.L. and the partial return of €301 thousand of “Other shareholder contributions” from the stake in Promontoria Jaguar, S.A.

The additions to “Investments in subsidiaries, joint ventures and associates” during 2022 related to the acquisition of a stake in “Promontoria Jaguar, S.A.” through shareholder contributions totalling €1,917 thousand.

The disposals in 2022 related to the return of shareholder contributions of €564 thousand in the company Giesmed Parking, S.L., the partial return of "other shareholder contributions" in the amount of €738 thousand for the stake in Promontoria Jaguar, S.A. and the partial sale of the stake in Agrocolor, S.L. for €8 thousand.

In addition, in 2022 the reclassification of the investment in the company Agrocolor, S.L. led to the transfer of €10 thousand to "Financial assets measured at fair value through other comprehensive income" after the aforementioned partial sale of the stake, which ceased to be more than 20% of the investee's capital.

The movements in the allowances for impairment losses on assets included under this heading of the accompanying balance sheet during 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**(331,617)**	**(232,269)**
Net additions for the year (Note 25)	(17,452)	(100,691)
Recovered funds (Note 25)	-	1,343
Closing balance	**(349,069)**	**(331,617)**

The additions for 2023 and 2022 related mainly to the amounts recorded in the company Cimenta2 Gestión e Inversiones, S.A.U.

Details of the shareholdings and the main details of the investees are included in Appendix I.

The returns generated by "Investments in subsidiaries, joint ventures and associates" at 31 December 2023 amounted to €20,610 thousand (€16,163 thousand at 31 December 2022) (Note 25).

At 31 December 2023 and 31 December 2022 there were no amounts recorded for unrecognised profits from the sale of shareholdings.

Grupo Cajamar has signed a bancassurance agreement with Cajamar Seguros Generales to sell insurance. In 2018, it was proposed that the agreement, which was reviewed and updated in 2023, be extended/novated to boost sales in line with new business plans. This change involved the agreement term being extended, the Group's technical commission rate being altered, and new products to be sold being added.

Moreover, the receivables from the technical commission for the period – generated as per the above agreement – have also been sold at a fixed, outright price.

12. Tangible assets

Details of this heading on the accompanying balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
For own use		
Amortised cost		
Computer hardware	19,352	22,448
Furniture, fixtures and other	92,946	100,221
Of which: Capitalised rights of use under leases	*900*	*444*
Buildings	442,608	477,169
Of which: Capitalised rights of use under leases	*24,190*	*26,002*
Construction in progress	6,137	5,181
Other tangible assets	13,972	14,287
Of which: Capitalised rights of use under leases	*430*	*564*
Accumulated impairment	(1,146)	(1,173)
Total	**573,869**	**618,133**

	Thousands of Euros	
	2023	**2022**
For social projects		
Amortised cost		
Furniture and fixtures	13	13
Buildings	301	308
Accumulated impairment	-	-
Total	**314**	**321**

	Thousands of Euros	
	2023	**2022**
Investment property		
Amortised cost		
Furniture, vehicles and other fixtures	818	978
Buildings	90,652	96,369
Rural properties, land and plots	587	633
Accumulated impairment	(6,256)	(6,695)
Total	**85,801**	**91,285**

The breakdown of tangible assets for own use recorded under this heading on the balance sheet and the movements during 2023 and 2022 are as follows:

	Thousands of Euros					
	For own use					
	Computer hardware	Furniture, fixtures and other	Buildings	Construction in progress	Other tangible assets	Total
Cost						
Balance at 31 December 2021	**167,707**	**498,737**	**616,310**	**12,511**	**26,041**	**1,321,306**
Additions	2,096	10,234	4,502	1,744	107	18,683
Disposals	(26)	(5,549)	(11,029)	-	(479)	(17,083)
Transfers (Note 10)	4	1,219	(10,079)	(9,074)	(6,070)	(24,000)
Balance at 31 December 2022	**169,781**	**504,641**	**599,704**	**5,181**	**19,599**	**1,298,906**
Additions	4,037	12,195	8,751	4,321	485	29,789
Disposals	(16,578)	(12,480)	(46,625)	-	(875)	(76,558)
Transfers (Note 10)	1	923	1,278	(3,365)	-	(1,163)
Other movements	-	1,295	23,099	-	693	25,087
Balance at 31 December 2023	**157,241**	**506,574**	**586,207**	**6,137**	**19,902**	**1,276,061**
Accumulated depreciation						
Balance at 31 December 2021	**(139,121)**	**(389,920)**	**(119,381)**	**-**	**(5,883)**	**(654,305)**
Increases with effects on profit or loss (Note 25)	(7,959)	(19,424)	(7,510)	-	(222)	(35,115)
Decreases	23	4,924	716	-	22	5,685
Transfers (Note 10)	-	-	3,640	-	771	4,411
Other movements	(276)	-	-	-	-	(276)
Balance at 31 December 2022	**(147,333)**	**(404,420)**	**(122,535)**	**-**	**(5,312)**	**(679,600)**
Increases with effects on profit or loss (Note 25)	(6,751)	(19,320)	(13,951)	-	(370)	(40,392)
Decreases	16,534	11,407	15,986	-	445	44,372
Transfers (Note 10)	-	-	-	-	-	-
Other movements	(339)	(1,295)	(23,099)	-	(693)	(25,426)
Balance at 31 December 2023	**(137,889)**	**(413,628)**	**(143,599)**	**-**	**(5,930)**	**(701,046)**

* Cost includes the value of rights-of-use, net of depreciation.

The most significant disposals in 2023 relate to the exchange transaction entered into between the Entity and the government of Andalusia (Junta de Andalucía), whereby the Entity assigned its central services buildings in Almeria to the Junta de Andalucía and, in return, received land in El Toyo in Almeria.

Grupo Cooperativo Cajamar decided to move the headquarters of its central services in Almeria to the Almeria Science and Technology Park (PITA). Accordingly, at its meeting held on 26 June 2023, the Governing Board of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, resolved to enter into a commercial exchange agreement with the Junta de Andalucía, which was decided and approved on 21 December 2023. Under this agreement, Cajamar Caja Rural, Sociedad Cooperativa de Crédito will deliver to the Junta de Andalucía part of the singular buildings housing its central services, together with furniture and fittings, with a net carrying amount of €27,371 thousand (€43,784 thousand of gross carrying amount), in exchange for a number of developable plots in the El Toyo development within the Almería municipality with a value of €25,946 thousand (Note 10).

Thus, the main disposals under the headings of “Buildings” and “Furniture, fixtures and other” in 2023 relate to the assets included in the aforementioned transaction.

Capitalised rights of use under leases:

Details of movements in the rights of use under leases recognised in tangible assets for own use under this balance sheet heading in 2023 and 2022 are as follows:

	Capitalised rights of use under leases				
	Business premises	Other	Vehicles	Computer hardware	Total
Cost					
Balance at 31 December 2021	**48,048**	**1,771**	**1,805**	**-**	**51,624**
Additions	4,340	121	99	-	4,560
Disposals	(3,817)	(106)	(165)	-	(4,088)
Transfers	-	-	-	-	-
Balance at 31 December 2022	**48,571**	**1,786**	**1,739**	**-**	**52,096**
Additions	6,398	598	906	-	7,902
Disposals	(2,933)	(1,050)	(366)	-	(4,349)
Transfers	-	-	-	-	-
Balance at 31 December 2023	**52,036**	**1,334**	**2,279**	**-**	**55,649**
Accumulated depreciation					
Balance at 31 December 2021	**(18,134)**	**(777)**	**(983)**	**-**	**(19,894)**
Increases with effects on profit or loss (Note 25)	(6,316)	(262)	(398)	-	(6,976)
Decreases	1,657	41	86	-	1,784
Transfers	-	-	-	-	-
Balance at 31 December 2022	**(22,793)**	**(998)**	**(1,295)**	**-**	**(25,086)**
Increases with effects on profit or loss (Note 25)	(6,550)	(289)	(418)	-	(7,257)
Decreases	1,316	564	334	-	2,214
Transfers	-	-	-	-	-
Balance at 31 December 2023	**(28,027)**	**(723)**	**(1,379)**	**-**	**(30,129)**

Details of the liabilities recorded as obligations payable arising in lease contracts are provided in Note 8.7.5.

Movements in allowances for impairment of tangible assets for own use in 2023 and 2022 were as follows:

For own use	Thousands of Euros					
Impairment losses	Computer hardware	Furniture, fixtures and other	Buildings	Construction in progress	Other tangible assets	Total
Balance at 31 December 2021	**-**	**-**	**(690)**	**-**	**-**	**(690)**
Allowances recognised in profit or loss	-	-	(685)	-	-	(685)
Recovered funds	-	-	-	-	-	-
Cancellation due to use, transfers and others	-	-	202	-	-	202
Balance at 31 December 2022	**-**	**-**	**(1,173)**	**-**	**-**	**(1,173)**
Allowances recognised in profit or loss	-	-	-	-	-	-
Recovered funds	-	-	27	-	-	27
Cancellation due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2023	**-**	**-**	**(1,146)**	**-**	**-**	**(1,146)**

The breakdown of investment property and assets assigned to the Education and Development Fund recorded under this heading on the balance sheet and the movements in this heading during 2023 and 2022 are as follows:

	Thousands of Euros				
	Investment property			Assigned to the Education and Development Fund	
	Furniture, vehicles and other fixtures	Buildings	Rural properties, land and plots	Furniture and fixtures	Buildings
<u>Cost</u>					
Balance at 31 December 2021	**2,087**	**95,862**	**838**	**901**	**541**
Additions	77	661	-	-	-
Disposals	-	(6,313)	(205)	-	-
Transfers (Note 10)	-	24,341	-	-	-
Other movements	-	(3,678)	-	-	-
Balance at 31 December 2022	**2,164**	**110,873**	**633**	**901**	**541**
Additions	73	52	37	-	-
Disposals	-	(8,296)	-	-	-
Transfers (Note 10)	-	1,544	(83)	-	-
Other movements	-	1,405	-	-	-
Balance at 31 December 2023	**2,237**	**105,578**	**587**	**901**	**541**
<u>Accumulated depreciation</u>					
Balance at 31 December 2021	**(961)**	**(9,535)**	**-**	**(888)**	**(226)**
Increases with effects on profit or loss (Note 25)	(225)	(1,469)	-	-	(7)
Decreases	-	793	-	-	-
Transfers (Note 10)	-	(4,293)	-	-	-
Balance at 31 December 2022	**(1,186)**	**(14,504)**	**-**	**(888)**	**(233)**
Increases with effects on profit or loss (Note 25)	(233)	(1,465)	-	-	(7)
Decreases	-	853	-	-	-
Transfers (Note 10)	-	190	-	-	-
Balance at 31 December 2023	**(1,419)**	**(14,926)**	**-**	**(888)**	**(240)**
<u>Impairment losses</u>					
Balance at 31 December 2021	**-**	**(5,483)**	**(38)**	**-**	**-**
Allowances recognised in profit or loss	-	(6,243)	(77)	-	-
Recovered funds	-	2,673	31	-	-
Cancellation due to use, transfers and others	-	2,442	-	-	-
Balance at 31 December 2022	**-**	**(6,611)**	**(84)**	**-**	**-**
Allowances recognised in profit or loss	-	(1,887)	(223)	-	-
Recovered funds	-	486	104	-	-
Cancellation due to use, transfers and others	-	1,966	(7)	-	-
Balance at 31 December 2023	**-**	**(6,046)**	**(210)**	**-**	**-**

At 31 December 2023, sales and write-downs of certain tangible assets gave rise to a gain of €10,018 thousand (€492 thousand at 31 December 2022) and a loss of €12,371 thousand (€1,709 thousand at 31 December 2022) (Note 25).

At 31 December 2023 the Entity had granted €2,479 thousand of financing in the sale of certain assets, which represents an average of 4.01% of the total sales for the year (€3,625 thousand at 31 December 2022, representing 34.58% of total sales for the year).

At 31 December 2023 and 31 December 2022 the Entity had no unrecognised gains from financing in sales of certain assets classified as investment property.

At 31 December 2023, the Entity had fixed asset purchase commitments of €1,294 thousand (€1,114. thousand at 31 December 2022).

Fully depreciated assets still in use in the Entity at 31 December 2023 amounted to €431,899 thousand (€435,671 thousand at 31 December 2022).

The fair value of property for own use and investment property matches the carrying amount.

Income from real estate investments at 31 December 2023 amounted to €6,918 thousand (€6,619 thousand at 31 December 2022) (Note 25), and operating expenses relating to these investments in 2023 amounted to €1,261 thousand (€937 thousand at 31 December 2022) (Note 25).

13. Intangible assets

Details of this heading on the balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Software	147	148
Administrative concessions	18,395	18,395
Other intangible assets	-	-
Total, gross	**18,542**	**18,543**
Accumulated amortisation	(8,253)	(7,563)
Impairment losses	(5,912)	(5,912)
Total, net	**4,377**	**5,068**

The movement in computer software, administrative concessions and other intangible assets under this heading of the balance sheet in 2023 and 2022 was as follows:

	Thousands of Euros	
Cost	**2023**	**2022**
Opening balance	**18,543**	**18,543**
Additions	-	-
Disposals	-	-
Other	-	-
Closing balance	**18,543**	**18,543**
Amortisation		
Opening balance	**(7,563)**	**(7,027)**
Increases with effects on profit or loss	(691)	(536)
Other	-	-
Closing balance	**(8,254)**	**(7,563)**
Impairment losses		
Opening balance	**(5,912)**	**(5,912)**
Allowances recognised in profit or loss	-	-
Recovered funds	-	-
Cancellation due to use, transfers and others	-	-
Closing balance	**(5,912)**	**(5,912)**
Total, net	**4,377**	**5,068**

Fully amortised intangible assets still in use in the Entity corresponding to “Software” and “Administrative concessions” at 31 December 2023 amounted to €147 thousand (€147 thousand at 31 December 2022).

14. Provisions

Details of this heading on the balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	2022
Pensions and other post-employment defined benefit obligations	2,174	1,685
Other long-term employee benefits	325	626
Commitments and guarantees given	8,867	25,959
Loan commitments given	*2,841*	*21,049*
Financial guarantees given	*2,864*	*2,566*
Other commitments given	*3,162*	*2,344*
Other provisions	53,953	53,998
Total	**65,319**	**82,268**

14.1. Pensions and other post-employment defined benefit obligations and Other long-term employee benefits

The breakdown of the balance sheet items recognised under assets and liabilities for defined benefit pension commitments is as follows:

	Thousands of Euros	
	2023	2022
Other assets – Net assets in pension plans	-	-
Provisions – Provision for pensions and similar obligations	2,499	2,311

The present value of the post-employment benefit obligations assumed by the Entity, based on the assumptions indicated in Note 3.21, and the manner in which these obligations were provided for, giving rise to the above balance sheet items, is as follows:

	Thousands of Euros			
	2023		2022	
	Active and retired employees	Early retirees	Active and retired employees	Early retirees
Present value of the obligations:				
Commitments accrued with active employees	17,902	-	17,178	-
Commitments accrued with early-retired employees	-	325	-	626
Commitments with retired employees	14,886	-	15,903	-
Fair value of plan assets (-):				
Pension plan assets	(20,945)	-	(20,739)	-
Insurance contract	(9,669)	-	(10,657)	-
(Other assets) / Provisions recognised in the balance sheet	**2,174**	**325**	**1,685**	**626**

The movements in the net assets and liabilities recognised on the balance sheet in 2023 and 2022 are as follows:

	Thousands of Euros			
	2023		2022	
	Active and retired employees	Early retirees	Active and retired employees	Early retirees
(Other assets) / Provisions, opening balance	**1,685**	**626**	**2,329**	**1,140**
Appropriations during the period	1,098	-	1,106	-
Gains and losses on other long-term employee benefits	-	34	-	(52)
Actuarial gains and losses recognised through equity	588	-	(588)	-
Other movements	(16)	-	(19)	-
Cash outflows	(1,181)	(335)	(1,143)	(462)
(Other assets) / Provisions, closing balance	**2,174**	**325**	**1,685**	**626**

Details of total income and expenses recognised on the statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Staff expenses - Appropriations to defined benefit plans (Note 25)	(855)	(1,217)
Pension fund interest expense (Note 25)	(1,103)	(441)
Interest income - Return on plan assets (Note 25)	1,019	417
Appropriations to pension funds and similar obligations (Note 25)	(193)	187
Accounting (expense) / income	**(1,132)**	**(1,054)**

At 31 December 2023, contributions to the external pension fund for defined benefit pension commitments made by the Entity amounted to €8,763 thousand (€8,309 thousand at 31 December 2022) and are recorded under "Staff expenses" on the statement of profit or loss for those years (Note 25).

No contingent liabilities have arisen as a result of severance payments and/or post-employment benefits for employees.

There are no amounts that have not been recognised on the balance sheet with respect to actuarial gains/(losses), past service costs and unrecognised assets.

14.2. Provisions for commitments and guarantees given

Details of and movement in this heading on the balance sheet in 2023 are as follows:

	Thousands of Euros			
	Allowances			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2022	**4,489**	**19,128**	**2,342**	**25,959**
Increases due to origination and acquisition	1,464	22	21	1,507
Decreases due to derecognition	(1,111)	(19,707)	(687)	(21,505)
Changes due to change in credit risk (net)	719	1,023	1,283	3,025
Changes due to modifications without derecognition (net)	7	8	-	15
Changes due to revision of the Entity's estimation model (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	(133)	(133)
Other adjustments	2	(8)	5	(1)
Balance at 31 December 2023	**5,570**	**466**	**2,831**	**8,867**

Changes in gross exposures and impairment during 2023 are as follows:

	Thousands of Euros			
Transfers of commitments and financial guarantees given, gross:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		45,554	531	**46,085**
To Stage 2:	42,922		131	**43,053**
To Stage 3:	1,471	1,088		**2,559**
Transfers of provisions:				
To Stage 1:		135	2	**137**
To Stage 2:	287		1	**288**
To Stage 3:	295	409		**704**

Details of and movement in this heading on the balance sheet in 2022 are as follows:

	Thousands of Euros			
	Allowances			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2021	**2,585**	**18,929**	**3,072**	**24,586**
Increases due to origination and acquisition	1,015	77	64	1,156
Decreases due to derecognition	(370)	(222)	(1,550)	(2,142)
Changes due to change in credit risk (net)	1,249	340	897	2,486
Changes due to modifications without derecognition (net)	11	7	1	19
Changes due to revision of the Entity's estimation model (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	(90)	(90)
Other adjustments	(1)	(3)	(52)	(56)
Balance at 31 December 2022	**4,489**	**19,128**	**2,342**	**25,959**

Changes in gross exposures and impairment during 2022 are as follows:

	Thousands of Euros			
Transfers of commitments and financial guarantees given, gross:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		15,393	274	**15,667**
To Stage 2:	99,501		134	**99,635**
To Stage 3:	1,152	617		**1,769**
Transfers of provisions:				
To Stage 1:		28	1	**29**
To Stage 2:	623		1	**624**
To Stage 3:	306	177		**483**

This heading includes the amount of provisions created to cover contingent risks, which are understood to be those transactions in which the Entity guarantees the obligations of a third party as a result of financial guarantees granted or other agreements, and contingent commitments, which are understood to be irrevocable commitments that could give rise to the recognition of financial assets (Note 21).

14.3. Provisions for taxes and legal contingencies

There are no balances under this heading at 31 December 2023 and 31 December 2022 (Note 3.13).

14.4. Other provisions

The Entity records in this account the various contingencies considered to be probable, which are classified in accordance with three types of risk:

- Market risk, due to the Entity's activity in relation to investments that will probably give rise to contingencies that it will have to meet.

