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 2024)

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

KPMG

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 2024, and the statement of profit or loss, statement of recognised income and expense, statement of total changes in equity and the cash flow statement 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 2024, 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 28,192,693 thousand at 31 December 2024, while allowances and provisions recognised at that date for impairment total Euros 599,892 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 periodically 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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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 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.	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 the accounting classification by 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 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. 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.

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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 2024, the Entity held deferred tax assets amounting to Euros 870,008 thousand, of which the recovery of Euros 316,695 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 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 2024 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 2024, and that the content and presentation of the report are in accordance with applicable legislation.

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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 ethical requirements regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, safeguarding measures adopted to eliminate or reduce the threat.

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 5 March 2025.

Contract Period

We were appointed as auditor at the General Assembly on 16 May 2024 for a period of one year, for the year ended 31 December 2024.

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

5 March 2025

CAJAMAR CAJA RURAL
SOCIEDAD COOPERATIVA DE CRÉDITO

Annual Accounts and Directors' Report

Year 2024

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails

Assets

	Notes	2024	2023
		Thousands of Euros	
Cash, cash balances at central banks and other demand deposits	7	**20,627,255**	**17,294,703**
Financial assets held for trading	8.2	**107**	**264**
Derivatives		107	264
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	**451,806**	**440,139**
Equity instruments		-	-
Debt securities		-	-
Loans and advances		451,806	440,139
Customers		451,806	440,139
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	**14,402**	**21,545**
Equity instruments		11,917	11,828
Debt securities		2,485	9,717
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	**28,827,574**	**29,274,795**
Debt securities		34,835	35,772
Loans and advances		28,792,739	29,239,023
Central banks		-	-
Credit institutions		600,046	1,170,068
Customers		28,192,693	28,068,955
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	-
Derivatives - Hedge accounting	9	**10,698**	**25,333**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Investments in subsidiaries, joint ventures and associates	11	**2,459,710**	**2,453,802**
Subsidiaries		2,443,217	2,436,484
Joint ventures		-	-
Associates		16,493	17,318
Tangible assets	12	**639,389**	**659,984**
Property, plant and equipment		551,491	574,183
For own use		551,185	573,869
Assigned under operating lease		-	-
Assigned to social projects (savings banks and credit co-operatives)		306	314
Investment property		87,898	85,801
Of which: assigned under operating lease		-	-
Memorandum item: acquired under finance lease		*19,941*	*24,711*
Intangible assets	13	**3,143**	**4,377**
Goodwill		-	-
Other intangible assets		3,143	4,377
Tax assets	15	**910,757**	**897,944**
Current tax assets		40,749	17,472
Deferred tax assets		870,008	880,472
Other assets	16	**101,080**	**94,318**
Insurance contracts linked to pensions		-	-
Inventories		565	-
Rest of other assets		100,515	94,318
Non-current assets and disposal groups of assets classified as held for sale	10	**60,955**	**86,072**
TOTAL ASSETS		**54,106,876**	**51,253,276**

Liabilities

	Notes	Thousands of Euros 2024	2023
Financial liabilities held for trading	**8.2**	**93**	**237**
Derivatives		93	237
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**	**49,632,511**	**46,970,673**
Deposits		47,563,898	45,484,414
Central banks		-	-
Credit institutions		2,258,723	4,003,334
Customers		45,305,175	41,481,080
Debt securities issued		1,737,384	1,122,346
Other financial liabilities		331,229	363,913
Memorandum: subordinated liabilities		-	-
Derivatives – Hedge accounting	**9**	**1,025**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Provisions	**14**	**180,568**	**65,319**
Pensions and other post-employment defined benefit obligations		2,864	2,174
Other long-term employee benefits		68	325
Pending legal issues and tax litigation		-	-
Commitments and guarantees given		12,597	8,867
Other provisions		165,039	53,953
Tax liabilities	**15**	**55,813**	**50,952**
Current tax liabilities		26,925	21,390
Deferred tax liabilities		28,888	29,562
Capital repayable on demand		**-**	**-**
Other liabilities	**16**	**342,819**	**542,312**
Of which: assigned to social projects (savings banks and credit cooperatives)	***17***	*3,244*	*1,536*
Liabilities included in disposal groups of assets classified as held for sale		-	-
TOTAL LIABILITIES		**50,212,829**	**47,629,493**

Equity

	Notes	2024	2023
		Thousands of Euros	
Equity	**18**	**3,907,020**	**3,634,228**
Capital	**18**	**3,440,124**	**3,355,597**
Paid-up capital		3,440,124	3,355,597
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**	**195,640**	**128,566**
Revaluation reserves	**18**	**39,408**	**39,589**
Other reserves	**18**	**9,825**	**9,825**
(-) Treasury shares	**18**	-	-
Profit (loss) for the year	**18**	**272,304**	**126,590**
(-) Interim dividends	**18**	**(50,281)**	**(25,939)**
Accumulated other comprehensive income	**20**	**(12,973)**	**(10,445)**
Items that will not be reclassified to profit or loss		**(1,061)**	**(356)**
Actuarial gains or (-) losses on defined benefit pension plans		(1,623)	(847)
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		562	491
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		**(11,912)**	**(10,089)**
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		(11,912)	(10,089)
Hedging instruments [not designated elements]		-	-
Non-current assets and disposal groups of assets classified as held for sale		-	-
TOTAL EQUITY		**3,894,047**	**3,623,783**
TOTAL EQUITY AND LIABILITIES		**54,106,876**	**51,253,276**

Memorandum Accounts

	Notes	2024	2023
		Thousands of Euros	
MEMORANDUM: OFF-BALANCE SHEET EXPOSURES			
Loan commitments given	**21**	4,151,507	4,248,416
Financial guarantees given	**21**	971,398	965,435
Other commitments given	**21**	1,389,065	936,336
TOTAL MEMORANDUM ACCOUNTS		**6,511,970**	**6,150,187**

Statements of Profit or Loss

		Thousands of Euros	
	Notes	**2024**	**2023**
Interest income	**25**	1,866,586	1,428,762
Financial assets at fair value through other comprehensive income		15	12
Financial assets at amortised cost		1,840,637	1,407,868
Other interest income		25,934	20,882
(Interest expense)	**25**	(715,226)	(416,628)
(Expenses on share capital repayable on demand)	**25**	-	-
A) NET INTEREST INCOME		**1,151,360**	**1,012,134**
Dividend income	**25**	50,718	20,790
Fee and commission income	**25**	317,554	285,808
(Fee and commission expenses)	**25**	(29,101)	(34,500)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**25**	(25,348)	(10,034)
Financial assets at amortised cost	**25**	(25,348)	(10,027)
Other financial assets and liabilities	**25**	-	(7)
Gains or (-) losses on financial assets and financial liabilities held for trading, net	**25**	-	3
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
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**25**	7,277	8,537
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**	7,277	8,537
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**	-	-
Exchange differences [gain or (-) loss], net	**28**	1,861	1,185
Other operating income	**25**	16,341	20,895
(Other operating expenses)	**25**	(234,741)	(317,761)
Of which: Mandatory contributions to social projects (savings banks and credit cooperatives)		*(19,407)*	*(8,188)*
B) GROSS INCOME OR LOSS		**1,255,921**	**987,057**
(Administrative expenses)	**25**	(615,667)	(513,387)
(Staff expenses)		(262,625)	(230,183)
(Other administrative expenses)		(353,042)	(283,204)
(Amortisation and depreciation)	**25**	(42,338)	(42,781)
(Provisions or (-) reversal of provisions)	**25**	(168,901)	(49,782)
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	**25**	(115,948)	(188,470)
(Financial assets at fair value through other comprehensive income)		(4,800)	-
(Financial assets at amortised cost)		(111,148)	(188,470)
(Impairment or (-) reversal of impairment on investments in joint ventures and associates)		4,736	(17,452)
(Impairment or (-) reversal of impairment on non-financial assets)	**25**	162	(1,493)
(Tangible assets)		150	(1,493)
(Intangible assets)		-	-
(Others)		12	-
Gains or (-) losses on derecognition of non-financial assets, net	**25**	(2,138)	(2,353)
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**	(6,024)	(25,544)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**309,803**	**145,795**
(Tax expense or (-) income related to profit or loss from continuing operations)	**15**	(37,499)	(19,205)
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**272,304**	**126,590**
Profit or (-) loss after tax from discontinued operations		-	-
E) PROFIT OR (-) LOSS FOR THE YEAR		**272,304**	**126,590**