- Sundry risks, for which provisions have been recorded to cover unresolved issues the Entity considers likely to give rise to a payment obligations.

- Other liabilities, reflecting an estimate of probable payment obligations arising from the Entity's normal activities.

The changes in this heading on the accompanying balance sheet in 2023 and 2022 were as follows:

	Thousands of Euros			
	Market	**Miscellaneous**	**Other liabilities**	**Total**
Opening balances at 31 December 2021	**3,173**	**16,810**	**44,208**	**64,191**
Additions during the period (Note 25)	999	10,033	20,672	**31,704**
Recovered funds (Note 25)	-	(9,718)	(1,751)	**(11,469)**
Funds used and other movements	(3,966)	(8,017)	(18,445)	**(30,428)**
Opening balances at 31 December 2022	**206**	**9,108**	**44,684**	**53,998**
Additions during the period (Note 25)	3,124	6,178	63,458	**72,760**
Recovered funds (Note 25)	(46)	-	(6,032)	**(6,078)**
Funds used and other movements	(2,442)	(7,765)	(56,520)	**(66,727)**
Closing balances 31 December 2023	**842**	**7,521**	**45,590**	**53,953**

At 31 December 2023, to cover the workforce adjustment plan implemented in 2015, the Entity has recognised, under the heading of "Other liabilities" a provision in the amount of €4,483 thousand (€4,552 thousand at 31 December 2022).

On 31 May 2023, Grupo Cooperativo Cajamar entered into an agreement regulating the 2023 Early Retirement Plan (supplements and social security contributions) for active employees born between 1 January 1961 and 31 December 1965 who had 15 or more years' service and had worked in Grupo Cooperativo Cajamar for at least five years immediately before the date of the agreement. The early retirements have been implemented through termination of the employment contract by mutual agreement. From 1 October 2023, early retirement is voluntary and extends to the age of 63 years and 3 months. To cover these retirements, the Entity set aside a provision that has been used to settle in full the acquired commitments, which were insured with the company Mapfre España S.A.

At 31 December 2023, the Entity has set aside provisions for "Other liabilities" in the amount of €21,576 thousand (€21,230 thousand at 31 December 2022) to cover various legal proceedings.

The Entity has set aside a provision for "Other liabilities" to cover the special discretionary paid leave, offered since 2017, for employees born before 31 December 1963 who have worked for at least three of the last five years. The amount of the provision recognised in 2023 is €16,744 thousand (€18,829 thousand at 31 December 2022).

At 31 December 2023, within the framework of its strategy for the management of non-performing assets, the Entity has recognised, under the heading "Sundry provisions", provisions totalling €6,860 thousand (€8,447 thousand at 31 December 2022) for expenses associated with legal proceedings in respect of debt instruments included in sales of portfolios of non-performing and write-off assets.

15. Tax assets and liabilities – Corporate income tax

The breakdown of tax assets and liabilities at 31 December 2023 and 31 December 2022, respectively, is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2023	2022	2023	2022
Current tax	**17,472**	**10,608**	**21,390**	**20,679**
Corporate income tax	14,262	10,575	-	-
VAT/IGIC	3,192	15	12	1,886
Personal income tax	-	-	7,507	4,868
Tax on bank deposits	18	18	13,676	13,695
Other	-	-	195	230
Deferred tax	**880,472**	**895,123**	**29,562**	**32,900**
For temporary differences:	**677,991**	**694,095**	**29,562**	**32,900**
Goodwill on the acquisition of assets	272	339	-	-
Impairment losses on assets	56,554	62,405	-	-
Pension funds and other insurance	42,730	42,716	-	-
Early retirement and termination fund	6,513	6,513	-	-
Impairment losses on loans	490,616	499,955	-	-
Funds and provisions created	14,097	14,018	-	-
Excess amortisation/depreciation charge	1,114	2,165	-	-
Undervaluations of financial assets at fair value through other comprehensive income	3,366	3,410	-	-
Revaluation of properties	-	-	29,562	32,899
Revaluation of financial assets at fair value through other comprehensive income	-	-	-	1
Actuarial gains and losses	300	145	-	-
Fair value of loans and other	60,706	60,706	-	-
Other	1,723	1,723	-	-
Tax loss carryforwards	**202,481**	**201,028**	-	-
Tax deductions and credits	**-**	**-**	-	-
	897,944	**905,731**	**50,952**	**53,579**

The balance under the heading “Tax assets” records the amounts to be recovered over the coming twelve months (“Tax assets – Current”) and the amounts of the taxes to be recovered in future years, including those deriving from tax loss carryforwards or tax credits for deductions or benefits yet to be applied (“Tax assets – Deferred”). The balance under the heading “Tax liabilities” includes the amount of all tax liabilities, making a distinction between current and deferred items, except for provisions for taxes, which are recorded under the heading “Provisions” on the accompanying balance sheets.

Movements in deferred tax assets and liabilities in 2023 and 2022 are as follows:

	Thousands of Euros			
	Assets		**Liabilities**	
	2023	**2022**	**2023**	**2022**
Opening balance	**895,123**	**901,407**	**32,900**	**34,897**
Prior year adjustments	(1,945)	(3,041)	(226)	(1,448)
Income tax for the period				
Impairment losses on assets	(1,041)	3,394	-	-
Goodwill	(69)	(72)	-	-
Pension funds and other insurance	14	189	-	-
Impairment losses on financial assets at amortised cost	(5,855)	148	-	-
Funds and provisions created	(12)	(2,668)	-	-
Excess amortisation/depreciation charge (Law 16/2012)	(1,069)	(1,094)	-	-
Tax loss carryforwards	(3,555)	(410)	-	-
Revaluation of properties	-	-	(3,111)	(520)
Transfers and other				
Fair value of financial assets at fair value through other comprehensive income	(44)	166	(1)	(29)
Actuarial gains and losses	155	(155)	-	-
Change in current tax assets and liabilities	(1,230)	(2,702)	-	-
Other	-	(39)	-	-
Closing balance	**880,472**	**895,123**	**29,562**	**32,900**

There are no deferred tax assets, unused tax losses or tax credits that have not been recognised at 31 December 2023 and 2022.

The table below reconciles accounting profit and taxable income for 2023 and 2022:

	Thousands of Euros	
	2023	**2022**
Accounting profit/(loss) before tax and mandatory contributions to Social Projects funds	**153,983**	**64,599**
Adjustment to prior-year corporate income tax and others	1,720	1,593
Adjusted profit/(loss) before tax	**155,703**	**66,193**
Permanent differences:	**(81,047)**	**(39,592)**
Appropriation to Social Projects fund	(8,188)	(3,751)
Mandatory Reserve Fund	(8,188)	(3,751)
Interest on capital contributions	(52,897)	(22,443)
Other	(11,774)	(9,647)
Adjusted accounting profit/(loss) after permanent differences	**74,656**	**26,601**
Temporary differences:	**(8,320)**	**(11,668)**
Impairment losses on assets	2,382	6,423
Goodwill	(271)	(271)
Impairment losses on loans	(16,879)	(4,971)
Funds and provisions created	(44)	(10,193)
Excess amortisation/depreciation charge (Law 16/2012)	(4,179)	(4,179)
Revaluation of properties	10,660	1,988
Gains or losses on financial assets at fair value through other comprehensive income and other portfolio valuation adjustments	11	(465)
Tax base	**66,336**	**14,933**
Gross tax payable before offset (30%-25%)	15,770	80
Monetisable tax asset expenses and losses (applied to tax payable)	(15,153)	(4,934)
Impairment losses on financial assets at amortised cost	(14,382)	(3,071)
Pension funds and other insurance	(771)	(1,863)
Application of the limit on monetisable tax assets	13,602	6,495
Gross tax payable (30%-25%)	14,219	1,641
Positive gross tax payable	14,219	1,641
Tax credits for tax loss carryforwards	(3,555)	(410)
Withholdings and payments on account	(24,822)	(11,725)
Tax payable/(refundable)	**(14,158)**	**(10,494)**

The breakdown of corporate income tax included on the statement of profit or loss for 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	**2022**
Share of adjusted accounting profit after permanent differences (30%-25%)	17,485	3,051
Adjustment for prior year corporate income tax	1,720	1,592
Corporate income tax expense (income)	**19,205**	**4,643**

The Entity has applied the tax benefits relating to corporate income tax deductions and credits.

Irrespective of the corporate income tax taken to the statements of profit or loss for 2023 and 2022, the Entity has recognised the following amounts in equity (deferred taxes) for the following items:

	Thousands of Euros	
	2023	**2022**
Fair value of tangible assets	29,562	32,899
Fair value of financial assets at fair value through other comprehensive income (undervaluation)	(3,366)	(3,410)
Fair value of loans and receivables and others (undervaluation)	(60,706)	(60,706)
Actuarial gains and losses	(300)	(145)

Movement in corporate income tax relating to items that may be reclassified to profit or loss in the statement of comprehensive income is a positive figure of €109 thousand at 31 December 2023 (a positive figure of €34 thousand at 31 December 2022) and relates exclusively to financial assets at fair value through other comprehensive income and actuarial gains on defined benefit pension plans.

Deferred tax assets corresponding to charges for the impairment of loans and other assets deriving from the potential insolvency of debtors not related to the taxpayer and from transfers or contributions to staff welfare schemes and, if appropriate, early retirement, generated as from 1 January 2016, may be converted into a callable loan (that may be monetisable) with the tax authorities for an amount equal to the tax payable for the tax period in which they are generated in the circumstances stipulated in the relevant legislation.

Further, deferred tax assets corresponding to charges for the impairment of loans and other assets deriving from the potential insolvency of debtors not related to the taxpayer and from transfers or contributions to staff welfare schemes and, if appropriate, early retirement, generated as from 1 January 2016, may be converted into a callable loan with the tax authorities when included to determine the corporate income tax charge or, otherwise, used to determine payment of an annual ‘asset charge’ of 1.5%. The expense accrued in 2023 in respect of this ‘asset charge’ amounted to €7,532 thousand (€7,431 thousand at 31 December 2022).

Monetisable tax assets at 31 December 2023 amounted to €576,283 thousand (€579,380 thousand at 31 December 2022).

The breakdown of tax credits for tax loss carryforwards, deductions and allowances available for offset in future years at 31 December 2023 and 31 December 2022 is as follows:

		Thousands of Euros	
Year generated	**Item**	**2023**	**2022**
2022	Tax loss carryforwards	4,598	-
2019	Tax loss carryforwards	6,553	6,553
2018	Tax loss carryforwards	11,072	11,072
2017	Tax loss carryforwards	30,206	30,206
2013	Tax loss carryforwards	14	14
2012	Tax loss carryforwards	150,038	153,183
	Total	**202,481**	**201,029**

The Entity has its books open to inspection for all the years required for the various applicable taxes under prevailing tax legislation.

Due to the different interpretations that may be afforded to the tax rules applicable to the Entity’s operations, there could be certain contingent tax liabilities which cannot yet be quantified objectively. However, in the opinion of the Entity’s Governing Board and its tax advisors, the possibility of such contingent liabilities materialising is remote and in any event, the tax debt which may derive from the same would not have a significant effect on the accompanying annual accounts.

16. Other assets and liabilities

Details of the balance of these headings in the assets and liabilities sections on the accompanying balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Other assets:		
Prepayments and accrued income	30,891	32,749
Other:		
Transactions in transit	1,327	5,937
Other items	62,100	60,002
Total	**94,318**	**98,688**

	Thousands of Euros	
	2023	**2022**
Other liabilities:		
Accrued expenses and deferred income	70,910	73,873
Other:		
Transactions in transit	9,378	11,348
Other items	460,488	433,660
Education and Development Fund	1,536	1,785
Total	**542,312**	**520,666**

17. Education and Development Fund

The Education and Development Fund will basically be used for the following purposes, in accordance with the provisions of the Entities' By-laws:

- To train and educate partners and employees of the Entity on cooperative principles and values, and to raise awareness of cooperativism in social and rural environments and other cooperative action of a socio-cultural nature.
- To champion action relating to raising awareness of cooperativism, inter-cooperation and cooperative integration.
- To support cultural, professional and care activities at the local level or for the community in general, to contribute to enhancing the quality of life and social well-being.
- To participate in strategies and programmes that respond to the needs of social development, protection of the environment and economic development of the Group's areas of action.

The Education and Development Fund has served to generate a model of agri-food innovation and social economy aimed at promoting the economic, social and environmental sustainability of the regions and agents with which we maintain a close relationship. This is achieved through technology, professional and personal training and the development of sustainable practices.

This model is implemented through the following activities:

- Research, development, innovation and knowledge transfer, which has been a driving force of the Group entities since 1975 and is aimed at nurturing an entrepreneurial culture in the agri-food sector, applying know-how to create value, and driving up the profitability of farming through sustainable and environmentally-friendly practices. Our laboratories in Almeria and Valencia are the clearest example of the work of our Welfare Fund. The centres carry out applied research projects and develop new production technologies, and especially focus on disseminating the outcomes thereof. There are currently four main areas of knowledge: agrosustainability, food and health, the bioeconomy, and greenhouse technologies.

- Technical and professional training is at the heart of our model to create value for society and the business community. We have therefore committed to forging a permanent link between research and transferring the findings thereof to society. We organise occasional and on-going knowledge transfer activities (conferences, seminars and workshops) and training courses.

- Our Agri-food Training School is there to contribute to enhancing the leadership skills of agents in the agri-food sector through technical and business courses for various groups: executives, directors, farmers and young people. To achieve this, we have put in place a wide-ranging systemic proposal across all agri-food sub-sectors and the regions we serve. Looking ahead, we are focusing on matters related with the intensive use of technology, digitalisation, the creation of added value, efficient use of available resources including the circular economy, and differentiation as a key tool to compete in the global market.

- We are actively involved in forums related with the agri-food sector in Spain and abroad.

- We also contribute to developing and promoting the agri-food sector and social economy through research and the publication of books, journals, newsletters, reports and case studies. We currently boast a private collection of agri-food publications, which is the largest in Spain and an invaluable resource for professionals and researchers as well as for the general public who are increasingly interested in finding out more about this sector given its economic, social and environmental importance. Our publications are fruit of the experiments and analysis performed by our specialists, partnerships with renowned experts and entities, institutions and businesses around the world.

- We have established a Universities Network we will work with to further research and analysis in the agri-food sector and its various sub-sectors. By publishing the papers from this work, we will offer the key agents in the sector valuable resources to help them make strategic decisions in their respective businesses. We will also boost interest in the agri-food business among university students through work experience and events to foster entrepreneurship.

- Analysis of the current position and structural aspects of the agri-food sector. The agri-food system is constantly evolving to cater for the changing needs of consumers and the markets. Our entity has a department that specialises in analysing the different variables affecting the sector's situation and evolution. Our knowledge of the various stages of the food chain, competition in the various sub-sectors, and the main challenges faced enable us to offer advice and solutions that are best tailored to the needs of our partners and customers. Structural and economic indicators on production, consumption, foreign trade, prices, nature of farms and commercial structures, among others, are analysed as part of this process. A close watch is also kept on the latest technologies and innovations that contribute to enhancing the sustainability of production systems. Environmental matters, such as energy efficiency, renewable energy usage, better use of inputs, and the new demands of society are factors that are having an increase impact on agri-food companies, and are variables included in our analyses.

- In order to also nurture entrepreneurial spirit and drive the development of new technologies that meet the agri-food sector's needs, the Group is backing the creation of innovative start-ups. Services provided include selecting projects with a solid knowledge base and growth potential; providing advice and mentoring on technological, business and market matters; providing support during the initial stages of development; and acting as intermediary to obtain project finance.

- We champion the digitalisation of the agri-food sector to more efficiently use resources and better position the various agents in the value chain. In doing this, our aim is to increase financial returns, preserve a social fabric connected with food production, and protect and conserve the environment.

- We help promote policies, measures and instruments that contribute to developing sustainable finance and the social economy, aimed at meeting human needs and the sustainable development of local productive sectors. We promote instruments that encourage and support our partners and customers in the areas of sustainability and the ecological transition.

- By engaging permanently and constructively with stakeholders, we help identify and monitor the factors and trends that shape society's future priorities regarding sustainable finance, the social economy and good corporate governance within the framework of the Sustainable Development Goals.

- We play a role in and contribute to financial education, rural development, financial inclusion, nature conservation, sustainable renewable energy models, social integration, healthy diets and living.

- On the social well-being side, continuing support for action aimed at helping at-risk groups of the population, through the financing of projects of non-profit organisations, to enhance these people's quality of life and facilitate their access to services and inclusion in the communities and society they belong to.

- Partnerships have been formed with institutional and private-sector projects in the fields of music, painting, dance and theatre, with a special focus on cultural and sporting activities targeted at children and young people, most notably the support for the Provincial Sports Games and their programme promoting the values of 'fair play' in sport and for other youth sport organisations.

- Backing of social and economic development programmes and cultural heritage conservation work.

- Support for the initiatives carried out by the members of our Entity's Solidarity Team.

The management of the Education and Development Fund falls to Members' governing boards, or to the persons delegated by them for particular actions, based on the purposes set out in the basic funding guidelines submitted for approval by each Member's annual General Assembly.

The balances related to the Entity's Education and Development Fund at 31 December 2023 and 31 December 2022 break down as follows:

	Thousands of Euros	
	2023	**2022**
Application of the Education and Development Fund (Note 12)		
Property, plant and equipment:	**314**	**321**
Cost	1,442	1,442
Accumulated depreciation	(1,128)	(1,121)
Other receivables	-	-
Total	**314**	**321**
Education and Development Fund:		
Appropriation:	**1,069**	**869**
Applied to property, plant and equipment	301	308
Applied to other investments	13	13
Expenses committed during the year	6,966	5,835
Current year maintenance expenses	(6,270)	(5,344)
Amount not committed	59	57
Other liabilities	**467**	**916**
Total	**1,536**	**1,785**

The Education and Development Fund's expenditure and investment budget at 31 December 2023 amounted to €6,966 thousand (€5,835 thousand at 31 December 2022). Movements in property, plant and equipment linked to the Education and Development Fund are set out in detail in Note 12.

Movements in the Fund during 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**1,785**	**1,907**
Distribution of prior-year surplus, Credit Cooperatives	6,093	5,266
Maintenance expenses for the year	(6,270)	(5,344)
Other	(72)	(44)
Closing balance	**1,536**	**1,785**

18. Equity

18.1. Capital

The movement in these accounts during 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance:	**3,251,583**	**3,060,694**
Increases	382,790	387,360
Decreases	(278,776)	(196,471)
Closing balance:	**3,355,597**	**3,251,583**

The Entity's minimum capital, under article 49 of its By-laws, is set at €25,000 thousand.

At 31 December 2023 and 31 December 2022, no amount of the subscribed capital was classified under the heading "Capital repayable on demand", in accordance with the amendment to the Entity's By-laws dated 9 June 2011 (Note 3.2).

The capital is variable and is made up of mandatory contributions of €61.

Members' contributions to the capital are attested to in sequentially numbered nominative certificates. The total amount that a single partner can contribute to capital cannot exceed 2.5% in the case of natural persons and 5% for legal persons.

At year-end 2023 the largest contribution equalled 0.15% of capital (0.15% at the end of 2022).

Contributions to capital accrue the interest agreed at the General Assembly, which is subject to the limits established by current legislation.

In the first half of 2023, the Entity settled interest of €11,532 thousand accrued on contributions to capital in the second half of 2022 (€10,577 thousand paid in the first half of 2022 and accrued in the second half of 2021), which was applied in full in the allocation of the Entity's profit or loss. In the first half of 2023, €25,939 thousand of interest accrued on capital contributions for that period was settled, while at 31 December 2023 a total of €26,958 thousand of interest has accrued, to be settled in the first half of 2024.

18.2. Retained earnings and reserves

The balance of these accounts in "Equity" on the balance sheets at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros	
	2023	**2022**
Retained earnings		
Mandatory Reserve Fund	33,723	26,221
Other unrestricted reserves	94,843	70,925
	128,566	**97,146**
Revaluation reserves		
Revaluation reserves, Royal Decree-Law 7/1996	180	180
Revaluation reserves generated by IFRS and Bank of Spain Circular 4/2004	39,409	39,409
	39,589	**39,589**
Other reserves:		
Other reserves	9,825	9,790
	9,825	**9,790**
Total	**177,980**	**146,525**

The movements in the reserve pool in 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**146,525**	**132,781**
Increase in reserves (allocation of previous year's profit or loss)	31,420	14,083
Other movements	1	-
Profit or loss generated in other reserves through the cancellation of equity instruments	34	(339)
Closing balance	**177,980**	**146,525**

<u>Mandatory Reserve Fund</u>

The Mandatory Reserve Fund has the objective of consolidating and guaranteeing the Entity. In accordance with Act 13/1989 on Credit Cooperatives amended by Act 27/99, 16 July, the allocation to the reserve represents at least 20% of the net surplus.

The Credit Cooperatives' by-laws stipulate that at least 20% of the profit for each year must be allocated to the Mandatory Reserve Fund (Note 1.4).

Revaluation reserves, Royal Decree-Law 7/1996, of 7 June

The balance at 31 December 2023 and 31 December 2022 relates exclusively to the "Revaluation reserve, Royal Decree-Law 7/1996", which derives from the revaluation of some property, plant and equipment in 1996 by the absorbed entity Caja Rural de Málaga, Sociedad Cooperativa de Crédito.

As from the date on which the balance of the account "Revaluation reserve, Royal Decree-Law 7/1996" has been examined and agreed by the tax authorities or after the three year period for its inspection has elapsed, it may be used to offset losses arising in the current year or previous or future years without accruing tax. This balance may be taken to freely distributable reserves provided that the monetary capital gain has been realised. The capital gain will be deemed to have been realised in respect of the portion relating to the depreciation that has been recognised for accounting purposes or when the revalued assets have been transferred or written off the accounts. If the balance of this account is applied in any manner not permitted by Royal Decree-Law 7/1996, the balance becomes subject to taxation.

In the opinion of the Entity's Governing Board, once the established period has elapsed, the entire balance of this reserve will be taken to the Voluntary Reserve Fund.

This reserve may be used to increase capital, in which case it will not accrue taxes.

Revaluation reserves generated by Bank of Spain Circular 4/2004

The balance of this account relates to the reserve required for the revaluation of tangible assets carried out in accordance with the provisions of Transitional Provision One, section B, of Bank of Spain Circular 4/2004, and subsequent amendments thereto, according to which at 1 January 2004 any item included in tangible assets may be measured at fair value, subject to certain conditions. This result of this tangible asset valuation was recognised in this revaluation reserve net of the tax effect.

19. Solvency

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) establishes that credit institutions must retain minimum capital levels of no less than those calculated as per the instructions in this regulation (Note 3.16). Compliance with the capital adequacy ratio is at consolidated level, because all of the credit institutions in Grupo Cooperativo are exempt at individual level from the requirements stipulated in Regulation (EU) No 575/2013 of the European Parliament and of the Council, by virtue of the authorisation provided in Article 7 of the regulation.

On 28 June 2021 Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 ("CRR2") started to be applied. The amendments to the CRR included changes to article 92, stipulating the funds banks must hold at all times. Specifically, CRR2 establishes a minimum leverage ratio of 3% (article 92.1.d), retaining the CET1, T1 and Total Capital requirements previously determined in CRR in this article (Note 3.16).

The eligible capital and capital requirements of Grupo Cooperativo Cajamar on a phase-in basis at 31 December 2023 and 31 December 2022 break down as follows:

	Thousands of Euros	
	2023	**2022(*)**
Eligible own funds	**4,068,402**	**3,960,730**
CET1 Capital	**3,468,433**	**3,360,810**
Eligible CET1 instruments:	3,997,428	3,840,988
Share capital	*3,533,078*	*3,426,768*
Reserves from profit or loss	*464,350*	*414,220*
Tax credits	(528,995)	(480,178)
TIER 2 Capital	**599,969**	**599,920**
Pillar I capital adequacy requirements	**2,034,013**	**1,990,891**
Credit risk	1,860,782	1,835,458
Operational risk	151,634	128,629
CVA	18,564	23,003
Securitisations	3,033	3,801
Capital adequacy ratio	**16.00%**	**15.92%**
CET1 ratio	**13.64%**	**13.50%**

(*) For information purposes only, the Consolidated Financial Statements of the Group have been restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to the Consolidated Annual Accounts of the Group.

At 31 December 2023 the Group's phased-in Total Capital ratio was 16.00% (15.92% at 31 December 2022) and the phased-in CET1 ratio was 13.64% (13.50% at 31 December 2022), thus meeting the supervisor's requirements at that date. At 31 December 2023 the fully-loaded CET1 ratio stood at 13.56% (13.25% at 31 December 2022) and the fully-loaded Total Capital ratio stood at 15.92% (15.67% at 31 December 2022).

The improvement in the CET1 ratio and the Total Capital ratio is attributable mainly to: the increase in cooperative capital; the generation of profit; the increase in the value of fixed income and equity instruments at fair value through equity; and the decrease in the deduction for additional provisions. These effects have been partially offset by the increase in intangible assets during 2023, which are deducted from the CET1 numerator, and the increase in RWAs for operational risk, due to the calculation method based on revenue growth over the last three years.

As regards the phased-in ratios, Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 introduced an amendment to the CRR allowing institutions to gradually, between 2018 and 2022, mitigate the negative impact of increasing provisions under IFRS 9 on CET1, which in the Group's case resulted in a 78 basis-point reduction in the fully-loaded CET1 ratio (Note 1.4). Also, in response to Covid-19, Regulation (EU) 2020/873 (known as the "CRR quick fix") was enacted, amending certain aspects of this transitional provision and the extent of said treatment.

The Group decided to apply this transitional rule and therefore the phased-in capital ratios are calculated taking into account this stipulated transitional treatment and subsequent amendments thereto.

Thus, at 31 December 2023, thanks to the CRR Quick Fix to mitigate the effect of the COVID-19 pandemic, CET1 takes into account only the dynamic component of IFRS 9 resulting from the increase in provisions for performing exposures compared to 1 January 2020. The static component of the direct increase in provisions caused by initial application of IFRS 9, computed under the amendment to the CRR introduced by Regulation (EU) 2017/2395, has been excluded from CET1 in 2023, as the transitional application schedule included in the CRR was completed. Removal of the static component partially offsets the increase in the phased-in CET1 ratio during 2023.

The Pillar I and Pillar II capital requirements and the capital conservation buffer for 2023 are the same as those set in 2022: 8.41% – CET1 (4.5% – Pillar I, 2.5% – capital conservation buffer and 1.41% – Pillar II); 10.38% – Tier 1 Capital (6% – Pillar I, 2.5% – capital conservation buffer and 1.88% – Pillar II); and 13% – Total Capital (8% – Pillar I, 2.5% – capital conservation buffer and 2.5% – Pillar II).

Given the aforesaid, at 31 December 2023 the Group had surplus capital over and above the requirements in the SREP.

Turning to the regulation on resolution, pursuant to Article 12.5 of the Single Resolution Mechanism (SRM) Regulation; Article 44.1 of Act 11/2015 (Credit Institution Recovery and Resolution Act); and Article 23.1.f of Act 13/1994 (Bank of Spain's autonomy), a new notification was received from the Bank of Spain on 10 March 2023 revising the minimum requirements for own funds and eligible liabilities (MREL) established by the Single Resolution Board for the Group to be met no later than 1 January 2025.

The MREL to be met by 1 January 2025 was set at 20.22% (22.72% including the capital conservation buffer) of the total risk exposure amount (TREA) and 5.36% of the leverage ratio exposure (LRE), based on the financial and prudential information available at 31 December 2021. The Group met the requirement set by the SRB for 1 January 2023 of 16.28% (18.78% including the capital conservation buffer) of the TREA and 5.36% of the LRE.

A notable event during the period in relation to equity instruments is the issuance in September 2023 of €650 million of senior preferred debt with a maturity of 6 years to continue to meet MREL, which met with strong demand. As a result, at 31 December 2023 MREL stood at 23.02% as a percentage of TREA and 9.99% as a percentage of LRE. Both ratios are above the intermediate target to be met from 1 January 2023 (18.78% as a percentage of TREA and 5.36% as a percentage of LRE) and the final MREL requirement to be met from 1 January 2025 (22.72% as a percentage of TREA and 5.36% as a percentage of LRE).

A reconciliation of the accounting balances on the balance sheet and the balances included in the regulatory perimeter for calculating capital requirements is provided below:

	Thousands of Euros	
	2023	**2022**
Own funds	**4,043,494**	**3,849,766**
Capital	1,059,028	1,059,028
Retained earnings, revaluation reserves and other reserves	412,010	359,213
Other capital instruments	3,451,398	3,345,089
(-) Treasury shares	(977,349)	(977,349)
Profit or loss for the year attributable to the Parent	126,947	75,737
(-) Dividends and remuneration	(28,541)	(11,953)
Accumulated other comprehensive income	**(34,735)**	**(65,491)**
Total equity	**4,008,759**	**3,784,275**
(-) Adjustments to eligible results: Appropriation to the Education and Development Fund	(8,263)	(3,365)
(-) Exposure weighted at 1.250% with respect to securitisation funds	(1,812)	(1,719)
(-) Goodwill	(2,817)	(1,511)
(-) Defined benefit pension fund assets	(54)	(78)
(-) Intangible assets net of associated tax liabilities	(184,772)	(128,526)
(+) Eligible subordinated debt	599,969	599,920
(-) Deferred tax assets (DTAs)	(276,762)	(260,428)
(+) Temporary impact on reserves of application of IFRS 9	20,908	63,001
(+/-) CET1 adjustments due to prudential filters	4,526	8,867
(-) Additional coverage	(36,654)	(63,325)
(-) Other CET1 deductions	(26,124)	(24,591)
(-) Expected dividends and remuneration	(28,502)	(11,790)
Total adjustments	**59,643**	**176,455**
Total own funds for capital adequacy purposes	**4,068,402**	**3,960,730**

(*) For information purposes only, the Consolidated Financial Statements of the Group have been restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to the Consolidated Annual Accounts of the Group.

Lastly, the fully-loaded leverage ratio stood at 5.88% at 31 December 2023 (5.31% at 31 December 2022), while the phased-in ratio was 5.92% (5.40% at 31 December 2022). This ratio remains above the 3% minimum requirement stipulated in article 92.1 d) introducing the CRR2.

20. Accumulated other comprehensive income

20.1 Items that will not be reclassified to profit or loss

The balance of this heading relates mainly to changes in the net value of equity instruments in the "Financial assets at fair value through other comprehensive income" portfolio on the accompanying balance sheets, as explained in Note 3.1, and must be classified as part of the Group's equity (Note 8.5.4).

Changes in 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**41**	**(863)**
Changes in actuarial gains or (-) losses on defined benefit pension plans, net	(434)	433
Net changes in the fair value of equity instruments at fair value through other comprehensive income	37	471
Closing balance	**(356)**	**41**

20.2. Items that may be reclassified to profit or loss

Details of this heading on the accompanying balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**(10,204)**	**(9,611)**
Net changes in debt instruments at fair value through other comprehensive income	115	(593)
Closing balance	**(10,089)**	**(10,204)**

21. Commitments, financial guarantees given and other commitments given

21.1. Loan commitments given

This item records the irrevocable commitments to provide financing in accordance with certain pre-established conditions and deadlines. All credit commitments held by the Entity are immediately available.

Details of “Loan commitments given” (Note 6.2) at 31 December 2023 and 31 December 2022, grouped by counterparty, are as follows, including the limits and undrawn amounts thereof:

	Thousands of Euros	
	2023	**2022**
Available in loan commitments	4,248,416	4,246,768
Forward deposits	-	-
	4,248,416	**4,246,768**

The coverage for future payments associated with the financial items is recognised on the liability side of the balance sheet, in the account “Provisions for commitments and collateral given - Loan commitments given”, and at 31 December 2023 amounts to €2,841 thousand (€21,049 thousand at 31 December 2022) (Note 14.2).

The average interest rate offered on these commitments is 4.92% at 31 December 2023 (2.38% in 2022).

21.2. Financial guarantees given

Details of financial guarantees given at 31 December 2023 and 31 December 2022, the nominal amounts of which are recorded in memorandum accounts, are as follows:

	Thousands of Euros	
	2023	**2022**
Financial guarantees given other than credit derivatives	**965,435**	**939,573**
Financial collateral	965,435	939,573
Irrevocable contingent letters of credit	-	-
Other financial guarantees	-	-
Credit derivatives	**-**	**-**
Total	**965,435**	**939,573**

A significant part of these amounts will mature without any payment obligation arising for the Entity and therefore the sum of the balances relating to these commitments cannot be considered as an actual future need for financing or liquidity to be granted to third parties by the Entity.

The income obtained from guarantee instruments is recorded under the heading “Fee and commission income” on the statement of profit or loss and is calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. The fees and commissions yet to accrue at 31 December 2023 and 31 December 2022 amount to €18,370 thousand (€19,448 thousand, respectively.

The present value of future flows yet to be received for these contracts at 31 December 2023 and 31 December 2022 is €18,607 thousand and €19,535 thousand, respectively.

The coverage for future payments associated with the financial items is recognised on the liability side of the balance sheet, in the account “Provisions for commitments and collateral given – Financial guarantees given”, and at 31 December 2023 and 31 December 2022 amounts to €2,864 thousand and €2,566 thousand, respectively (Note 14.2).

21.3. Other commitments given

Details of other commitments given at 31 December 2023 and at 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Irrevocable documentary credits	24,368	43,025
Other non-financial guarantees	846,397	694,140
Securities subscribed pending disbursement	50	50
Other contingent commitments	65,521	79,838
Total	**936,336**	**817,053**

The coverage for future payments associated with the financial items is recognised in the account “Provisions for commitments and collateral given – Other commitments given” on the liability side of the balance sheet and at 31 December 2023 amounts to €3,162 (€2,344 thousand at 31 December 2022) (Note 14.2).

The income obtained from guarantee instruments is recorded under the heading “Fee and commission income” on the statement of profit or loss and is calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. The fees and commissions yet to accrue at 31 December 2023 amount to €35,800 thousand (€35,294 thousand at 31 December 2022).

The present value of future flows yet to be received for these contracts at 31 December 2023 and 31 December 2022 is €36,198 thousand and €35,890 thousand, respectively.

22. Related party transactions

In the case of risk transactions involving related parties, the Entity has developed procedures for the granting, authorisation and monitoring of these types of transactions using transparent criteria included in the *Credit Risk Control and Management Procedures and Policies Manual* (Note 6).

At 31 December 2023 and 31 December 2022 no transactions were carried out under non-market conditions with parties related to the Group. Balances generated as a result of transactions with related parties are as follows:

	Thousands of Euros									
	Outstanding balances (balance sheet)									
	Parent and entities with joint control or significant influence		**Subsidiaries and other entities of the same group**		**Associates and joint ventures**		**Key management personnel of the entity or its parent**		**Other related parties**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Selected financial assets	**18,110,082**	**11,621,170**	**3,287,729**	**3,325,660**	**18,857**	**20,819**	**3,755**	**3,294**	**15,990**	**22,248**
Equity instruments	905,840	905,840	1,530,673	1,552,821	17,318	19,094	-	-	851	547
Debt securities	-	-	-	-	-	-	-	-	-	-
Loans and advances	17,204,242	10,715,330	1,757,056	1,772,839	1,539	1,725	3,755	3,294	15,139	21,701
Selected financial liabilities	**2,648,146**	**193,446**	**1,385,605**	**1,458,194**	**41,532**	**32,808**	**3,646**	**4,245**	**51,894**	**46,533**
Deposits	2,648,146	193,446	1,385,605	1,458,194	41,532	32,808	3,646	4,245	51,894	46,533
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Nominal amount of loan commitments, financial guarantees and other commitments given	**600,010**	**600,010**	**5,750**	**205,497**	**339**	**67**	**140**	**145**	**7,033**	**3,538**
Of which: non-performing	-	-	-	-	-	-	-	-	5	-
Loan commitments, financial guarantees and other commitments received	-	-	-	-	-	-	-	-	-	-
Notional amount of derivatives	1,101,077	1,292	-	-	-	-	-	-	-	-
Accumulated impairment and accumulated negative changes in fair value due to credit risk on non-performing exposures	-	-	-	-	-	-	-	-	-	-
Provisions for non-performing off-balance sheet exposures	-	-	-	-	-	-	-	-	-	-
	Current period (profit or loss)									
Interest income	473,552	59,407	1,006	409	95	75	46	10	384	240
Interest expense	37,939	-	16,219	2,410	623	-	71	1	554	3
Dividend income	-	15,778	20,583	322	27	62	-	-	-	-
Fee and commission income	3,353	3,405	52,599	52,024	223	393	1	2	53	42
Fee and commission expenses	-	-	-	1	1	3	-	-	-	-
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	-	-	-	-	(6)	-
Gains or (-) losses on derecognition of non-financial assets	-	-	-	-	-	493	-	-	-	358
Impairment or (-) reversal of impairment on non-performing exposures	-	-	-	-	-	-	-	-	-	-
Provisions or (-) reversal of provisions for non-performing exposures	-	-	-	-	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures to related parties of the Entity at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
Outstanding balances	**Related parties**	
	2023	**2022**
Loans / Credit facilities:		
Amount	18,981,731	12,514,889
Interest rate	0.00% - 7.26%	0.00% - 5.58%
Guarantee	Personal and mortgage	Personal and mortgage
Remaining term	0 to 30 years	0 to 30 years
Deposits:		
Amount	4,130,823	1,735,226
Interest rate	0.00% - 3.78%	0.00% - 1.00%
Remaining term	0 to 1 year	0 to 1 year

In 2023, the Entity recorded an expense of €213,450 thousand of taxable income (€185,112 thousand in 2022) and income of €7,144 thousand for the provision of services to entities included in the IPS (€6,394 thousand at 31 December 2022)

23. Governing Board and Senior Management remuneration

The remuneration of all kinds accrued to Directors and Executives of the Entity for the years ended 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros				
			2023		
	Fees-Bonuses	**Fixed compensation**	**Social Security**	**Post-employment benefits**	**Other remuneration (*)**
Board directors	608.50	616.39	49.10	48.44	107.45
Executives	-	268.78	17.21	18.41	45.84
Total	**608.50**	**885.17**	**66.31**	**66.85**	**153.29**
			2022		
	Fees-Bonuses	**Fixed compensation**	**Social Security**	**Post-employment benefits**	**Other remuneration (*)**
Board directors	611.00	587.90	58.96	36.18	153.67
Executives	-	246.43	15.60	20.60	50.91
Total	**611.00**	**834.33**	**74.56**	**56.78**	**204.58**

(*) Variable remuneration, remuneration in kind and documented expenses (kilometres).

The Executives line item at 31 December 2023 includes the remuneration of one executive included in the Bank of Spain's Register of Senior Officers (one at 31 December 2022); and the Directors line item at 31 December 2023 includes the remuneration of two executive directors (two at 31 December 2022).

The heading "Post-employment benefits" records the payments relating to pension and life insurance premium obligations, regardless of whether or not they are directly attributed to the beneficiary, at 31 December 2023 and 31 December 2022.