Statements of Recognised Income and Expense

	Thousands of Euros	
	2024	**2023**
Profit/(loss) for the period	**272,304**	**126,590**
Other comprehensive income	**(2,529)**	**(282)**
Items that will not be reclassified to profit or loss	**(705)**	**(397)**
Actuarial gains or (-) losses on defined benefit pension plans	(1,035)	(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	94	44
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	236	147
Items that may be reclassified to profit or loss	**(1,824)**	**115**
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	**(2,432)**	**153**
Valuation gains or (-) losses taken to equity	(2,432)	153
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	**608**	**(38)**
Total comprehensive income for the year	**269,775**	**126,308**

Statement of Total Changes in Equity at 31 December 2024

	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 2023	**3,355,597**	**-**	**-**	**-**	**128,566**	**39,589**	**9,825**	**-**	**126,590**	**(25,939)**	**(10,445)**	**3,623,783**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2024	**3,355,597**	**-**	**-**	**-**	**128,566**	**39,589**	**9,825**	**-**	**126,590**	**(25,939)**	**(10,445)**	**3,623,783**
Total comprehensive income for the year									**272,304**		**(2,529)**	**269,775**
Other changes in equity	**84,527**	**-**	**-**	**-**	**67,074**	**(181)**	**-**	**-**	**(126,590)**	**(24,342)**	**1**	**489**
Issuance of ordinary shares	335,140	-	-	-	-	-	-	-	-	-	-	335,140
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	(250,613)	-	-	-	-	-	-	-	-	-	-	(250,613)
Dividends (or remuneration to shareholders)	-	-	-	-	(26,958)	-	-	-	-	(50,281)	-	(77,239)
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	-	-	-	-	100,652	(1)	-	-	(126,590)	25,939	1	1
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(6,620)	(180)	-	-	-	-	-	(6,800)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(6,800)	-	-	-	-	-	-	(6,800)
Closing balance at 31 December 2024	**3,440,124**	**-**	**-**	**-**	**195,640**	**39,408**	**9,825**	**-**	**272,304**	**(50,281)**	**(12,973)**	**3,894,047**

Statement of Total Changes in Equity at 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**

Cash Flow Statements

	Thousands of Euros	
	2024	**2023**
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**3,331,084**	**6,455,719**
(+) Profit (loss) for the year	**272,304**	**126,590**
(+) Adjustments for determining cash flows from operating activities	**323,553**	**352,496**
Amortisation and depreciation	42,338	42,781
Other adjustments	281,215	309,715
(-) Net increase or (-) decrease in operating assets	**(361,757)**	**831,735**
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	11,667	12,614
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(591)	(85)
Financial assets at amortised cost	(385,390)	814,142
Other operating assets	12,557	5,064
(+) Net increase or (-) decrease in operating liabilities	**2,390,108**	**6,814,838**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	2,629,277	6,858,568
Other operating liabilities	(239,169)	(43,730)
(+) Income tax (paid)/refunded	**(16,638)**	**(6,470)**
B) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(5,044)**	**(2,748)**
(-) Payments	**27,047**	**8,883**
Tangible assets	24,118	2,011
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	1,172	-
Other business units	-	-
Non-current assets and liabilities classified as held for sale	1,757	6,872
Other payments related to investing activities	-	-
(+) Collections	**22,003**	**6,135**
Tangible assets	896	5,477
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	658
Other business units	-	-
Non-current assets and liabilities classified as held for sale	21,107	-
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**6,512**	**66,109**
(-) Payments	**78,015**	**37,905**
Dividends	77,239	37,471
Subordinated liabilities	-	-
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	776	434
(+) Collections	**84,527**	**104,014**
Subordinated liabilities	-	-
Issuance of own equity instruments	84,527	104,014
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**3,332,552**	**6,519,080**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**17,294,703**	**10,775,623**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**20,627,255**	**17,294,703**

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 deed of incorporation and thus the Company were registered in the State Register of Cooperative Societies 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 Cooperative Societies 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 22 March 2024 before the Notary Public of Almería, Ms. Marta Arrieta Navarro, and recorded under number 421 of her protocol, which is duly registered in the Almería Companies Register in Volume 2,218 , Book 0, Folio 100, Sheet AL-40338, Entry 812, dated 3 April 2024.