Remuneration received by members of the Governing Board in the form of fees and attendance allowances at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros			
	2023		2022	
	Fees	Attendance allowances	Fees	Attendance allowances
Mr. Bartolome Viudez Zurano	49.50	24.00	49.50	24.00
Mr. Jose Luis Heredia Celdran	49.50	24.00	49.50	23.50
Ms. Maria Luisa Trinidad Garcia	66.00	24.00	66.00	24.00
Mr. Juan Colomina Figueredo	27.50	6.50	27.50	7.00
Mr. Eduardo Baamonde Noche	104.50	24.00	104.50	24.00
Mr. Jesus Martinez De Salinas Alonso	27.50	6.50	27.50	7.00
Ms. Maria Angeles Perez Paracuellos	27.50	6.00	27.50	7.00
Mr. Francisco Lorente Brox	49.50	24.00	49.50	24.00
Mr. Enrique Colilles Cascallar	27.50	6.50	27.50	7.00
Mr. Vicente Lillo Sirvent	-	-	22.03	5.50
Mr. Indalecio Miguel Felices Gonzalez	27.50	6.50	5.47	1.50
	456.50	**152.00**	**456.50**	**154.50**

24. Quantitative and qualitative information on the mortgage market and reporting transparency

In accordance with Royal Decree 24/2021 and Circular 3/2020, of 2 November (Note 1.4), implementing Law 2/1981, of 25 March, the Governing Board declares that explicit procedures and policies are in place covering all the relevant aspects regarding the mortgage market and that those policies and procedures guarantee compliance with applicable legislation.

Aspects regulated by the general credit approval policies include:

- The criteria to consider that a risk is sufficiently guaranteed, depending on the type of guarantee.
- The maximum loan-to-values in relation to the value of the mortgaged properties, depending on their nature.
- The rules for determining a property's value, which include a rule requiring appraisal values to be certified by an appraisal firm officially approved by the Entity.
- The criteria that appraisal firms must meet in order to obtain official approval from the Entity.
- The rules for assessing a borrower's ability to pay including, in terms of prudence:
  - Those taking into account eventual increases in instalments due to interest rate rises.
  - Those eliminating the initial easy payment terms included in some kinds of products, such as principal grace periods or stepped repayment options.
- Loan approval limits, which take into account the results of ability-to-pay assessments.
- The necessary documents for processing credit transactions which should include:
  - Information about the capital wealth of the parties in the transaction.
  - Economic and financial information to evaluate borrowers' ability to generate funds.

The general liquidity risk management and control policies include rules to ensure that sufficient liquidity is available at all times to meet the Entity's payment obligations.

24.1. Information on the mortgage market

The qualitative and quantitative information at 31 December 2023 and 31 December 2022 on the assets received in payment of debt, broken down by the purpose of the initially granted finance, is provided below:

	Thousands of euros (*)					
	31 December 2023					
	Gross debt	**Initial impairment (I)**	**Gross carrying amount**	**Subsequent impairment (II)**	**Sum of impairment (I+II)**	**Net carrying amount**
Real estate assets arising from finance provided to construction and real estate development companies	**30,508**	**(17,671)**	**12,837**	**(6,061)**	**(23,732)**	**6,776**
Completed buildings and other structures	*4,106*	*(1,491)*	*2,615*	*(843)*	*(2,334)*	*1,772*
Housing	973	(324)	649	(202)	(526)	447
Other	3,133	(1,167)	1,966	(641)	(1,808)	1,325
Buildings and other structures under construction	*4,804*	*(1,737)*	*3,067*	*(1,386)*	*(3,123)*	*1,681*
Housing	4,804	(1,737)	3,067	(1,386)	(3,123)	1,681
Other	-	-	-	-	-	-
Land	*21,598*	*(14,443)*	*7,155*	*(3,832)*	*(18,275)*	*3,323*
Consolidated urban land	4,376	(2,296)	2,080	(1,160)	(3,456)	920
Other land	17,222	(12,147)	5,075	(2,672)	(14,819)	2,403
Real estate assets arising from mortgage financing to acquire homes	**68,333**	**(24,652)**	**43,681**	**(20,922)**	**(45,574)**	**22,759**
Other real estate assets foreclosed or received in payment of debt	**51,353**	**(19,692)**	**31,661**	**(14,370)**	**(34,062)**	**17,291**
Capital instruments foreclosed or received in payment of debt	**-**	**-**	**-**	**-**	**-**	**-**
Capital instruments of entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,876,761**	**(346,109)**	**(346,109)**	**1,530,652**
Financing provided to entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,950,470**	**(218,477)**	**(218,477)**	**1,731,993**
Total assets acquired in payment of debt	**150,194**	**(62,015)**	**88,179**	**(41,353)**	**(103,368)**	**46,826**

(*) Includes real estate investments with a gross debt of €20,940 thousand, accumulated impairment of €13,035 thousand and a net carrying amount of €7,905 thousand.

	Thousands of euros (*)					
	31 December 2022					
	Gross debt	**Initial impairment (I)**	**Gross carrying amount**	**Subsequent impairment (II)**	**Sum of impairment (I+II)**	**Net carrying amount**
Real estate assets arising from finance provided to construction and real estate development companies	**38,116**	**(19,822)**	**18,294**	**(5,017)**	**(24,839)**	**13,277**
Completed buildings and other structures	*9,785*	*(2,683)*	*7,102*	*(2,089)*	*(4,772)*	*5,013*
Housing	4,411	(846)	3,565	(1,174)	(2,020)	2,391
Other	5,374	(1,837)	3,537	(915)	(2,752)	2,622
Buildings and other structures under construction	*6,478*	*(2,648)*	*3,830*	*(695)*	*(3,343)*	*3,135*
Housing	6,478	(2,648)	3,830	(695)	(3,343)	3,135
Other	-	-	-	-	-	-
Land	*21,853*	*(14,491)*	*7,362*	*(2,233)*	*(16,724)*	*5,129*
Consolidated urban land	4,513	(2,279)	2,234	(867)	(3,146)	1,367
Other land	17,340	(12,212)	5,128	(1,366)	(13,578)	3,762
Real estate assets arising from mortgage financing to acquire homes	**101,121**	**(34,997)**	**66,124**	**(23,475)**	**(58,472)**	**42,649**
Other real estate assets foreclosed or received in payment of debt	**83,504**	**(28,391)**	**55,113**	**(15,795)**	**(44,186)**	**39,318**
Capital instruments foreclosed or received in payment of debt	**-**	**-**	**-**	**-**	**-**	**-**
Capital instruments of entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,876,761**	**(323,962)**	**(323,962)**	**1,552,799**
Financing provided to entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,968,664**	**(204,592)**	**(204,592)**	**1,764,072**
Total assets acquired in payment of debt	**222,741**	**(83,210)**	**139,531**	**(44,287)**	**(127,497)**	**95,244**

(*) Includes real estate investments with a gross debt of €27,907 thousand, accumulated impairment of €15,283 thousand and a net carrying amount of €12,624 thousand.

At 31 December 2023 and 31 December 2022, the real estate assets treated as foreclosed assets for measurement purposes, excluding assets that are being operated or leased, as per articles 175 and 176 of Annex 9 of Circular 4/2017, are as follows:

	Thousands of Euros					
	31 December 2023					
	Gross debt	Initial impairment (I)	Gross carrying amount	Subsequent impairment (II)	Sum of impairment (I+II)	Net carrying amount
Real estate assets arising from finance provided to construction and real estate development companies	**30,507**	**(17,671)**	**12,836**	**(6,061)**	**(23,732)**	**6,775**
Completed buildings and other structures	*4,105*	*(1,491)*	*2,614*	*(843)*	*(2,334)*	*1,771*
Housing	973	(324)	649	(202)	(526)	447
Other	3,132	(1,167)	1,965	(641)	(1,808)	1,324
Buildings and other structures under construction	*4,804*	*(1,737)*	*3,067*	*(1,386)*	*(3,123)*	*1,681*
Housing	4,804	(1,737)	3,067	(1,386)	(3,123)	1,681
Other	-	-	-	-	-	-
Land	*21,598*	*(14,443)*	*7,155*	*(3,832)*	*(18,275)*	*3,323*
Consolidated urban land	4,376	(2,296)	2,080	(1,160)	(3,456)	920
Other land	17,222	(12,147)	5,075	(2,672)	(14,819)	2,403
Real estate assets arising from mortgage financing to acquire homes	**67,757**	**(24,511)**	**43,246**	**(20,720)**	**(45,231)**	**22,526**
Other real estate assets foreclosed or received in payment of debt	**50,285**	**(19,458)**	**30,827**	**(14,185)**	**(33,643)**	**16,642**
Capital instruments foreclosed or received in payment of debt	**-**	**-**	**-**	**-**	**-**	**-**
Capital instruments of entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,876,761**	**(346,109)**	**(346,109)**	**1,530,652**
Financing provided to entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,950,470**	**(218,477)**	**(218,477)**	**1,731,993**
Total assets acquired in payment of debt	**148,549**	**(61,640)**	**86,909**	**(40,966)**	**(102,606)**	**45,943**

	Thousands of Euros					
	31 December 2022					
	Gross debt	Initial impairment (I)	Gross carrying amount	Subsequent impairment (II)	Sum of impairment (I+II)	Net carrying amount
Real estate assets arising from finance provided to construction and real estate development companies	**38,116**	**(19,822)**	**18,294**	**(5,017)**	**(24,839)**	**13,277**
Completed buildings and other structures	*9,785*	*(2,683)*	*7,102*	*(2,089)*	*(4,772)*	*5,013*
Housing	4,411	(846)	3,565	(1,174)	(2,020)	2,391
Other	5,374	(1,837)	3,537	(915)	(2,752)	2,622
Buildings and other structures under construction	*6,478*	*(2,648)*	*3,830*	*(695)*	*(3,343)*	*3,135*
Housing	6,478	(2,648)	3,830	(695)	(3,343)	3,135
Other	-	-	-	-	-	-
Land	*21,853*	*(14,491)*	*7,362*	*(2,233)*	*(16,724)*	*5,129*
Consolidated urban land	4,513	(2,279)	2,234	(867)	(3,146)	1,367
Other land	17,340	(12,212)	5,128	(1,366)	(13,578)	3,762
Real estate assets arising from mortgage financing to acquire homes	**100,985**	**(34,948)**	**66,037**	**(23,466)**	**(58,414)**	**42,571**
Other real estate assets foreclosed or received in payment of debt	**82,109**	**(28,019)**	**54,090**	**(15,618)**	**(43,637)**	**38,472**
Capital instruments foreclosed or received in payment of debt	**-**	**-**	**-**	**-**	**-**	**-**
Capital instruments of entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,876,761**	**(323,962)**	**(323,962)**	**1,552,799**
Financing provided to entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,968,664**	**(204,592)**	**(204,592)**	**1,764,072**
Total assets acquired in payment of debt	**221,210**	**(82,789)**	**138,421**	**(44,101)**	**(126,890)**	**94,320**

The Entity has policies and strategies in place to recover the liquidity of these kinds of assets, details of which are provided in Note 6 to these annual accounts.

24.2. Information regarding construction, property development and home purchase financing

The information required by the Bank of Spain, related to reporting transparency regarding construction, real estate and property purchase financing, as well as financing strategies and needs is provided below.

Details of the financing for real estate construction and development as well as the corresponding impairment allowances at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros					
	Gross amount		Excess over the value of the collateral		Specific allowance	
	2023	2022	2023	2022	2023	2022
Loans for real estate development and construction (including land) (businesses in Spain)	**252,476**	**315,826**	**44,271**	**46,700**	**(22,797)**	**(42,076)**
Of which: Non-performing	*28,915*	*64,872*	*11,265*	*23,727*	*(17,664)*	*(37,201)*
Memorandum item:						
Write-off assets	147,784	167,047				

	Thousands of Euros	
	2023	2022
Loans to customers, excluding general governments (businesses in Spain) (carrying amount)	25,309,380	26,213,161
Total assets (total businesses) (carrying amount)	51,253,276	44,117,111
Impairment and provisions for performing exposures (total businesses)	(428,942)	(420,879)

The gross amount, without deducting impairment allowances, of the transactions classified according to the associated guarantees securing the financing of real estate development and construction at 31 December 2023 and 31 December 2022 breaks down as follows:

	Thousands of Euros	
	2023	2022
Without real estate collateral	**15,052**	**7,916**
With real estate collateral (broken down by type of asset received as collateral)	**237,424**	**307,910**
Completed buildings	*135,390*	*182,123*
Housing	113,089	129,213
Other	22,301	52,910
Buildings under construction	*57,120*	*54,522*
Housing	57,061	51,667
Other	59	2,855
Land	*44,914*	*71,265*
Consolidated urban land	22,671	45,593
Rest of land	22,243	25,672
Total	**252,476**	**315,826**

Details of retail loans for home purchase at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros			
	2023		2022	
	Gross carrying amount	Of which: Non-performing	Gross carrying amount	Of which: Non-performing
Loans for home purchase	**10,847,740**	**109,986**	**11,493,270**	**208,493**
Without real estate collateral	111,374	2,507	30,672	1,094
With real estate collateral	10,736,366	107,479	11,462,598	207,399

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros					
	2023					
	Gross carrying amount as a percentage of the latest appraisal (loan to value) (a)					
	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80% < LTV ≤ 100%	LTV > 100%	Total
Gross carrying amount	**2,837,014**	**3,177,603**	**3,556,497**	**864,987**	**300,265**	**10,736,366**
Of which: Non-performing	*13,531*	*20,903*	*34,652*	*16,760*	*21,633*	*107,479*

	Thousands of Euros					
	2022					
	Gross carrying amount as a percentage of the latest appraisal (loan to value) (a)					
	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80% < LTV ≤ 100%	LTV > 100%	Total
Gross carrying amount	**2,945,868**	**3,405,987**	**3,664,819**	**1,036,972**	**408,952**	**11,462,598**
Of which: Non-performing	*17,688*	*26,344*	*46,460*	*36,881*	*80,026*	*207,399*

24.3. Quantitative information related to funding needs and strategies

The Assets and Liabilities Committee (ALCO) is responsible for managing the Entity's liquidity. The principles, instruments and limits used to manage risk are described in Note 6 – Risk management.

At 31 December 2023 the coverage ratio of the retail and medium- and long-term loan portfolio reached 148.90% (compared to 135.41% at 31 December 2022), while the coverage of funding needs through stable funding sources reached 148.80% (135.69% at year- end 2022).

On the other hand, the Entity holds liquid assets (eligible for financing transactions with the European Central Bank) in a total nominal amount of €7,615 million (€7,025 million at 31 December 2022) and has collateralised bond issuance capacity (mortgage and public sector bonds) of €2,780 million (€3,862 million at 31 December 2022).

In 2023, Cajamar placed two issues of mortgage bonds, in the amount of €750 million and €350 million, in full on the market. It also issued a €750 million public sector bond to be retained for the purpose of strengthening the collateral in the Bank of Spain facility.

Cajamar's market activity was completed with the maturity of one issue of mortgage bonds with a nominal amount of €500 million, which had been partially repurchased for €62 million.

Three issues of mortgage bonds matured in 2022. One of these issues, with a nominal amount of €750 million, was fully placed on the market while the other two, with a nominal amount of €500 million each, were retained. A €350 million placement of public sector bonds also matured in the period. This amount was fully retained.

Lastly, Cajamar issued a €1,000 million mortgage bond, which was fully retained to replenish collateral in the asset pledge facility with the Bank of Spain, and the €900 million IM BCC Cajamar Pymes 4 asset securitisation fund, which was fully retained and used for the same purpose.

Details of funding needs and strategies at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros			Thousands of Euros	
	2023	2022		2023	2022
Stable financing needs			**Stable sources of financing**		
Customer credit	26,007,077	25,293,029	Customer deposits covered 100% by Deposit Guarantee Fund	24,159,638	23,176,591
Loans to joint ventures, associates and other related parties	16,679	23,427	Customers deposits not covered 100% by Deposit Guarantee Fund	16,877,422	14,598,079
Securitised loans	3,165,647	4,039,664			
Impairment allowances for financial assets	(680.309)	(811.268)			
Total customer credit	**28,509,094**	**28,544,852**	**Total retail customer deposits**	**41,037,060**	**37,774,670**
Assets acquired in payment of debt	**88,179**	**139,531**			
Investments in joint ventures and associates	**2,453,802**	**2,471,912**	Mortgage and covered bonds	1,100,000	438,000
			Public sector bonds	-	-
			Senior debt	-	-
			State-guaranteed issues	-	-
			Subordinated, preference and convertible securities	-	-
			Other medium and long-term financial instruments	-	-
			Securitisations sold to third parties	444,019	629,017
			Other financing maturing after more than one year	-	-
			Commercial paper	-	-
			Long-term wholesale financing	**1,544,019**	**1,067,017**
			Equity	**3,623,783**	**3,433,240**
Total financing needs	**31,051,075**	**31,156,295**	**Total stable sources of financing**	**46,204,862**	**42,274,927**

Details of the retail customer deposits guaranteed and not guaranteed by the Deposit Guarantee Fund in 2023 and 2022 are shown in accordance with the specifications of Bank of Spain Circular 8/2015, of 18 December, and Royal Decree 1012/2015, of 6 November, amending, among other provisions, article 4 of Royal Decree 2606/1996, which determines the deposits that qualify as guaranteed.

The maturities of wholesale debt at 31 December 2023 are as follows:

	Thousands of Euros			
	2024	**2025**	**2026**	**>2026**
Issuances:				
Mortgage and covered bonds	-	-	-	1,100,000
Public sector bonds	-	-	-	-
Senior debt	-	-	-	-
State-guaranteed issues	-	-	-	-
Subordinated, preferred and convertible issues	-	-	-	-
Securitisations sold to third parties	37,005	37,808	45,659	323,547
Other medium and long-term financial instruments	-	-	-	-
Other financing maturing after more than one year	-	-	-	-
Commercial paper	-	-	-	-
Total wholesale issuance maturities	**37,005**	**37,808**	**45,659**	**1,423,547**

(*) Reported at the nominal value of the placement, less buy-backs.
(**) The maturities schedule of securitisations is prepared based on estimates of borrowers' repayments of securitised loans, and it is therefore subject to possible variations depending on these borrowers' actual repayments.

The maturities of wholesale debt at 31 December 2022 are as follows:

	Thousands of Euros			
	2023	**2024**	**2025**	**>2025**
Issuances:				
Mortgage and covered bonds	438,000	-	-	-
Public sector bonds	-	-	-	-
Senior debt	-	-	-	-
State-guaranteed issues	-	-	-	-
Subordinated, preferred and convertible issues	-	-	-	-
Securitisations sold to third parties	51,779	49,168	54,551	473,519
Other medium and long-term financial instruments	-	-	-	-
Other financing maturing after more than one year	-	-	-	-
Commercial paper	-	-	-	-
Total wholesale issuance maturities	**489,779**	**49,168**	**54,551**	**473,519**

(*) Reported at the nominal value of the placement, less buy-backs.
(**) The maturities schedule of securitisations is prepared based on estimates of borrowers' repayments of securitised loans, and it is therefore subject to possible variations depending on these borrowers' actual repayments.

Liquid assets and issuance capacity available at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Liquid assets		
Eligible assets (nominal amount)	7,614,800	7,024,512
Eligible assets (market value and ECB haircut)	6,315,111	5,610,034
Of which:		
debt with general governments	472,813	-
Pledged assets (market value and ECB haircut)	2,655,484	5,594,909
Unpledged assets (market value and ECB haircut)	3,659,627	15,125
Issuance capacity:		
Mortgage bonds	1,374,532	2,326,738
Public sector bonds	1,405,226	1,535,689
State-guaranteed issues available	-	-
Total issuance capacity	**2,779,758**	**3,862,427**

24.4. Disclosures regarding refinanced and restructured transactions

Pursuant to Annex 9 of Bank of Spain Circular 4/2017 on credit institutions' financial reporting rules, the Entity has established classification criteria for the transactions catalogued as refinanced and/or restructured, such that those transactions will be classified as performing exposures under special monitoring during the probation period until all of the following requirements are met:

- It is highly likely that after an exhaustive review of its equity and financial position, the borrower will fulfil its obligations to the Entity in due time and form, i.e. there is an adequate payment plan and new effective collateral is provided.
- At least two years have elapsed since the date the restructuring or refinancing transaction was formally concluded, or if later, since the date of reclassification from the category of non-performing exposures.
- The borrower has paid all accrued instalments of principal and interest since the date on which the restructuring or refinancing transaction was formally concluded or, if later, since the date of reclassification from the category of non-performing exposures.
- The borrower has no other transaction with amounts more than 30 days past due after the probation period.

Consequently, when all the above requirements are met, transactions will no longer be classified as refinancing transactions, refinanced or restructured.

Refinancing transactions, refinanced or restructured classified as performing or performing exposures under special monitoring will be analysed to determine if they need to be reclassified to the category of non-performing exposures. To this end, the Entity will consider the following:

- That the transaction is supported by an inadequate payment plan, i.e. when there is repeated failure to comply with the payment plan terms
- That clauses are included that delay the repayment of transactions through regular payments.
- That they involve amounts derecognised from the balance sheet (write-offs) because they are deemed irrecoverable or the rights over them have been extinguished.

Before reclassifying transactions from the non-performing category to performing exposures under special monitoring, the Entity will verify that:

- That the debtor's equity and financial position has been redressed and that it is expected it will not experience further financial difficulties;
- That at least a year has elapsed since the refinancing or restructuring;
- That the debtor has fully repaid the accrued instalments of principal and interest, thereby reducing the renegotiated principal; and
- That the debtor has no transactions with amounts past due by more than 90 days on the date of reclassification to performing exposures under special monitoring.

The Entity's policy is to use transaction refinancing, restructuring, renewal and renegotiation formulae as credit risk management tools which, if used astutely, help mitigate credit risk by means of individual transaction analysis with a view to rendering borrowers and transactions economically viable (Note 6.2).

Details of refinancing transactions, refinanced and restructured at 31 December 2023 and 31 December 2022, according to the content of Bank of Spain Circular 6/2012, of 28 September, and the policies established by the Entity, are as follows:

Thousands of Euros

TOTAL

31 December 2023	Without collateral		With collateral				
					Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
General governments	3	1,459	-	-	-	-	(490)
Other financial corporations and sole proprietorships (financial business activity)	28	598	5	315	243	-	(177)
Non-financial corporations and sole proprietorships (non-financial business activity)	7,078	325,464	1,586	345,675	322,338	735	(128,821)
Of which: financing for real estate construction and development (including land)	*3*	*190*	*82*	*43,567*	*39,299*	-	*(15,464)*
Other households	2,739	18,539	2,419	220,085	206,604	13	(36,696)
Total	**9,848**	**346,060**	**4,010**	**566,075**	**529,185**	**748**	**(166,184)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

Of which: NON-PERFORMING

	Without collateral		With collateral				
					Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
General governments	2	490	-	-	-	-	(490)
Other financial corporations and sole proprietorships (financial business activity)	6	55	2	109	36	-	(118)
Non-financial corporations and sole proprietorships (non-financial business activity)	2,247	91,625	604	99,154	86,488	29	(94,889)
Of which: financing for real estate construction and development (including land)	*2*	*75*	*47*	*23,856*	*19,766*	-	*(13,799)*
Other households	1,313	8,398	772	57,257	50,029	7	(26,513)
Total	**3,568**	**100,568**	**1,378**	**156,520**	**136,553**	**36**	**(122,010)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

Thousands of Euros

31 December 2022

	TOTAL						
	Without collateral		With collateral				
					Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
General governments	3	1,537	-	-	-	-	(487)
Other financial corporations and sole proprietorships (financial business activity)	24	490	11	707	655	-	(180)
Non-financial corporations and sole proprietorships (non-financial business activity)	5,240	272,195	2,784	544,507	490,421	953	(188,324)
Of which: financing for real estate construction and development (including land)	*1*	*11*	*175*	*70,505*	*62,176*	-	*(29,730)*
Other households	4,721	36,507	4,497	381,867	348,801	58	(95,303)
Total	**9,988**	**310,729**	**7,292**	**927,081**	**839,877**	**1,011**	**(284,294)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

	Of which: NON-PERFORMING						
	Without collateral		With collateral				
					Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
General governments	2	487	-	-	-	-	(487)
Other financial corporations and sole proprietorships (financial business activity)	8	93	5	209	156	-	(139)
Non-financial corporations and sole proprietorships (non-financial business activity)	1,715	75,330	1,422	218,654	190,193	29	(156,096)
Of which: financing for real estate construction and development (including land)	-	-	*126*	*49,687*	*41,716*	-	*(28,599)*
Other households	1,768	13,998	1,828	152,574	129,553	3	(82,367)
Total	**3,493**	**89,908**	**3,255**	**371,437**	**319,902**	**32**	**(239,089)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

Details of transactions classified as non-performing, after being refinanced or restructured, at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
General governments	490	487
Financial intermediaries	-	-
Other legal persons and sole proprietorships	157,328	242,333
Of which: Financing for real estate development and construction	*20,053*	*42,954*
Other natural persons	53,296	123,226
Total	**211,114**	**366,046**

25. Breakdown of the statement of profit or loss

Details of the most significant headings on the statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows:

- **Interest income and Interest expense**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2023	**2022**
Interest income		
Cash equivalents at central banks	12,962	-
Cash equivalents at credit institutions	474,734	59,542
Other loans and advances	925,654	450,976
Debt securities (Note 8.2.2) (Note 8.3.2) (Note 8.5.1) (Note 8.6.4)	982	16
Non-performing transactions	10,586	2,830
Hedging derivatives	693	38
Other assets:		
Returns on pension plan assets (Note 14.1)	1,019	417
Interest income on liabilities	-	3,003
Other	2,132	1,453
Total	**1,428,762**	**518,275**
Interest expense		
Demand deposits held by credit institutions	(68,640)	(4.395)
Customer deposits	(290,359)	(14,802)
Other deposits	(13,571)	(9,059)
Debt securities issued (Note 8.7.4)	(33,806)	(5,585)
Hedging derivatives	330	-
Other liabilities:		
Pension fund interest expense (Note 14.1)	(1,103)	(441)
Asset interest expense	(8,133)	(7,211)
Financial costs of liabilities associated with operating leases	(1,036)	(1,070)
Other	(310)	(65)
Total	**(416,628)**	**(42,628)**

- **Dividend income**

Details of this heading on the statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Investments in subsidiaries, joint ventures and associates (Note 11)	20,610	16,163
Equity instruments (Note 8.5.2)	180	143
Total	**20,790**	**16,306**

- **The headings "Fee and commission income" and "Fee and commission expenses"** on the accompanying statements of profit or loss show the amount of all the fees and commissions to be received and paid by the Entity accrued during the period, except those that are part of the effective interest rate of financial instruments. The criteria followed in recognising these items in profit or loss are explained in Note 3.17.

A breakdown of fee and commission income and expense at 31 December 2023 and 31 December 2022 by the product that generates them is provided below:

	Thousands of Euros	
Fee and commission income	**2023**	**2022**
Securities:	**1,779**	**951**
Transfer orders (Note 28)	1,779	951
Asset management	**2,716**	**429**
Custody [by type of customer]:	**1,052**	**1,119**
Other (Note 28)	1,052	1,119
Payment services	**177,382**	**175,227**
Current accounts	66,590	75,150
Credit cards	28,571	25,801
Debit cards and other card payments	48,815	48,521
Transfers and other payment orders	10,224	9,742
Other fee and commission income in relation to payment services	23,182	16,013
Customer resources distributed but not managed [by type of product] (Note 28):	**74,107**	**74,755**
Collective investment	26,023	27,178
Insurance products	48,084	47,577
Loan commitments given	**9,885**	**9,328**
Financial guarantees given	**11,505**	**11,480**
Foreign exchange	**619**	**571**
Other fee and commission income	**6,763**	**6,355**
Total	**285,808**	**280,215**
Fee and commission expenses		
Securities	(2,953)	(3,051)
Clearing and settlement	-	-
Asset management	(108)	(133)
Custody	-	-
Payment services	(16,457)	(15,124)
Of which: Credit, debit and other cards	(16,408)	(15,073)
Loan servicing activities	-	-
Loan commitments received	-	-
Financial guarantees received	(6,545)	(8,359)
Distribution of products by external providers	(1,620)	(1,052)
Other fee and commission expenses	(6,817)	(6,793)
Total	**(34,500)**	**(34,512)**

- **Gains and losses on assets and liabilities**

Details of this heading on the statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**(10,034)**	**29,044**
Financial assets at amortised cost	(10,027)	27,959
Financial assets at fair value through other comprehensive income	-	56
Financial liabilities at amortised cost	(7)	1,029
Gains or losses on financial assets and liabilities held for trading, net	**3**	**(4)**
Other gains or (-) losses	3	(4)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**8,537**	**74,114**
Other gains or (-) losses	8,537	74,114
Gains or losses from hedge accounting, net	**-**	**2**
Total	**(1,494)**	**103,156**

- **Other operating income**

Details of this heading on the statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Changes in fair value in tangible assets measured using the fair value model	-	-
Investment property (Note 12)	6,918	6,619
Operating leases other than investment property	-	-
Other:		
Indemnities received from insurance undertakings	949	9
Other items:		
Other recurring income	*11,695*	*60,734*
Other non-recurring income	*1,333*	*6,054*
Income from insurance and reinsurance contracts issued	-	-
Total	**20,895**	**73,416**

- **Other operating expenses**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2023	**2022**
Mandatory contributions to social projects and funds (Note 17)	(8,188)	(3,751)
Investment property (Note 12)	(1,261)	(937)
Operating leases other than investment property	-	-
Contribution to the Deposit Guarantee Fund (Note 3.18)	(45,008)	(42,614)
Contribution to the Single Resolution Fund (Note 3.29)	(7,820)	(13,662)
Other:		
Change in inventories - Cost of sales	-	-
Change in inventories - Property overheads	-	-
Other items	(255,484)	(13,045)
Expenses from insurance and reinsurance contracts issued	**-**	**-**
Total	**(317,761)**	**(74,009)**

- **Staff expenses**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2023	**2022**
Salaries and bonuses to current personnel	(142,223)	(141,068)
Social security contributions	(55,902)	(52,673)
Appropriations to defined benefit plans (Note 14)	(855)	(1,217)
Appropriations to defined contribution plans (Note 14)	(8,763)	(8,309)
Severance indemnities	(613)	(847)
Training expenses	(306)	-
Share-based payments	-	-
Other staff expenses	(21,521)	(19,139)
Total	**(230,183)**	**(223,253)**

The average number of employees of the Entity, broken down by gender in accordance with Organic Law 3/2007, of 22 March, and by professional category is as follows:

	2023		2022	
	Men	**Women**	**Men**	**Women**
Executives	4	-	4	-
Department heads and graduates	1,623	1,437	1,620	1,361
Administrative officers	238	516	287	617
Administrative assistants	66	105	53	94
Sundry positions	-	1	-	1
Total	**1,931**	**2,059**	**1,964**	**2,073**

At 31 December 2023 and 2022 the number of employees, broken down by professional category, is as follows:

	2023		2022	
	Men	**Women**	**Men**	**Women**
Executives	4	-	4	-
Department heads and graduates	1,621	1,468	1,627	1,416
Administrative officers	226	467	247	549
Administrative assistants	83	120	53	92
Sundry positions	-	-	-	1
Total	**1,934**	**2,055**	**1,931**	**2,058**

The average number of individuals employed at 31 December 2023 and 31 December 2022 with disabilities equal to or over 33% (or equivalent qualification), by professional category, is as follows:

	2023		2022	
	Men	**Women**	**Men**	**Women**
Executives	-	-	-	-
Department heads and graduates	25	23	25	18
Administrative officers	6	18	9	20
Administrative assistants	-	1	-	1
Sundry positions	-	-	-	-
Total	**31**	**42**	**34**	**39**

Remuneration in kind granted to the Entity's employees in the form of loans at lower than market interest rates as per the collective wage agreement are as follows at 31 December 2023 and 31 December 2022:

	Thousands of Euros	
	2023	**2022**
Loans and advances	6,672	3,563
Other remuneration in kind	945	868
Total remuneration in kind	**7,617**	**4,431**

- ## Other administrative expenses

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2023	**2022**
From property, fixtures and supplies	(16,779)	(15,704)
IT	(5,822)	(5,144)
Communications	(5,777)	(5,515)
Advertising and direct mail	(96)	(112)
Court costs and lawyers' fees	(1,222)	(1,397)
Technical reports	(986)	(931)
Security and cash transit services	(3,904)	(3,906)
Insurance and self-insurance premiums	(529)	(603)
Governance and oversight bodies	(369)	(349)
Entertainment and travel expenses	(1,553)	(1,389)
Membership fees	(4)	(4)
Share of head office expenses passed on to foreign branches	-	-
Subcontracted administrative services	(222,080)	(195,468)
Levies and other taxes:		
On properties	(2,584)	(2,349)
Other	(12,589)	(12,073)
Donations to foundations	-	-
Other expenses	(8,910)	(8,684)
Total	**(283,204)**	**(253,628)**

- ## Amortisation and depreciation

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2023	**2022**
Property, plant and equipment		
For own use (Note 12)		
Computer hardware and related fixtures	(6,751)	(7,959)
Furniture, vehicles and other fixtures	(18,903)	(19,424)
Buildings	(7,300)	(7,510)
Other tangible assets	(181)	(222)
Leased out under an operating lease		
Capitalised rights of use under leases (Note 12)	(7,257)	(6,976)
Investment property (Note 12)		
Furniture, vehicles and other fixtures	(233)	(225)
Buildings	(1,465)	(1,469)
Other intangible assets	**(691)**	**(536)**
Total	**(42,781)**	**(44,321)**

- **Provisions or reversal of provisions (net)**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2023	**2022**
Pensions and other post-employment defined benefit obligations (Note 14.1)	(173)	135
Other long-term employee benefits (Note 14.1)	(20)	52
Pending legal issues and tax litigation	-	-
Commitments and guarantees given	17,093	(1,373)
Loan commitments given	18,209	(458)
Financial guarantees given	(299)	(45)
Other commitments given	(817)	(870)
Other contingent risks	(817)	(870)
Other provisions (Note 14.4)	(66,682)	(20,235)
Total	**(49,782)**	**(21,421)**

- **Impairment or reversal of impairment on financial assets and other non-financial assets (net)**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2023	**2022**
Financial assets not designated at fair value through profit or loss	**(188,470)**	**(120,560)**
Debt securities (Note 8.5.1) (Note 8.6.4)	-	1
Loans and advances (Note 8.6.3)	(188,470)	(120,561)
Investments in subsidiaries, joint ventures and associates (Note 11)	**(17,452)**	**(99,348)**
Subsidiaries	(16,334)	(99,640)
Associates	(1,118)	292
Total	**(205,922)**	**(219,908)**
Non-financial assets	**(1,493)**	**(4,301)**
Property, plant and equipment	27	(685)
Investment property (Note 12)	(1,520)	(3,616)
Total	**(1,493)**	**(4,301)**

- **Gains or losses on derecognition of non-financial assets**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2023	**2022**
Gains on disposals		
Property, plant and equipment (Note 12)	9,565	292
Investment property (Note 12)	453	200
Holdings	-	851
Total	**10,018**	**1,343**
Losses on disposals		
Property, plant and equipment (Note 12)	(11,176)	(633)
Investment property (Note 12)	(1,195)	(1,076)
Total	**(12,371)**	**(1,709)**
Total gains or losses	**(2,353)**	**(366)**

- **Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2023	**2022**
Gains on disposals		
Property, plant and equipment	-	8
Investment property	90	35
Property, plant and equipment foreclosed	2,527	2,649
Total	**2,617**	**2,692**
Losses on disposals		
Property, plant and equipment	(16)	(23)
Investment property	(468)	(503)
Property, plant and equipment foreclosed	(10,036)	(11,212)
Total	**(10,520)**	**(11,738)**
Impairment losses on non-current assets held for sale (Note 10)	**(17,641)**	**(9,481)**
Total gains or losses	**(25,544)**	**(18,527)**

26. Segment reporting

- **Segmenting by lines of business**

The Entity's core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Entity segment and manage its operations through different business lines.

- **Geographical segmenting**

The Entity carries out its activities almost entirely in Spain and the types of customers are similar throughout Spain. Therefore the Entity considers that there is a single geographical segment for the entire operation.

27. Information regarding the deferral of payments to suppliers

Act 18/2022, of 28 September, amended legislation including Act 15/2010, of 15 July, which amended Act 3/2004, of 29 December, requiring non-listed companies to disclose the amount and number of invoices paid within the maximum period established in the applicable legislation and as a percentage of the total amount and number of invoices paid to suppliers.

Final Provision Two of Act 31/2014, of 3 December, amending the Spanish Corporate Enterprises Act to improve corporate governance, amended Additional Provision Three of Act 15/2010, of 5 July, which amended Act 3/2004, of 29 December, on measures to combat late payment in commercial transactions, specifically requiring the inclusion of the average supplier payment period in the notes to annual accounts. The provision authorises the Spanish Institute of Accountants and Auditors (ICAC) to stipulate, in a ruling, the adaptations necessary for companies to adequately apply the average supplier payment period calculation methodology. Accordingly, Article 1 of the ICAC Resolution of 26 January 2016 was issued to fulfil the mandate contained in Act 31/2014.

Said resolution repealed the immediately previous related ICAC Resolution of 29 December 2010, which derived from the former wording of Additional Provision Three of Act 15/2010, of 4 July. The Resolution requests information on the average supplier payment period, specifying that the duty of information affects only commercial payment transactions and not creditors or suppliers in non-commercial transactions (e.g. fixed asset suppliers or finance lease creditors). Moreover, it provides the specific methodology for calculating the average supplier payment period and details the information to be reported.

For the purposes of adequately understanding the information set out herein, and in accordance with the provisions of applicable legislation, “suppliers” are understood to only be those suppliers of assets and services to the Group whose expense is primarily recognised in the heading “Other administrative expenses” on the statement of profit or loss. This note therefore does not include information about payments for financial transactions that constitute the corporate purpose of the Entity or payments to fixed asset suppliers, all of which have been made on the terms stipulated in the relevant agreements and in current legislation.

The average supplier payment period must be calculated applying the criteria approved by the Ministry of Finance and Public Administrations, pursuant to Final Provision Two, subsection three of organic Act 2/2012, of 27 April, on budget stability and financial sustainability. According to the Sole Final Provision of the Resolution dated 29 January 2016, that resolution will be applicable to the annual accounts for the years starting on or after 1 January 2015.