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, was authorised by the Bank of Spain's Executive Committee at a 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 deed was also registered in the Special Register of Cooperative Societies in 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 Puerta de Purchena, 10, in Almería, Spain. The Entity has a network of 751 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 resources on deposit at the national central bank of a country participating in the European Monetary Union to cover the minimum reserve ratio, which was established at 1% of qualifying liabilities at 31 December 2024 (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 provides up to €100 thousand in guarantees to each 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 following general legislation, among other regulations, governing credit institutions:

- 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.

- Organic Law 2/2024, of 1 August, on equal representation and balanced presence of women and men.

- 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 2015, 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.

- Bank of Spain Circular 1/2024, of 26 January, to banks, credit cooperatives and other supervised institutions, regarding information on capital structure and amending Circular 1/2009, of 18 December, to credit institutions and other supervised institutions, regarding information on capital structure and equity quotas of credit institutions and their branches.

- Regulation (EU) 2021/378 of the European Central Bank of 22 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.

- 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, and the associated legislation.

- Royal Decree-Law 19/2022, of 22 November, establishing a Code of Good Practice to alleviate interest rate rises on mortgages on primary residences, as amended by the Resolution of 27 December 2023, of the State Secretariat for the Economy and Business Support, publishing the Resolution of the Council of Ministers of 27 December 2023, amending the Code of Good Practices for urgent measures for mortgage debtors at risk of vulnerability.

- 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.

- Royal Decree-Law 6/2024, of 5 November, adopting urgent response measures to the damage caused by the Isolated Depression at High Levels (DANA) in different municipalities between 28 October and 4 November 2024.

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 2012 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 2004, 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 institutionspublic and confidential financial reporting rules and financial statement formats.

- Bank of Spain Circular 2/2018, of 21 December, amending Circular 4/2017, of 27 November, on credit institutionspublic 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 institutionspublic and confidential financial reporting rules and financial statement formats, and Bank of Spain Circular 4/2019, of 26 November, on specialised lending institutionspublic and confidential financial reporting rules and formats.

- Bank of Spain Circular 3/2022, of 30 March, amending Circular 2/2016, of 2 February, to credit institutions, on supervision and solvency, which completes the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No 575/2013; Circular 2/2014, of 31 January, to credit institutions, on the exercise of various regulatory options contained 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, and amending Regulation (EU) No 648/2012; and Circular 5/2012, of 27 June, to credit institutions and payment service providers, on transparency of banking services and responsible lending. (Official State Gazette, 6 April 2022).

- Bank of Spain Circular 1/2023, of 24 February, to credit institutions, branches in Spain of credit institutions authorised in another Member State of the European Union and specialised lending institutions, on the information that must be submitted to the Bank of Spain regarding covered bonds and other instruments for the mobilisation of loans, and amending Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting rules and financial statement formats, and Circular 4/2019, of 26 November, to specialised lending institutions, on public and confidential financial reporting rules and financial statement formats.

- Bank of Spain Circular 2/2023, of 17 March, amending Circular 1/2013, of 24 May, on the Risk Information Office.

- Bank of Spain Circular 3/2023, of 31 October, amending Circular 2/2016, of 2 February, to credit institutions, on supervision and solvency, which completes the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No 575/2013, and Circular 1/2022, of 24 January, to specialised lending institutions, on liquidity, prudential standards and reporting obligations.

1.5. Grupo Cooperativo Cajamar

Cooperative groups are incorporated in accordance with Cooperative Act 27/1999, of 16 July, 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 society, the general commitments undertaken vis-à-vis the group must be formalised in a public deed. This is the case with Grupo Cooperativo Cajamar.

Similarly, Regulation (EU) 575/2013, transposed into Spanish law through Circular 2/2014 and Act 10/2014, determines the requirements for considering that an IPS exists, as well as the applicable exemptions.

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" (hereinafter the "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 Bank'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 Regulation (EU) 575/2013 and in 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), with their dates of incorporation approved by their general assemblies and the dates they were authorised to join the Group by the Executive Committee of the Bank of Spain, are listed below:

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 Grupo Cooperativo Cajamar are to:

- Contribute towards meeting the financial needs of the partners of Members 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 cooperatives 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 Bank'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 Bank'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 powers to the Parent to authorise the redemption of capital contributions that are 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 2014, 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 of the European Parliament and Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, 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, the Entity has delegated powers to the Parent 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 Parent (Banco de Crédito Social Cooperativo, S.A.). The consolidated annual accounts for 2023 were authorised for issue on 5 March 2024 and are filed in the Madrid Companies Register.