Figures for total payments made, total payments pending, average period of payment to suppliers, ratio of transactions paid and ratio of transactions pending payment at 31 December 2023 and 31 December 2022 with respect to the Entity’s commercial transactions are as follows:

	Days	
	2023	**2022**
Average period of payment to suppliers	12.67	21.70
Ratio of payments made	12.67	21.70
Ratio of payments pending	-	22.32

	Thousands of Euros							
	2023				**2022**			
	Amount	**%**	**No. of invoices**	**%**	**Amount**	**%**	**No. of invoices**	**%**
Total payments made	369,570		85,789		371,175		101,786	
Of which: Paid in less than the specified maximum period	*349,915*	*94.68 %*	*71,916*	*83.83 %*	*348,579*	*93.91 %*	*88,125*	*86.58 %*
Total payments pending	3				331			

28. Other information

Investment services

Details of investment and ancillary services by instrument type, indicating the amount of securities and other managed financial instruments and the fees and commission recorded on the statements of profit or loss, are as follows:

2023	Thousands of Euros	
	Customer funds	Fees
Brokerage service (products marketed by the Group) (Note 25)		
Collective investment	4,923,843	26,023
Insurance products	1,327,626	48,084
Total	**6,251,469**	**74,107**
Deposit of securities owned by third parties (Note 25)		
Debt securities and equity instruments	2,483,560	2,831
Other financial instruments entrusted by third parties	5	-
Customer portfolios managed on a discretionary basis	408,200	2,716
Total	**2,891,765**	**5,547**

2022	Thousands of Euros	
	Customer funds	Fees
Brokerage service (products marketed by the Group) (Note 25)		
Collective investment	4,136,300	27,178
Insurance products	1,340,426	47,577
Total	**5,476,726**	**74,755**
Deposit of securities owned by third parties (Note 25)		
Debt securities and equity instruments	1,948,820	2,070
Other financial instruments entrusted by third parties	7,201	-
Customer portfolios managed on a discretionary basis	132,185	429
Total	**2,088,206**	**2,499**

Exchange risk

The following table summarises the Entity's exposure to exchange risk:

Assets	Thousands of Euros	
	2023	2022
Cash, cash balances at central banks and other demand deposits	6,199	1,491
Financial assets at amortised cost	49,369	63,653
Other assets	124	67
Total	**55,692**	**65,211**

Liabilities	Thousands of Euros	
	2023	2022
Financial liabilities measured at amortised cost	79,588	73,241
Total	**79,588**	**73,241**
Net Position	**(23,896)**	**(8,030)**

The net amount of exchange differences recognised on the statement of profit or loss at 31 December 2023 totalled €1,185 thousand (€6,354 thousand at 31 December 2022).

At 31 December 2023 and 31 December 2022 no amount was booked as "Exchange differences" under "Accumulated other comprehensive income" in "Equity".

Auditors' fees

The fees paid for the statutory audit and other services provided by the audit firm and others related to the Entity at 31 December 2023 and 31 December 2022 are as follows:

2023	Thousands of Euros			
Entity	Audit fees	Audit-related fees	Other services	Total
KPMG	249	31	-	280

2022	Thousands of Euros			
Entity	Audit fees	Audit-related fees	Other services	Total
KPMG	226	23	-	249

The audit fees recognised under the "Audit fees" heading include the fees for the audit of the Entity's individual annual accounts.

Abandoned balances and deposits

In accordance with the matters indicated in Article 18 of Act 33/2003, of 3 November, on government finances, the balances and deposits at the Entity that have been abandoned in accordance with that article were zero at 31 December 2023; this amount may vary between said date and the date the financial statements are definitively presented to the competent authority (no amount at 31 December 2022).

Customer Service

This section fulfils Article 17.2 of order ECO/734/2004 of 11 March on customer service departments and the customer ombudsman of financial institutions (hereinafter the Order) under which a summary of the annual report explaining the development of its functions by the Customer Service Department should be included in the annual report.

In compliance with Act 44/2002, of 22 November, on Measures to Reform the Financial System, the Order and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from the sales and operating areas, to attend to and resolve complaints and claims that may be filed by Group customers with respect to their interests and legally recognised rights.

The Entity is covered by Grupo Cooperativo Cajamar Customer Service, as are the other entities listed in Annex I to the Group's Customer Protection Regulation. This Regulation, approved by the Board of Directors of the Parent, governs Customer Service operations.

In summary, a total of 12579.0 proceedings were initiated in 2023, including 228 cases opened with the Bank of Spain Institutions' Conduct Department and 16 with the Investor Services Office of the National Securities Market Commission. No complaints or claims have been filed with the Directorate General of Insurance and Pension Funds.

Further to this summary, the main ways in which the claims were dealt with in 2023 were: 84% in favour of the Entity; 9% in favour of the claimant; the Customer Service Department issued no decision on the claims filed in 6% of cases; and 1% of customers withdrew their claims.

Similarly noteworthy, following the classification laid down by the Bank of Spain in this respect, based on content matter, the cases resolved were classified as follows:

Matter concerned	Percentage
Assets	59.5%
Deposit transactions and payment accounts	15.0%
Payment instruments and services	12.0%
Other banking products/ services	1.0%
Miscellaneous	12.5%

Finally, addressing the reasons for claims – also as per the Bank of Spain's classification:

Reason	Percentage
Commission and fees	59.0%
Information and documentation	4.0%
Processing	5.5%
Disagreement	17.0%
Interest	3.0%
Contract modifications and resolutions	1.0%
Fraud	5.0%
Miscellaneous	5.5%

The decision criteria used by the Customer Service Department to resolve complaints and claims have been taken, mainly, for the criteria established by the Service and the result of claims made to the bodies supervising financial services, based on judgements regarding good practices and uses, the legislation that governs the transparency of banking operations and customer protection, and any other that is applicable to reach a correct and reasoned conclusion.

29. Subsequent events

After year-end, the Entity issued mortgage bonds with a nominal amount of €600 million at a rate of 3.375%, maturing in July 2029.

On 18 January 2024, the Constitutional Court declared certain corporate income tax measures introduced by Royal Decree-Law 3/2016 of 2 December to be unconstitutional. The tax measures in question—which set stricter limits for the offsetting of tax losses, placed a limit on the application of deductions for double taxation and imposed an obligation to automatically include in the tax base any impairment losses on equity investments that were deducted in previous years—were applied with effect from the 2016 tax year.

The effects of the court's decision are limited to corporate income tax assessments that are contested and self-assessments for which a rectification was requested before the measures were declared unconstitutional.

In the case of Grupo Cooperativo Cajamar, the decision affects the rectification of the corporate income tax returns for 2016, 2020 and 2021 of Cajamar, Caja Rural, S.C.C. and the returns for tax years 2016, 2017, 2018, 2019, 2020 and 2022 of Cimenta2 Gestión e Inversiones, S.A.U.

As of the date of authorisation for issue of these individual annual accounts, the Entity has not recognised any of the amounts claimed from the Tax Agency for these items, in accordance with applicable accounting standards, which state that current and deferred tax assets and liabilities at year end are to be measured using the tax rates and tax laws enacted or substantively enacted by the end of the reporting period. Nor has the Entity recognised any additional tax losses resulting from a recovery based on the annulment of the stricter offsetting rules. This matter has no significant impact on the Entity's assets.

Aside from the matters disclosed in the preceding paragraphs, from 31 December 2023 until 4 Match 2024, the date on which these annual accounts were authorised for issue by the Entity's Governing Board, there were no significant events that should be disclosed in the annual accounts in order for them to give a true and fair view of the Entity's equity, financial position, results of operations, changes in equity and cash flows.

Appendix I Details of shareholdings at 31 December 2023

Company	Registered office	Business	% direct holding	Net carrying amount	Capital	Reserves	Profit (loss)	Other equity
				Thousands of Euros				
Group companies								
Banco de Crédito Social Cooperativo, S.A. (a)	Paseo de la Castellana, 87. Madrid.	Cooperative banking.	84.88%	905,840	1,059,028	31,963	38,338	(37,221)
Alquileres Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development.	100.00%	610	1,235	(400)	(66)	(90)
Cajamar Mediación Operador de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance brokerage.	100.00%	60	60	229	353	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development.	100.00%	1,523,170	60	1,640,949	(27,273)	(90,565)
Inmuebles Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development.	100.00%	6,805	16,250	(8,120)	(207)	(1,178)
				2,436,484	**1,076,633**	**1,664,621**	**11,144**	**(129,054)**
Associates								
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Real estate marketing.	20.00%	338	3	868	(266)	1,686
Murcia Emprende S.C.R., S.A. (b)	C/ Alfaro, 1. Murcia.	Venture capital investing.	22.06%	731	2,557	949	(254)	(38)
Parque Científico-Tecnológico de Almería, S.A. (c)	Avda. de la Innovación, 15, Edf Pitágoras (PITA). Almería.	Retail space management.	30.11%	7,860	31,066	(595)	(679)	(3,671)
Promontoria Jaguar, S.A. (a)	C/ Serrano, 26. Madrid	Holding company activities	20.00%	8,389	60	2,649	(6,521)	45,390
				17,318	**33,685**	**3,870**	**(7,720)**	**43,367**

(a) Company audited by KPMG Auditores, S.L.
(b) Company audited by Grant Thornton Corporación, S.L.P.
(c) Company audited by Deloitte, S.L.

Details of shareholdings at 31 December 2022

Company	Registered office	Business	% direct holding	Net carrying amount (Thousands of Euros)	Capital	Reserves	Profit (loss)	Other equity
Group companies								
Banco de Crédito Social Cooperativo, S.A. (a)	Paseo de la Castellana, 87. Madrid.	Cooperative banking.	84.88%	905,840	1,059,028	27,084	13,997	(39,902)
Alquileres Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development.	100.00%	610	1,235	(435)	352	(407)
Cajamar Mediación Operador de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance brokerage.	100.00%	60	60	229	213	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development.	100.00%	1,539,326	60	1,640,949	(75,874)	(25,808)
Inmuebles Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development.	100.00%	6,982	16,250	(8,125)	52	(1,224)
				2,452,818	**1,076,633**	**1,659,701**	**(61,261)**	**(67,341)**
Associates								
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Real estate marketing.	20.00%	695	3	449	596	3,472
Murcia Emprende S.C.R., S.A. (b)	C/ Alfaro, 1. Murcia.	Venture capital investing.	22.06%	858	2,557	3	1,925	(605)
Parque Científico-Tecnológico de Almería, S.A. (c)	Avda. de la Innovación, 15, Edf Pitágoras (PITA). Almería.	Retail space management.	30.11%	8,152	31,066	(606)	88	(3,457)
Promontoria Jaguar, S.A.	C/ Serrano, 26. Madrid	Holding company activities	20.00%	9,389	60	8,442	(5,787)	46,887
				19,094	**33,685**	**8,288**	**(3,179)**	**46,296**

(a) Company audited by KPMG Auditores, S.L.

(b) Company audited by Grant Thomton Corporación, S.L.P.

(c) Company audited by Deloitte, S.L.

Appendix II Details of branches by geographical area

Province		No. of branches 2023	No. of branches 2022
ANDALUSIA		228	230
	Almería	97	98
	Cádiz	10	10
	Cordoba	8	8
	Granada	19	19
	Huelva	5	5
	Jaén	7	7
	Malaga	72	73
	Seville	10	10
ARAGÓN		7	5
	Huesca	3	2
	Zaragoza	3	3
	Teruel	1	-
ASTURIAS		3	3
BALEARIC ISLANDS		19	21
CANARY ISLANDS		40	41
	Las Palmas	26	27
	Santa Cruz de Tenerife	14	14
CANTABRIA		2	2
CASTILLA LA MANCHA		15	15
	Albacete	6	6
	Ciudad Real	4	4
	Cuenca	3	3
	Guadalajara	1	1
	Toledo	1	1
CASTILLA LEÓN		60	61
	Ávila	4	4
	Burgos	3	3
	León	10	10
	Palencia	10	10
	Salamanca	2	2
	Segovia	2	2
	Soria	1	1
	Valladolid	25	26
	Zamora	3	3
CATALONIA		34	34
	Barcelona	24	25
	Gerona	3	3
	Lérida	2	1
	Tarragona	5	5
VALENCIA		201	205
	Alicante	49	49
	Castellón	35	35
	Valencia	117	121
EXTREMADURA		4	4
	Badajoz	3	3
	Cáceres	1	1
GALICIA		7	7
	A Coruña	3	3
	Orense	1	1
	Pontevedra	2	2
	Lugo	1	1
LA RIOJA		2	2
MADRID		35	35
MURCIA		111	113
NAVARRA		4	4
BASQUE COUNTRY		2	1
	Álava	1	1
	Vizcaya	1	-
CEUTA		1	1
MELILLA		1	1
		776	**785**

CAJAMAR CAJA RURAL
SOCIEDAD COOPERATIVA DE CRÉDITO

Directors' Report
(Year 2023)

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

Macroeconomic environment

- In 2023, Spanish **GDP** grew by 2.5% in volume, compared to 5.8% in 2022. This was despite an economic context marked by a slowing of the world economy (though not as sharp as expected), ongoing geopolitical risks, high interest rates and persistent inflation.

- Year-on-year **GDP** growth in the fourth quarter was 2.0% (3.8% in 2022), a slight increase compared to the previous quarter (1.9%). Domestic demand accounted for 2.1 points and foreign demand, for 0.0 points. Thus, economic growth slowed over the course of 2023 but less than initially expected.

- The growth forecast for 2024 by the Bank of Spain has been reduced to 1.6%, with activity supported mainly by domestic demand. The slowdown compared to the previous year will be seen above all in consumption and in the external sector, while investment will be more vigorous.

- The consumer price index (**CPI**) ended December at 3.1% (5.7 % in 2022), after reaching a trough of 1.9% in July. The groups that contributed the most to the decrease in the annual rate are food and alcoholic beverages and tobacco. The biggest increase was in the transport group. Similarly, the annual core inflation rate fell to 3.8%, while the harmonised price index (HICP) reached an annual rate of 3.3%, compared to 2.9% in the European Union as a whole.

- The **average number of people registered with the social security system** increased by 539,739 during the year, bringing the number of people in work to the highest level in the historical series, a record 20.8 million in December, led once again by wage earners (as opposed to the self-employed).

- The **unemployment rate** continued to decline, reaching 11.76% (12.87% in 2022), the lowest year-end figure since 2007. Similarly, the downward trend in the number of **unemployed** continued, bringing the total at year-end to 2,707,456.

- The **12-month Euribor** continued its upward path in 2023, peaking at 4.16% in October, before falling to 3.68% in December. The average 12-month Euribor in 2023 was 3.87%, 2.78 percentage points higher than in 2022. The **3-month Euribor** followed a similar pattern, peaking in November at 3.97%, then dropping slightly to 3.94% in December.

- Meanwhile, **monetary policy** remains committed to fighting inflation. After starting to hike interest rates in July 2022, the **ECB** made a further six hikes over the course of 2023, bringing the policy rate to 4.50% (2.50% at December 2022).

- The **euro**, after losing parity with the dollar in August 2022, traded for most of 2023 in the 1.05 to 1.10 range. Similarly, the euro / dollar exchange rate ended 2023 at 1.10.

- The **Ibex-35** closed the year up by a cumulative 22.76%, above 10,100 points, making this the best year since 2009. Among the main European markets, the performance of the main Spanish index was second only to that of Italy's FTSE MIB. The main US indices also performed well during the year, with the S&P 500 up 24%, the Nasdaq 100 up 54% and the Dow Jones up 14%.

- The **NPL ratio of credit institutions** and specialised credit institutions stood at 3.54% in December 2023, unchanged from December 2022. However, non-performing assets have fallen to €41,868 million, from €43,159 million at the end of 2022.

- The **banking sector** ended 2023 with excellent results. The main profit driver was the interest rate hikes by the ECB, which allowed banks to improve their interest margins. The improvement in results brought an improvement in banks' profitability and capital ratios, while keeping a lid on the NPL ratio, which increased slightly over the year.

- Overall, the macroeconomic indicators performed better than initially expected, especially in the second half of the year. Looking ahead to 2024, growth is expected to slow, although the downward trend in the unemployment rate is expected to continue. The main risks include the uncertainty over the eventual impact of geopolitical conflicts, the upturn in inflation and the future direction of the ECB's monetary policy.

Business performance

- Cajamar Caja Rural, operating within the framework of Grupo Cajamar, which is one of the sector's 10 significant financial institutions, remains the leader among Spanish credit cooperatives, with a steady increase in its market share and loyal customer base, which reached 3.5 million customers, an increase of 2.1% compared to the previous year.

- Among the 18 rural savings banks that make up Grupo Cajamar, Cajamar Caja Rural is the main shareholder of Banco de Crédito Social Cooperativo (BCC), the Group's parent, holding 84.87% of the share capital, and contributes 94.4% of the Group's points of sale and 86.5% of its on-balance sheet customer business.

- 2023 was a year of consolidation within a sound, well capitalised Group—a year in which Cajamar Caja Rural grew its funds under management, maintained its status as one of the entities with a below-industry-average level of non-performing loans and improved all its profit margins, thanks to the growth in core banking income, which has allowed it to continue to strengthen its coverage of non-performing assets in general while boosting its profitability and efficiency.

- The year-on-year growth of **on-balance sheet funds** accelerated to 8.6% (4.2% in 2022), reaching €41,037 million, thanks to the renewed attractiveness of traditional **term deposits** among customers, with the steady rise in interest rates over the year.

- As well as on-balance-sheet funds, customers also showed interest in higher-yielding products such as fixed income and investment funds, driving a year-on-year increase of 26.9% in **off-balance sheet funds**, which reached €7,736 million.

- Within the scope of the Group's asset and liability management, Cajamar Caja Rural completed two **issues** of mortgage bonds for a total of €1,100 million and one issue of fully retained public sector bonds for €750 million.

- In a context of rising funding costs and persistent negative growth in lending throughout the sector, the Entity is committed to financing profitable projects that foster economic and business activity, especially in our strategic segments and in particular the agri-food sector, in which the Group is a top player, with a market share of 15.9%. **Performing loans to customers** are up by €28,560 million compared to the previous year.

- Once again this year **non-performing loans** are down 27.6% year-on-year, at €629 million, thanks to the commitment, across the organisation, to proactively managing non-performing and unpaid loans, as well as the loan portfolio sales completed during the period.

- On the one hand, this significant fall in non-performing loans improved the **NPL ratio** to 2.0% (2.8% in 2022), below the industry average of more than 3.5%. On the other, it pushed the **NPL coverage ratio** up from 93.3% the previous year to 108.1% at the end of 2023, with a total loan allowance of €680 million.

- In view of Grupo Cajamar's sound performance, its strong focus on managing non-performing assets and the improvement in its risk profile and profitability levels, the rating agencies S&P and DBRS both upgraded their ratings and assessed the Group's outlook as "stable". On 21 June 2023, S&P upgraded the long-term debt from 'BB' to 'BB+' and maintained the short-term debt at 'B'. On 17 November 2023, DBRS upgraded Grupo Cajamar from 'BB (High)' to 'BBB (Low)' for long-term debt and from 'R-3' to 'R-2 (middle)' for short-term debt.

Branches and staff

- Cajamar Caja Rural has 776 branches throughout Spain, staffed by specialised, customer-oriented professionals, and an average total workforce of 3,990.

Capital

- At 31 December 2023, the **capital** amounted to €3,356 million, having grown 3.2% year-on-year as a result of the net increase in the number of partners, which reached a total of 1,593,142, up 2.8% compared to 2022.

Risk management

- A detailed analysis of the situation at year-end and of the management during 2023 of the different types of risk to which the Entity is exposed (credit, market, liquidity, interest rate, operational and currency risk) is provided in Note 6, "Risk management objectives and policies", to the consolidated annual accounts.

Results

- As in the rest of the sector, the interest rate hikes by the ECB during the year brought an improvement in the Entity's results, driven by recurring income from the core banking activity.

- Cajamar Caja Rural made a profit of €126.6 million, with a positive increase in all its margins, especially in **net interest** income, which grew to €1,012.1 million, up 112.8% on the same period of the previous year, acting as the primary profit driver, thanks to appropriate management of asset and liability interest rates, an improvement in the customers' spread and an increase in turnover.

- **Fees and commissions and exchange differences** contributed €252.5 million to the statement of profit or loss, covering 49.2% of the administrative expenses, backed by economic growth and an improvement in marketing activity, which gave rise to an increase in sales of products and services, mainly in the fields of asset management, payment services, insurance and services.

- The Entity received €20.8 million of **dividends** in 2023, of which €20.4 million were paid out of BCC's profits for the year.

- **Gross income**, after the pooling of profit for the year, amounted to €987.1 million, up 16.6% on the previous year, thanks to strong net interest income and fee and commission income from the core banking business.

- The growth in income resulted in higher **profitability**, with a gross return on average total assets of more than 2.0% and a clear improvement in the **cost-income ratio**, which reached 56.3% (61.6% in 2022), with operating expenses growing 9.9 pp less than income.

- Despite being a sound institution with a high level of non-performing loan coverage, Cajamar Caja Rural continues to devote a significant portion of its resources to strengthening the coverage for credit risk and non-performing assets. Anticipating lower economic growth in the year ahead and noting the geopolitical uncertainty and the impact that the rise in interest rates could have on the cost of borrowing for households and companies, the Entity allocated €188.5 million to **impairment losses on financial assets** and €17.6 million to **loss allowances for non-current assets held for sale**.

- The Entity has also allocated €49.8 million to **provisions**, compared to €21.4 million the previous year, including the provisions for the voluntary early retirement plan implemented by the Group during the year.

- Lastly, the **profit for the year** after tax was €126.6 million, which is €70.4 million more than the previous year. It will be used to strengthen the Entity's capital, contribute to the cooperative education and development fund and remunerate the capital contributed by our partners.

Solvency

- At 31 December 2023, the Group's phased-in **capital adequacy ratio** stood at 16.0% (15.9% fully loaded), 3.0 percentage points above the requirement set in the supervisory review and evaluation process (SREP), which is 13.0%.

- **Eligible capital** amounted to €4,068 million at year-end, having grown by 2.7% year-on-year, mainly in the highest quality capital (CET1) through growth in cooperative capital and income generation, demonstrating the quality of the Group's capital.

- The **phased-in CET1 ratio** is 13.6%, up 0.14 percentage points, easily meeting the 8.41% requirement set by the supervisor.

- The improvement in capital and the successful placement by the Group, in September, of €650 million of senior preferred debt eligible for MREL brings **MREL as a percentage of TREA** to 23.0% (9.99% as a percentage of LRE). Both ratios exceed the final requirement to be met from 1 January 2025 (22.72% as a percentage of TREA and 5.36% as a percentage of LRE) one year early.

- The fully loaded and phased-in leverage ratio stood at 5.9%, remaining above the required minimum of 3.0%.

Technology projects, digital transformation, marketing policy and R&D.

In the field of Digital Business, the range of products and services that can be contracted through online channels has been expanded, and existing projects to improve remote channels and customer service and make the services provided more efficient have been continued.

New remote banking services

- **"Grupo Cajamar" app.** Seven versions were released during the year with the following improvements:

  - My Insurance: platform for consulting and managing insurance and pension plans.
  - Improved information on insurance products, pension plans, deposits and capital.
  - Issuance of account certificates (ownership, account details and average balance).
  - Know Your Customer form: Notification of expiry, quick renewal if there are no changes, and access to the completed form for modification and renewal.
  - Access to the new Conecta service.
  - Loan and deposit applications:
    - Consumer loans granted in three clicks for pre-approved loans.
    - Application form for the Wefferent Ahorro savings account.
  - New data protection (LOPD) design.
  - New login screen and 30% faster access to the app.

- **Online application for financial products.** Expanded range of products available for online application. The App offers the following products:
  - Pre-approved consumer loan.
  - Wefferent Ahorro savings account.
  - Vehicle leasing. Access from the App to the service of the provider (Alphabet), where the user can explore vehicles and submit an application.

  Electronic banking now includes options to apply for:
  - Online vehicle leasing.
  - Salary advance.
  - 360-degree account.
  - Protection insurance (life and payment protection) included in Cajamar Consumo loan application.
  - ‘Hola’ deposit
  - Via-T.

- **New services.** The following services were introduced in 2023:
  - Conecta. Redesign and new features. Now customers can view their personal details: profile photo, telephone, email, data protection (LOPD), ID card expiry date, and their Know Your Customer form.
  - Priority telephone number for people over 65.

- **Online banking.** The new features and improvements introduced during the year are:
  - Know Your Customer form: Notification of expiry and option to renew.
  - Payment of local taxes in Catalonia and Castilla-La Mancha.
  - Improved availability of Cajamar Consumo credit line.
  - Validation to prevent customers from sending commercial remittances twice.
  - Redesigned account transfer option.
  - New system for signing online banking transactions with a cryptocalculator, which will be offered to customers who do not use the FirmaMóvil system.

- **Improvements to the website.** Ongoing improvements, notably the information on the Entity’s new products, adaptations to Google Analytics 4, the 360-degree account simulator and various efficiency improvements.

- **ATMs.** New functions such as payment of utility bills and taxes and to other entities via prepaid cards, favourites for passbooks, monitoring of expiry of IDs other than the Spanish ID card, management of expiry of the Know Your Customer form, reporting/ blocking of lost or stolen cards, prepaid card downloads and consultation of virtual mailbox.

Remote digital management and support

- **Requests and incidents:** Management of remote banking requests and incidents previously handled by the Contact Center.

- **Token project:** Pilot with 50 customers who continue to use SMS as a signature method, whose signature method was changed to Token signing.

- **Requirements**: Provide remote banking information to regulatory compliance, money laundering, legal area, court requests and customer service: new customer registrations, linked devices and transaction details.

- **Digital customer development**. Automation of customer reports.

- **Digital Business Report.** Inclusion of new products in the Digital Business Report, adding product sign-ups as well as volume data.

- **Development of Digital Services Directory.**

Digital culture and awareness-raising

- **Internal and external digital events:**

  - Series of monthly online capsules (Switch On-Off) about digitalisation and its influence on society.
  - Youth-themed talks and discussions on new eating habits at the Grupo Roig incubator facilities
  - Series of internal digital business trainings titled "Cosicas Digitales".
  - Face-to-face debate, co-organised with Grupo Roig (Mercadona), about eCommerce, with an audience of companies, focused on disseminating new technologies and creating new business opportunities.

- **Corporate ambassadors.** Online meetings with corporate ambassadors, giving talks, launching challenges and organising digitalization, sustainability and corporate culture pilots.

- **Digital sales - SalesNavigator**. Lead creation, new business opportunities through a digital tool (social media). New organisation structure for teams and coaches. Event in Dublin, with the previous year's top-ranked users.

- **Digital observatory.** Benchmarking reports on digital personal and business accounts, taking a comparative, analytical, technical and innovation-oriented approach.

- **Digital content generation:** Infographics and videos on electronic banking, the App and ATMs to explain how they can be used and what they offer.

Open banking

- **Account aggregation service**: Completion of development of the APIs for aggregating accounts at more than 30 entities and integrating them in Online Banking (Redsys Hub + ING).

- **Payment initiation service:**
    - Completion of development and integration into Online Banking of the API for requesting SEPA payment orders (normal, instant, international, instant international and recurring).
    - Assistance provided to CARM in integrating the service into its payment platform for tax payments.

- **PSD2:** Implementation of changes to account enquiries to return all account holders and maintenance of API services for TPPs.

Business Analytics and Marketing Policy

The initiatives carried out during 2023 include the following:

- **Development of new indicators** such as "Recorrido Comercial", "NLP" and "Huellas" to more accurately tailor the offering of products and services for each customer, and the "Carbon Footprint" indicator to promote sustainability awareness.

- **Updates to existing metrics** to identify each customer's preferred channel.

- **Improvement to quality control of analytical models and calculations** through monitoring of metrics and models for correcting them if they degrade.

- **Optimised design and planning of customer marketing campaigns** through Marketing Cloud. Improved return on investment through enhanced analytical monitoring of campaign effectiveness.

- **Collaboration in improving CRM data quality** through controls on data provisioning, expanded documentation in the object manager and standardisation of the Product object through the Sales Catalogue, and systematisation of data upload when putting business analytics solutions into production.

- **Improvements to internal business processes using solutions available in Salesforce**, such as Suggestions to monitor initiatives involving multiple tasks, CRM Calendar to improve the launch of marketing actions, or panels for centralised management of applications for savings products or trade fair management.

- **Expansion of the offer of preapproved loans to customers** through development of salary and pension advances, the agri-food campaign and the Business credit card.

- **Completion of developments in the Risk-adjusted Return model** for RAROC credit monitoring and improvements in RAROC rate approval.

- **Expansion of the range of insurance products offered**, with the launch of sickness (ILT) insurance and combined insurance.
- **Use of digital signatures for buying insurance** has been extended to home insurance, death insurance, modular accident insurance and pension plans.
- **Implementation of a new insurance sales environment.**
- **Efficiency improvements in the management of advances on foreign trade invoices.**
- **Improvements to the pricing (RAROC) and rate approval system:** Inclusion of new products within the RAROC perimeter and implementation of improvements and automatic systems to speed up rate approval.

Sustainability Report – Statement of Non-Financial Information

For the statement of non-financial information, please refer to the consolidated annual accounts of Grupo Cooperativo Cajamar, of which the Entity is a member, which will be filed at the Madrid Companies Register. In compliance with Law 11/2018, of 28 December, on Non-Financial Information and Diversity, amending the Commercial Code, the recast Corporate Enterprises Act approved by Legislative Royal Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing, Grupo Cooperativo Cajamar has drawn up, in a separate report in the Group's Consolidated Directors' Report, a statement of non-financial information setting out the information required under the aforementioned laws and regulations. Said statement of non-financial information is part of the Group's Consolidated Directors' Report and is subject to the same approval, filing and publication requirements as the Consolidated Directors' Report. It is available on the Grupo Cooperativo Cajamar website, in the section headed Corporate Information - Sustainability – Sustainability Report, under the title "Grupo Cooperativo Cajamar Sustainability Report".

Average payment period to suppliers

Note 27 to the annual accounts provides information regarding the deferral of payments to suppliers.

Treasury shares

The Entity does not have any treasury shares in its balance sheets at year-end 2023 or 2022.

Events after the reporting period

After year-end, the Entity issued mortgage bonds with a nominal value of €600 million at a rate of 3.375%, maturing in July 2029.

On 18 January 2024, the Constitutional Court declared certain corporate income tax measures introduced by Royal Decree-Law 3/2016 of 2 December to be unconstitutional. The tax measures in question—which set stricter limits for the offsetting of tax losses, placed a limit on the application of deductions for double taxation and imposed an obligation to automatically include in the tax base any impairment losses on equity investments that were deducted in previous years—were applied with effect from the 2016 tax year.

The effects of the court's decision are limited to corporate income tax assessments that are contested and self-assessments for which a rectification was requested before the measures were declared unconstitutional.

In the case of Grupo Cooperativo Cajamar, the decision affects the rectification of the corporate income tax returns for 2016, 2020 and 2021 of Cajamar, Caja Rural, S.C.C. and the returns for tax years 2016, 2017, 2018, 2019, 2020 and 2022 of Cimenta2 Gestión e Inversiones, S.A.U.

As of the date of authorisation of these individual annual accounts, the Entity has not recognised any of the amounts claimed from the Tax Agency for these items, in accordance with applicable accounting standards, which state that current and deferred tax assets and liabilities at year-end are to be measured using the tax rates and tax laws enacted or substantively enacted by the end of the reporting period. Nor has the Entity recognised any additional tax losses resulting from a recovery based on the annulment of the stricter offsetting rules. This matter has no significant impact on the Entity's assets.

Aside from the matters disclosed in the preceding paragraphs, from 31 December 2023 until 4 Match 2024, the date on which these annual accounts were authorised for issue by the Entity's Governing Board, there were no significant events that should be disclosed in the annual accounts in order for them to give a true and fair view of the Entity's equity, financial position, results of operations, changes in equity and cash flows.

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Outlook for the Group

In view of the macroeconomic scenario described earlier, Grupo Cooperativo Cajamar has set itself the following objectives:

- Strengthen its position as the leading credit institution in the cooperative sector in Spain and also in the agri-food sector, driving economic development and social progress in the areas in which it operates.
- Achieve sustained and solvent growth in total volume of funds under management.
- Steadily improve its productivity and profitability.
- Achieve an appropriate level of efficiency, based on growth in core banking income and control of operating expenses.
- Continue the digital and technological transformation.
- Increase its solvency.
- Maintain a comfortable liquidity position by efficiently managing its assets and liabilities.
- Control existing levels of non-performing assets through proactive arrears management.

Alternative performance measures glossary

In its directors' reports, in the quarterly earnings presentations it publishes on its website and in issue prospectuses, and in presentations to investors, as well as internally in its business performance monitoring, Grupo Cooperativo Cajamar uses measures consistent with International Financial Reporting Standards (IFRS). However, it also uses unaudited measures commonly used in the banking industry, known as Alternative Performance Measures (APMs), as indicators of the Group's business performance and economic and financial situation, to facilitate comparison with other entities.

These APMs are calculated, in all significant respects, in accordance with the European Securities and Markets Authority Guidelines (ESMA/2015/1415 of 5 October 2015), which are designed to promote information transparency and investor protection in the European Union. The APMs used by the Group and their definitions are given below:

(IN ALPHABETICAL ORDER)

	Measure	Definition and method of calculation	Use or purpose
1	Non-performing loans	Non-performing loans and advances to customers and other non-performing financial assets related to loans and advances to customers + Non-performing assets in the portfolio of customer bonds (debt securities)	This is one of the main indicators of a financial institution's business performance. It tracks the level of and changes in the amount of credit-impaired loans and advances to customers held on the balance sheet, as a measure of customers' credit quality.
2	Loan coverage	Allowances for impairment of loans and advances + Allowances for impairment of other financial assets related to loans and advances + Allowances for impairment of assets in the customer bond portfolio (debt securities)	This measures the amount of on-balance-sheet funds available to the Group to cover non-performing loans.
3	Loans to customers (gross)	Loans and advances to customers on the balance sheet - Other loans (money market transactions through counterparties) - Impairment allowances on loans and advances to customers and other financial assets	This is one of the main indicators of a financial institution's business performance. It measures the level of and changes in the outstanding amount of loans and advances to customers.
4	Performing loans to customers	Loans to customers (gross) – Non-performing loans and advances to customers and other non-performing financial assets related to loans and advances to customers	This is one of the main indicators of a financial institution's business performance. It measures the level of and changes in the outstanding amount of performing loans and advances to retail customers.

	Measure	Definition and method of calculation	Use or purpose
5	Impairment losses on financial assets	Impairment or (-) reversal of impairment and gains or losses on modification of contractual cash flows of financial assets not measured at fair value through profit or loss and net modification gains or losses	This measures the net additions to provisions for impairment of financial assets in the year.
6	Cost-income ratio (%)	(Administrative expenses + Amortisation and depreciation) / Gross income	The main indicator of a financial institution's efficiency or productivity. It tells us what percentage of its income the institution uses to cover its expenses.
7	Off-balance-sheet funds	Mutual funds + pension plans + savings insurance + fixed-equity income held by customers	This is one of the main indicators of a financial institution's business performance. Customer funds managed by the Entity that are not held on the Entity's balance sheet.
8	On-balance sheet funds	Sight deposits + Term deposits + Other funds.	This is one of the main indicators of a financial institution's business performance. It measures the level of and changes in the total amount of balance sheet funds held by retail customers.
9	NPL coverage ratio (%)	Gross loan coverage / Non-performing loans.	This is one of the main indicators used in the financial sector. It measures the level of and changes in the amount of on-balance-sheet funds earmarked by the Group to cover non-performing loans.
10	NPL ratio (%)	(Non-performing loans + non-performing contingent risks) / (Gross loans + Contingent risks).	This is one of the main indicators used in the financial sector. It can be used to monitor the level of and changes in customers' credit quality.

SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT OVER FINANCIAL REPORTING (ICFRS)

1. Control environment

1.1. Bodies and/or functions responsible for the ICFRS.

The Board of Directors and Senior Management of BCC are aware of the importance of ensuring that shareholders and investors receive reliable and transparent financial information published in the market. Therefore, they are fully involved in developing the system of internal control over financial reporting (ICFRS). The Board of Directors' functions are to: (i) guarantee the integrity of the accounting and financial information system; (ii) approve the financial information within its competence, and (iii) supervise the process of disclosure of financial information.

The Audit Committee of BCC is responsible for verifying that the ICFRS is fit for purpose. Its remit includes:

- Supervising the effectiveness of the Group's internal control function, the internal audit function and risk management; as well as discussing with the external auditors the significant weaknesses found during audits. Particularly, with respect to the information and internal control systems:
  - Verifying the adequacy and integrity of the internal control systems.
  - Being familiar with and supervising the preparation and completeness of financial information relating to the Company and Group; reviewing compliance with legislative requirements and the proper application of accounting standards.
  - Regularly reviewing internal control and risk management systems, so that the main risks are identified, managed and adequately reported.
- Supervising the process of preparing and presenting regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

Senior Management, for its part, is responsible for designing and implementing the ICFRS through the General Financial Division, taking all the necessary steps to maintain the correct functioning of the ICFRS.

1.2. Departments responsible for ICFRS design and maintenance.

The Board of Directors, through the Chief Executive Officer, is responsible for designing the organisational structure, with a view to assigning roles and resources as efficiently as possible. The General Finance Division is responsible for ensuring that the organisational structure meets the requirements for a ICFRS that is fit for purpose, and for overseeing the use of financial information to ensure that it is correctly disclosed to the markets.

The operating procedure manuals with their corresponding tasks, which are available to all Group employees through its intranet, specify the organisational structure, defining the management units and areas and the people responsible for them.

The financial information is prepared by the General Finance Division, which is responsible for setting criteria and policies in accordance with applicable laws and regulations in each case, which is responsible for generating financial information and reports. This division is responsible for the Group entities' financial information and the accounting consolidation process, with clearly defined roles and responsibilities in two different areas, separating the preparation and disclosure of financial information (Financial Reporting Area) from control (Accounting and Tax Control Division). Specifically, among other things its mission is to:

- Define the Group's accounting criteria and the internal chart of accounts, keeping them up-to-date and aligned with accounting requirements and changes in regulations.
- Supervise the preparation of the reports issued to the market, developing and maintaining the ICFRS so as to ensure that the information they contain is complete, consistent and appropriate.
- Analyse the content and impact of new accounting regulations, preparing any interpretative reports that may be required by the units that are required to prepare information in compliance with those regulations.
- Define and put in place the necessary controls to ensure that both the automated processes and the units with operational functions comply with the agreed accounting criteria.
- Coordinate the updating and validation of the ICFRS, in collaboration with the heads of the areas involved.
- Control the accuracy, reliability and coherence of financial information with respect to the defined accounting policies, issuing the reports necessary to allow a correct interpretation.
- Oversee the reporting of financial information within legally stipulated deadlines, performing the final review of information to be published before it is sent to the relevant bodies for approval and publication in the market or submission to supervisory bodies.

The Technology Division also plays a role in the ICFRS. Its tasks are to:

- Ensure the security and efficiency of the financial information storage systems and the applications used to generate and edit the information.
- Enter into outsourcing agreements for the abovementioned systems and applications, monitoring compliance with agreed service levels.
- Ensure that the systems, applications and processes involved in the generation and publishing of the financial information are adequately documented for the purposes of the audit and control functions.

The Group also has a Code of Conduct approved by the Board of Directors, which contains a compendium of ethical principles and values to guide the day-to-day conduct of employees, managers and members of the Group's governing body. In particular, there is a specific section on financial information and recording operations.