Profit and loss pooling

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 separate financial statements, before tax, excluding: (i) amount recognised for previous pooling in the same calculation period; (ii) dividends or any other type of 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 the adjustments to the Gross Result described in point II) to the Gross Result stipulated in point I).

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

V. Member Own Funds: amount shown under the same heading in the public 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 from 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 own funds of all Members are 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 merger by absorption 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 the solvency of each institution 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 Group 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 2015, implementing Act 11/2015, of 18 June 2015, in the Cooperatives Act, in Act 22/2003, of 9 July 2003 ("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 take 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 such 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 2024, 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:

- <u>Agency agreement between the Parent and Cajamar Caja Rural, Sociedad Cooperativa de Crédito</u>

  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. The agreement would be terminated should it 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 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 bank 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 non-residence lease agreement: (i) between BCC and Cajamar Caja Rural, Sociedad Cooperativa de Crédito (Cajamar) and (ii) the purpose of which is the leasing by BCC to Cajamar 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 licensed 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 and (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 previously were carried out by BCC personnel but are thus transferred to BCC Operaciones y Servicios Administrativos, S.L.

- Service-level agreement with Sunaria Capital SLU.: between this latter entity and BCC for the provision of certain general services concerning controller 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.

- 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 in 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 were 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.U., (iii) Cim-Med I, S.A.U., (iv) Cimenta Desarrollos Inmobiliarios, S.A.U., (v) Inmuebles Alameda 34, S.L.U. and (vi) Alquileres Alameda 34, S.L.U., as clients; and, on the other hand, Cimenta2 Gestión e Inversiones, S.A.U., 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.

1.7. Other service-level agreements and management contracts

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

  Until 30 June 2024, the Group had a contract in force that was entered into in 2014 for the provision of real estate asset management services and mortgage, non-mortgage and securitised loans, which was carried out directly by Haya Real Estate, S.A. without the existence of a vehicle or instrumental company to carry out such activity. On that date the contract 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, came into force 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 by third parties where applicable.

- ***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%.

  This agreement has undergone several amendments since its inception, with the purpose of promoting the marketing of Cajamar Consumo Establecimiento Financiero de Crédito S.A. products through the retail commercial network of Grupo Cooperativo Cajamar. The last amendment was made in March 2024.

- ***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. Macroeconomic environment, and the management and impacts of the economic and social situation

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

In 2024, global economic activity advanced at a stable and relatively robust pace. This growth was primarily driven by the services sector, in contrast to the widespread weakness in manufacturing. Among the major economies, the strong economic performance of the United States was unexpectedly positive. Meanwhile, the eurozone economy remained sluggish, with growth below 1%. In this regard, the ECB's projections point to a gradual recovery in the coming years, supported by a rebound in consumption due to labour market resilience and lower inflation.

In Spain, economic activity performed better than expected, driven by domestic demand, reaching year-on-year growth of 3.2%, according to the preliminary Quarterly National Accounts report. The carry-over effect, combined with favourable indicators observed in the second half of 2024, has led the Bank of Spain and other institutions to revise their forecasts for 2025 upwards. Similarly, the labour market continues to show strength, and job creation is expected to persist in the coming years. By the end of 2024, the unemployment rate stood at 10.61%, according to the Labour Force Survey (EPA).

Meanwhile, the reduction in inflationary pressures is consolidating globally, although service sector inflation remains somewhat persistent. Major institutions estimate that inflation will continue to decline gradually, approaching the ECB's 2% target by the end of 2025. In December 2024, the annual variation in the Consumer Price Index (CPI) stood at 2.8%, while core inflation was 2.6%.

Regarding monetary policy, most global economies are following a path of easing. In Europe, the ECB Governing Council implemented four reductions in the deposit facility rate from June 2024, bringing it down to 3%, a decrease of 100 basis points over the year.

However, considerable uncertainty persists regarding the geopolitical situation due to ongoing armed conflicts. Additionally, new risk factors are emerging, such as political instability, threats to global trade, and economic weakness in some European countries. The Group estimates that the overall impact has not been significant at the Group level and neither, therefore, on its financial statements.

Development of financial support measures related to the DANA

On Tuesday 29 October, an Isolated Depression at High Levels (DANA) event affected the Iberian Peninsula, causing severe flooding in dozens of municipalities, cutting off roads and railways, devastating homes and businesses, and destroying personal belongings and public and private infrastructure. According to the Valencia Chamber of Commerce, the DANA severely impacted 65 municipalities in the Valencia region, affecting 54,289 companies (one in three businesses in the province), 123 business parks and industrial estates, and over 354,000 workers. The effects of the DANA have disrupted all types of economic activities, from agriculture to industry and services.

As a result, the DANA has led to a reclassification of credit operations from Stage 1 to Stage 2 – Special Monitoring, in an amount of €73,779 thousand, though this has not had a significant impact on the Entity's financial statements.

In response, the Government has issued a package of measures under Royal Decree-Law 6/2024 of 5 November, addressing the damage caused by the DANA in various municipalities, particularly in the Valencia region. The measures include direct financial aid and grants for businesses and self-employed workers, as well as tax deferrals and mortgage moratoriums. Additionally, civil protection mechanisms have been strengthened, and economic recovery is being promoted through tax incentives and infrastructure rehabilitation measures.

The amount of loans with repayment holidays at 31 December 2024 is as follows:

	Cumulative data		
	31 December 2024		
	TOTAL	**Suspension of interest and principal payment obligations for loans and credits with mortgage collateral**	**Suspension of interest and principal payment obligations for loans and credits without mortgage collateral**
Number of requests for suspension by debtors	**1.049**	**546**	**503**
Suspension requests granted	983	509	474
Suspension requests refused	47	30	17
Suspension requests pending analysis	19	7	12
Number of beneficiaries of suspension	**1,554**	**1,064**	**490**
Debtors	1.033	724	309
Employees	623	522	101
Self-employed (entrepreneurs or professionals)	278	166	112
Legal persons	132	36	96
Endorsers	521	340	181
Employees	354	274	80
Self-employed (entrepreneurs or professionals)	136	48	88
Legal persons	31	18	13
Number of loans for which payment has been	**983**	**509**	**474**
Breakdown of the number of debtors (self-employed and legal persons) benefiting from the suspension by CNAE (National Economic Activities Code)	**410**	**202**	**208**
Agriculture, forestry and fishing	87	39	48
Manufacturing	50	21	29
Electricity, gas, steam and air conditioning supply	5	2	3
Water supply	2	-	2
Construction	19	9	10
Wholesale and retail trade	71	36	35
Transportation and storage	42	13	29
Accommodation and food service activities	41	27	14
Financial and insurance activities	6	3	3
Real estate activities	18	12	6
Professional, scientific and technical activities	15	11	4
Administrative and support service activities	6	4	2
Education	7	4	3
Human health and social work activities	8	5	3
Arts, entertainment and recreation	8	3	5
Other service activities	25	13	12
Outstanding balance repayable, in thousands of euros, payment of which is suspended at the suspension date	**64,609**	**46,732**	**17,877**

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 2024 and of the results of its operations, changes in equity and cash flows for the year then ended.

The accompanying annual accounts for 2024, 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 2023 were approved by the General Assembly of partners held on 16 May 2024.

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 2024, the Entity's Governing Board presents the figure for 2023 for comparison.

There have been no accounting changes with a significant effect on the comparability of the annual accounts for 2024 and 2023.

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

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

- Impairment losses affecting 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 benefits (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 (Note 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 corresponding statement of profit or loss for the years in question.

The Group applies additional adjustments to the results of its credit risk models, known as Post Model Adjustments (PMA) or Overlays, to account for the impact that certain risk factors could have on future losses when such impact is not sufficiently captured in risk parameters, due to the absence of historical data reflecting the new factor. These adjustments are temporary in nature and are maintained until the reasons justifying them no longer exist or until their effect can be incorporated into risk parameters. The implementation of these adjustments is subject to the governance principles established in the Group.