The Code covers aspects such as professional conduct which must be guided by legality, loyalty and good faith, personal dignity, non-discrimination, confidentiality, integrity, transparency, objectivity, responsibility, efficiency, quality, professionalism, security and environmental protection.

This document is available on the BCC website and intranet. The General Control Division is responsible for updating it, publishing it and making it available to the people affected by it, as well as promoting and coordinating the necessary training activities in collaboration with the General Human Resources Division.

It is also the responsibility of the General Control Division along with the General Internal Audit Division to enforce compliance with the Code, handle cases of non-compliance and propose pertinent corrective measures and penalties to the Control Committee.

Additionally, the Group offers a means for employees to confidentially, and even anonymously, report violations of the Code of Conduct as well as financial and accounting irregularities or irregular or fraudulent activities of any kind with the organisation. This allows employees to report financial and accounting irregularities to the Audit Committee.

Reports are submitted through an email mailbox that is accessible to all Group employees. Internal Audit is responsible for processing the reports received and is under the obligation to guarantee the confidentiality of the information.

The General Human Resources Division is responsible for:

- Determining and verifying that the resource structure is sufficient for effective implementation of the ICFR.
- Drawing up, jointly with the Accounting Control area, the training plan for the personnel involved in generating and controlling the financial information, and
- Directing and executing the training set out in that plan.

The Group has a Financial Education School which is committed to the Group's' social responsibility vision and the professional development of its employees in order to strengthen their financial education and ensure they are qualified to advise customers.

There is also an Annual Training Plan that contains the courses to be offered to the branch network and Central Services. Specifically, there are certain mandatory internal training courses that cover the following topics: market abuse, anti-money laundering, personal data protection, insurance law, MiFID, occupational risk prevention, crime risk prevention, cybersecurity and cyber risk awareness, conflicts of interest and equal opportunities. The courses are offered by Central Services personnel. In addition to the above courses classified as mandatory, employees involved in the preparation of financial information may receive special accounting-financial training at the request of their area managers.

Special training courses are given to the employees responsible for generating the Entity's financial information.

2. Evaluation of financial information risks and identification process.

The Group has a specific tool for identifying the processes, relevant areas and risks associated with the ICFRS. This tool takes the following factors into consideration: (i) Transaction volume and quantitative significance, (ii) Process automation and systems integration, (iii) Transaction standardisation, (iv) Susceptibility to fraud and/or error, (v) Complexity of applicable transactions, calculations and rules, (vi) Need to use estimates and/or projections and application of judgement, and (vii) Risks of loss or of generating contingent liabilities. This tool, the "Financial Information Risk Map", supports a process comprising the following phases:

1. Breakdown of consolidated balances by origin.
2. Material assessment of the balance that is broken down.
3. Assessment of certain qualitative aspects.

4. Determination of the criticality of the balance in the financial information by calculating an internal rating.
5. Consideration and identification of controls associated with the relevant areas and processes identified.

The entire process is documented in the Group's "Policy Manual for Identifying Relevant ICFRS Processes/Areas and Risks".

The tool was designed taking into account all the financial reporting objectives mentioned in the document on internal control over financial reporting in listed companies (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; rights and obligations).

The criteria to be used to ensure that all the types of risk to be identified are included in the design of the tool are both quantitative and qualitative. Apart from considering the identification of fraud and error risk affecting published financial information, the tool also takes into account the effects of other types of risks, such as operational, technological, financial, legal, reputational or environmental risks.

The process of identification of material areas and relevant processes is carried out at least annually, using the most recent financial statements. Risk assessments are also conducted when circumstances arise that had not been identified previously and that reveal possible errors in the financial information or when there are significant operational changes that could give rise to new risks, including situations involving modifications to the Group's structure such as changes in the consolidated companies or business lines or other relevant events.

The Group has a procedure in place for updating and validating the scope of consolidation, in which the Investees Unit requests from each investee the information needed to enable the unit to complete the forms used to determine the scope of consolidation and the process.

The process to identify material and/or relevant areas of the Group's financial information to identify the risks associated with them takes into account the types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

The Group has also implemented another tool for reviewing and supervising financial reporting, which ensures that certain controls are applied to ensure that disclosures are reliable and transparent. This process is supported by various qualitative and quantitative considerations that are taken into account in assessing or determining the relative importance of each financial statement to be disclosed, so as to decide on the frequency of review. This review policy generally covers the following aspects:

a) Whether the preparation criteria are consistent with applicable laws and regulations (technical and accounting standards).
b) Analyse and justify any correlations that have arisen and remain after the statement has been filed.
c) Timely and proper publication.
d) Study of any significant deviations between filing periods.
e) Analysis of repetitions in disclosure.
f) Assess the impact of any accounting-inventory differences in the statement.
g) Inventory the variables used in preparing the statement and define controls to ensure data quality.

In particular, define any additional controls that may be required from time to time, such as comparisons for simulations or estimates, information samples, etc.

In its "Financial Statements Risk Map" manual the Group has set out the qualitative and quantitative criteria that define the review policy for the various financial statements to be disclosed to the market.

The Accounting and Tax Control Division is responsible for applying the financial information review and disclosure policies, following the procedures described earlier.

Internal Audit supports the Audit Committee in its tasks. In particular, Internal Audit's plan of work includes a review of the existing risk map in preparing the financial information to check that all relevant risks are correctly identified.

The Accounting Area has designed and maintains an internal website, accessible to all users involved in generating, preparing and reporting financial information, in which all the associated milestones related with accounting closes, relevant events, controls, reports and manuals are recorded. Depending on his or her permissions, each user can record evidence of the preparation of the financial information and the controls applied over each time horizon.

3. Control activities

3.1. Procedures for reviewing and authorising the financial information and ICFRS description

In relation to the specific control activities which are implemented for the purpose of mitigating the risk arising from possible errors, inaccuracies or irregularities in the financial information, the Group has a list of manuals, procedures and accounting policies which are constantly being developed and updated, along with revision and control processes that include:

- Consolidated financial statements closing procedure. The Group has specific procedures for closing the accounts, which are the responsibility of the Financial Reporting area. The Accounting area is responsible for reviewing and overseeing account closes and the reports generated during this process.

- The general IT controls in place across the Group managed by the Technology Division, Cyber Resilience Division and the Security team.

- The controls over the preparation of the consolidated financial information are based on: (i) controls over necessary milestones for the reporting close, (ii) controls contained in the tool for reconciling the information received, (iii) controls over the contribution of Group companies and any consolidation adjustments, (iv) controls over temporary variations, (v) supervision of account entries and adjustments made in the reconciliation process.

- Additionally, the financial statements are validated by the correlation controls specified by the Bank of Spain to ensure consistency in the information, as well as by the Financial Statement Risk Map. These controls are carried out in the tool used for the presentation of statements to the Bank of Spain. The Accounting and Tax Control Division is responsible for verifying the integrity and accuracy of the information included in the various statements filed with the Bank of Spain.

- The process for issuing material judgments, estimates, valuations and projections in respect of goodwill, the useful lives of tangible and intangible assets, the value of certain financial assets, impairment losses on tangible and intangible assets, the value of foreclosed assets, the fair value of loans and receivables, provisions and contingent liabilities are reviewed and monitored by the Accounting and Tax Control Division.

Critical estimates, projections, judgements, accounting policies and assumptions are those that are subject to complexity or uncertainty, or that depend on decisions taken outside and inside the financial function and that have a significant impact on the figures and information presented in the financial report and in the Group's other periodic public information, such that modifications also cause relevant changes to the information reported.

The Group has an action plan for generating formal, standardised documentation for the areas and processes identified as relevant within the Group and which includes processes such as the year-end close and consolidation process, and making relevant judgments, estimates and forecasts, among others.

The Group has a review and authorisation procedure in place for the financial information reported to the markets, the frequency of which is determined by law and which is prepared by the Financial Reporting area under the supervision of the Accounting area, both under the auspices of BBC's General Finance Division.
The Audit Committee also plays a role in the review process, reporting its conclusions on the financial information to the Board of Directors. These conclusions are based on the external auditor's review and the different reviews conducted by Internal Audit to evaluate the adequacy of the different controls on the generation of financial information. Ultimately, the General Meeting of Shareholders is responsible for approving the Board of Director's performance each year, along with the notes to the annual accounts, the balance sheet and the statement of profit or loss, and the application of any surplus for the purposes of the Group.

The description of the ICFRS is reviewed not only by The Accounting and Tax Control Division but also by the governing bodies mentioned above as part of the information reported to the markets periodically.

3.2. Internal control policies and procedures for IT systems giving support to key processes regarding the preparation and publication of financial information.

The Technology Division is responsible for supporting and maintaining the operations, communications and data management systems. One of its main functions is to examine the systems and standards that make it possible to guarantee the correct level of data and program protection and recovery, ensuring compliance with regulations and the legally required security measures. Cyber Resilience Division is responsible for proposing the data security measures and how to apply them. These measures include the existence of adequate controls for accessing applications and systems, ensuring there is a sufficient segregation of duties.

The Group also has an application development regulation that complies with the Capability Maturity Model Integration (CMMI) standard. This regulation ensures that the IT systems developed are fit for purpose. This, in turn, minimises the possibility of error in the process of generating financial information.

The Group has a disaster recovery plan for the areas involved in the CNMV reporting process. The Plans covers the Parent's information systems where the financial reporting information is prepared.

Finally, the Group has a backup policy that ensures a daily backup copy is made of critical environments.

3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the calculation or valuation services commissioned from independent experts.

The Group uses the services of independent third parties to obtain certain valuations, calculations and estimations used to generate the individual and consolidated financial statements which are published in the securities markets, such as, actuarial calculations and asset appraisals and valuations.

The identification of relevant financial reporting areas outsourced to third parties is integrated into the methodology used by the Group to identify processes and areas that affect the financial information.

Policies applied to supervise and manage the activities outsourced to third parties and to approve suppliers are contained in the manuals prepared by the Group, which address:

- Types of services that may be outsourced and related criteria and conditions.
- Controls in place for services outsourced and the business continuity and service recovery plan.
- Procedures for the accreditation of and awarding of services to external providers.
- Approval criteria for contracting services with external providers.
- Approval claim and renewal procedures.

4. Reporting and disclosure

4.1. Communication of regulatory developments

The Regulatory Compliance Division is responsible for informing the affected departments of changes to the regulations as they occur. The Accounting and Tax Control Division is responsible for establishing and interpreting the Group's accounting policies.

In any event, accounting policies are updated whenever there is a regulatory development that requires them to be reviewed, and whenever there is a new decision that could impact them, but only in those cases where there is a certain amount of flexibility.

To perform this function, the divisional director remains abreast at all times of legislative developments concerning prevailing accounting policies through the circulars and communiqués issued by the various sector associations, and technical reports and bulletins issued by experts in the field, and by reviewing the regulatory changes published in Spain's Official State Gazette (BOE), or by the Spanish Institute of Accounting and Auditing (ICAC), the Bank of Spain and the CNMV on a daily basis. Regulatory changes are studied and analysed to determine their impact on the Group, and external experts are consulted as needed. Such changes are reported to staff and any action required is proposed.

The Accounting and Tax Control Division is responsible for answering any questions or settling disputes regarding the interpretation of accounting policies, keeping lines of communication open with the heads of the different areas of the Parent and Group subsidiaries involved in preparing financial information.

All the financial information is prepared in accordance with the Group's accounting policies and criteria; the ICFRS therefore includes defining these policies and criteria in the accounting policies and procedures manual, which contains the Group's accounting policies and explains how they must be applied to specific operations.

The accounting policies set out in the manual are based on the application of the standards stipulated in applicable regulations (IFRS, IAS, Bank of Spain Circulars), which does not mean that the Group does not have its own accounting criteria but that they are limited to the application of the general criteria stipulated in the accounting standards as applicable in each specific case, so as to cover all the Group's transactions. The body responsible for preparing and updating the accounting policies is the Accounting and Tax Control Division, which forms part of the General Control Division.

As a necessary supplement to this manual and as the accounting function is decentralised, the Accounting and Tax Control Division prepares, safeguards and updates an inventory of Accounting Delegations containing a file for one, including the following details, among other information:

- Identity of the delegate body;
- Accounting events delegated;
- Accounts affected, including reasons for debits and credits;
- IT transactions that support the entry, if any; and

- Reconciliation and control procedures applied.

The delegate bodies must in turn prepare operating manuals containing detailed descriptions of the procedures employed in the course of their work.

The Group's subsidiaries draft their own accounting procedures and policies in a decentralised manner; however, they must necessarily meet the requirements of the standards and guidelines issued by the Accounting and Tax Control Division, which oversees them.

It should be noted that the subsidiaries prepare their own financial information based on format previously agreed with the Parent so that the format of the financial statements is as homogeneous as possible, which in turn facilitates the preparation of the Group's consolidated information. Because of this, they must comply with the accounting standards and principles issued by the Accounting and Tax Control Division.

4.2. Preparation of financial information.

The Group has applications and IT systems for aggregating and standardising the individual accounting performed by the Group's areas and subsidiaries, with the necessary level of breakdown and the ability to generate the necessary individual and consolidated financial statements and other financial information published in the markets.

Each subsidiary is responsible for its own accounting using the established systems and for reporting the accounting information in keeping with the General Chart of Accounts format. They are, therefore, responsible for preparing their own financial statements under the supervision of the Accounting and Tax Control Division.

The Financial Reporting Control Office, which reports to the Accounting Control Area, is responsible for aggregating and standardising the individual information for review and subsequent automatic consolidation into the "COGNOS Controller" application.

The Financial Reporting Area is responsible for ensuring the quality of the information to be loaded into the "REG Estados" application to produce the Group's individual and consolidated regulatory report. At the same time, the information of investees is loaded in the Investee Management System (IMS), while the Financial Reporting area is in charge of importing that information and dumping it in the Cognos Controller application.

5. Supervision of the functioning of the ICFRS

The Audit Committee draws on the support of the internal audit team in monitoring the internal control system and the ICFRS. Internal Audit conducts scheduled reviews of the systems in place to control risks, operational procedures and compliance with internal and external regulations.

The internal audit function is performed by the General Internal Audit Division, which reports to the Audit Committee.

The General Internal Audit Division prepares an annual audit plan, which is approved by the Audit Committee and the Board of Directors. The audit plan is prepared with the objective of reviewing the Bank's critical risks.

The audit plan includes the revision of key areas of the financial statements as well as key controls of these areas. The general controls of reporting systems are also reviewed.

The General Internal Audit Division periodically presents to the Audit Committee the results of its verification and validation work along with the associated action plans. The procedure is the same for the work performed by the external auditors or any other independent expert.

The minutes of the Audit Committee meetings contain evidence of the Committee's supervisory function, in terms of planning (approval of annual operating plan, appointment of people responsible for executing the plan, among other things) and the review of the results obtained.

If weaknesses or other areas for improvement are detected during the audit reviews, an action plan is proposed and agreed with the areas involved, defining the people responsible and the time scheduled for its implantation. Internal Audit also tracks compliance with these actions plans.

In December 2022, the Audit Committee approved the three-year Audit Plan for the period 2023-2025. Regarding supervision of the ICFRS, this plan includes audits of the Group's relevant areas and processes during the three years of the plan.

The evaluation carried out in 2023 included a review of the process of preparing the reserved financial statements, the investee valuation process and the key ICFRS controls, verifying that they function correctly.

The Audit Committee meets with the external auditors no less than five or six times a year to present the most important results of their work.

It is the responsibility of the Audit Committee, in accordance with the Audit Committee Rules, (Art. 6.1), to discuss with the external auditor all audit-related issues and any other communications foreseen in auditing laws and the Technical Auditing Standards. It will also act as a liaison between the external auditor and the Board of Directors.

The Audit Committee Rules also state that the Audit Committee may be aided by independent experts as needed.

The Audit Committee Rules specifies that the committee will meet on an ordinary basis every two months or, otherwise, at least six times a year. In each of these sessions, the General Internal Audit Division will present the conclusions of its work, informing the Committee of any weaknesses detected as well as the action plans proposed by the different areas to address these weaknesses.

ADHERENCE TO THE RECOMMENDATIONS IN THE GOOD GOVERNANCE CODE OF LISTED COMPANIES (CNMV, 2020)

Although this code is not directly applicable to Grupo Cooperativo Cajamar because none of the group companies are listed, the Group deems it good market practice to follow the CNMV's recommendations, applying the comply or explain principle, thereby demonstrating its commitment to adhering to best governance standards.

Subsequent references to the Group should be understood to mean without distinction the Group or BCC as parent, to which the group credit institutions have assigned responsibility for ensuring the implementation, fulfilment and continuous improvement of corporate governance standards in the Group in line with best practices.

Of the 64 recommendations in the Good Governance Code, the Group fully adheres to 50 and partially adheres to seven, except seven recommendations which do not apply to it.

The seven recommendations that are not applicable to the Group are: 1, 2, 11, 19, 34, 61 and 62.

The recommendations which the Group partially adheres to are as follows:

Recommendation 3

"During the annual general shareholders' meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general shareholders' meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead."

The Chairman of BCC, as the parent of the Group, informs shareholders of what he believes to be relevant aspects of corporate governance, although not to the level of detail stipulated in the recommendation, especially regarding the following of recommendations indicated in the Code.
That said, shareholders are able to find out about adherence to the Code through this section of the notes to the annual accounts.

Recommendation 4

"The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible for its implementation.

Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders."

Some of the points included in the recommendation are covered by various Group policies and manuals, such as the policy on disclosure of economic, financial, non-financial and corporate information. A decision has therefore been taken not to develop a policy for communication and contact with shareholders and institutional investors with the level of detail indicated in the recommendation at this time.

Future reconsideration of whether to develop a policy with the scope set out in the recommendation is not excluded.

Recommendation 6

"Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general shareholders' meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reports on the work of the audit committee and the nomination and remuneration committee.

c) Audit committee report on related transactions."

BCC regularly prepares reports on auditor independence and the operation of the audit and appointment committees, although only the latter are published on its website before the General Meeting of Shareholders. The report in point c) has not been prepared to date as there are no related transactions.

Recommendation 7

"The company should broadcast its general shareholders' meetings live on the corporate website.

The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting."

As well as having the mechanisms to do this, BCC includes in its Articles of Association and Regulations of the General Meeting of Shareholders the option for shareholders to delegate and exercise their right to vote by electronic means.

While it has the resources to do so, BCC also does not deem it necessary, given its capital structure and the location of its shareholders to broadcast its General Meeting live on its website or for its shareholders to attend by electronic means. This is because their right to be informed about and participate in General Meetings is protected because the bank provides them with detailed information and offers the option of delegating or exercising their vote by electronic means, as explained beforehand.

Recommendation 15

"Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum necessary bearing in mind the complexity of the corporate group and the ownership interests they control.

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that."

A large majority of the Board (79%) are proprietary and independent directors, while executive directors make up only 21%.

At 31 December 2023, female directors constituted 29% of the Board, although achieving a 40% share is subject to vacancies becoming available on the Board.

Recommendation 53

"The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of self-organisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions."

Environmental, social and corporate governance matters are handled by the specialist board committees: the Strategy and Sustainability Committee responsible for environmental, social matters, and the Risk Committee which deals with corporate governance and code of conduct issues.

Regarding their composition, the Risk Committee is primarily made up of (non-executive) independent and proprietary directors, while all the members of the Strategy and Sustainability Committee are (non-executive) proprietary directors.

Recommendation 64

"Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements."

The rules on compensation and payments for termination of employment protect the Group's long-term interest and therefore include malus, deferral, performance and clawback provisions.

That said, as stipulated in the remuneration policy in certain regular employment contracts with senior executives, payments for termination of employment may exceed to two years' pay.