Since mid-2023, inflation has waned, and as a result, central banks have eased their monetary policies, including successive interest rate cuts by the European Central Bank throughout 2024. Consequently, the risks associated with inflation and high interest rates may no longer lead to a potential further deterioration in the credit quality of the portfolio or the loss given default of the exposures. Following the continuous review of portfolio valuation, the additional adjustment the Group maintained for these risks was reassessed at the end of the first half of 2024 and again at 31 December 2024, at which time it was concluded that the additional risks from inflation or interest rate hikes were adequately captured in the parameters, and the adjustment was fully removed (€75,000 thousand as of 31 December 2023).

Additionally, the Group closely monitors the performance of the sectors and individual borrowers most exposed to different risks, in order to adjust its credit risk allowances and provisions in response to various potential scenarios.

It is well known that climate change is a global phenomenon with profound and diverse effects on the environment and society. Recent studies highlight several key aspects, including rising global temperatures, glacier melting, impacts on biodiversity, agriculture, human health and the economy. These changes have led to an increase in extreme weather events such as droughts, floods and wildfires, which could to some extent impact debt recovery through collateral values. For this reason, during 2024, the Group established an overlay of €2,058 thousand to cover physical risks arising from adverse weather events within the scope of the Grupo Cooperativo Cajamar portfolio that is considered vulnerable. The main transmission channel for these risks in the near term is the potential increase in the loss given default, partly due to the depreciation of collateral values in areas of higher exposure.

Similarly, the emergence of certain geopolitical tensions, such as the escalation of specific armed conflicts, uncertainty surrounding the political landscape in France and Germany ahead of their elections, or the impact on global trade of the policies implemented by the new U.S. administration, raises concerns of uncertainty in global economic developments. These geopolitical tensions could destabilise global supply chains or increase commodity and energy prices, leading to higher costs and lower competitiveness for business activities. While it is true that collective expected loss models are designed as the best possible estimate of credit losses based on historical data and macroeconomic projections, the uneven outlook for economic sectors in light of these geopolitical tensions has led to the estimation of additional expected losses arising from these risks. The Group has quantified this geopolitical overlay at €3,865 thousand, in addition to reclassifying exposures with a gross carrying amount of €65,426 thousand from Stage 1 to Stage 2 – Special Monitoring due to this factor.

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 Entity's principal activity, it has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that could be significant in relation to its equity, financial position and business performance. Therefore, no specific environment-related disclosures are included in the notes to the accompanying annual accounts. The Director's Report accompanying these annual accounts include the Group's Sustainability Report, which contains more details on these aspects.

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 2024, 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 any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of 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 their 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, joint ventures 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. Compared to the model whose objective is to hold financial assets solely to collect contractual cash flows, this model typically involves greater frequency and value of sales. 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 coincidentally, the financial assets can be held for trading, 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 of 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": these include 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 attributable 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 joint ventures and are 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": financial assets originated or acquired with the intention to realise them in the near 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 meet the definition of a financial guarantee contract and which have not been designated as hedging instruments, including those segregated from hybrid financial instruments.

  - "Other financial assets 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 profit 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 separate 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 derivatives included in the trading portfolios is the same as their daily quotation price and 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 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 Entity'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 that has 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, in the case of loan commitments given, or the payments to be made, in the case of 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. 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 12-month expected credit losses. 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 total 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 monitoring 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 credit-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 in turn 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 classified 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 payments 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 exposure 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 allowances and provisions 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 and provisions for non-performing exposures as a result of arrears should not be lower than the general allowances and provisions 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 collective impairment 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 purchased or originated credit-impaired financial assets, 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 gain or loss in 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 joint ventures 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 meet the definition of a financial guarantee contract and which have not been designated as hedging instruments, including those segregated from hybrid financial instruments and those arising on the outright sale of financial assets acquired under reverse repurchase 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, the embedded derivatives of which 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 the 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 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 at amortised cost": this category includes financial liabilities not included in any of the above 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 Note 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 adjust 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 weighted average 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 liability 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 with 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 profit 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, when 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. 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.

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 against 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 election to include it in the financial assets at fair value through other comprehensive income portfolio. This irrevocable election 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. 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 By-laws of the Entity 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 to capital is set annually by the General Assembly on a non-mandatory basis.

Regulation (EU) No 575/2013, of 26 June 2013, and subsequent amendments, on prudential requirements and the calculation of minimum own funds 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 the aforementioned Circular through Bank of Spain Circular 4/2011, of 30 November 2011, only contributions recognised as equity will be considered as own funds. As indicated above, all the Group's capital contributions meet the requirements to be computed as Tier 1 capital at both 31 December 2024 and 31 December 2023.

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:

  Classification categories:

  - **Stage 1 or performing:** all loans whose credit risk has not increased significantly since initial recognition.
  - **Stage 2 or performing under special monitoring:** loans where there has been a significant increase in default risk since initial recognition, although there are no doubts about their full repayment.
  - **Stage 3 or non-performing:** 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.
  - **Stage 4 or total write-off:** 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.

Collective classification criteria:

Stage 2: 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 no longer be considered as restructured and to 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.
    - 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.

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

As a result of borrower arrears:

- 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 restructuring. 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.

Total 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.

Individual classification criteria:

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:

- **Individual estimation of allowances and provisions (expert analysis):**

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 government of a European Union country, including transactions deriving from reverse repurchase agreements on government debt securities;
- A general 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 and provisions 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 2025, the outlook generally anticipates slower economic growth, an improvement in inflationary pressures and a decline in the unemployment rate.

  In this context, economic growth is expected to slow in 2025, with year-on-year GDP growth of 2.4%, followed by 1.7% in 2026 and 1.6% in 2027. Meanwhile, the labour market is expected to remain strong, with the unemployment rate declining throughout the forecast period, reaching 11.0% in 2025, before falling to 10.7% in 2026, and 10.3% in 2027. Inflation (CPI) is projected to approach the ECB's 2% target, reaching 2.2% in 2025 and 2.1% in 2026, with a slight uptick to 2.4% in 2028.

Interest rates are expected to stabilise over the projection horizon, following their decline in the second half of 2024.

However, significant uncertainty remains, stemming from ongoing armed conflicts and political instability.

- **Pessimistic scenario:** This scenario assumes a sharper economic slowdown in 2025, inflation deviating from the 2% target, and a higher unemployment rate compared to the baseline scenario.

  Here, economic growth is expected to slow more severely, though Spain's economy would continue to expand, with year-on-year GDP growth of 2.2% in 2025, 1.6% in 2026, and 1.5% in 2027. Inflation would remain above the 2% target, with the CPI at 2.5% in 2025, 2.4% in 2026, and increasing to 2.7% in 2027. This would lead to a rise in interest rates, which would return to levels above 3% throughout the period. Meanwhile, the unemployment rate would stand at 11.3% in 2025, following a downward trend to 10.9% in 2026 and 10.5% in 2027.

- **Optimistic scenario:** This scenario assumes strong economic growth in 2025, alongside lower inflationary pressures and a declining unemployment rate.

  Under this scenario, GDP is projected to grow by 2.6% in 2025, followed by 1.9% in 2026 and 1.7% in 2027. Inflation is expected to decline more rapidly, with the CPI at 1.9% in 2025, and stabilising around 2% in 2026 (1.8%) and 2027 (2.0%). However, interest rates would rise slightly compared to the baseline scenario due to stronger demand. The labour market would continue to show resilience, with the unemployment rate decreasing over the 2025–2027 period (10.7% in 2025, 10.4% in 2026, and 10.0% in 2027).

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:

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

Where:

- **PD:** The probability of default over a time horizon of one 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:** Accumulated 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.

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 consolidated statement of profit or loss, using the effective interest rate applied to the amortised cost of the transactions, i.e. adjusted by any valuation adjustment 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.

Collateral 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 are appraised when the credit is awarded or the assets are recognised on the balance sheet following their acquisition, foreclosure or dation in payment. 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 payment of debt. 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 as the underlying.

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 prices thereof. Financial derivatives that cannot 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 trade 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 hedged items to interest rate changes is similar.

The Group classifies its hedges, based on the type of hedged risk, as either fair value hedges, cash flow hedges or 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 a foreign operation: 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 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 has applied the requirements described above to all transactions entailing derecognitions of financial assets and liabilities, other than derivative instruments, for years commencing on or after 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 and 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 and 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 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 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 effect 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 full or partial payment of their debt are classified as non-current assets held for sale, unless the Group has decided to use these assets on an ongoing 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 amortised.

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 debt

Assets foreclosed or received in payment of debt are assets the institution 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 debt 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 equity holdings, and the key related information, are included in Note 11 and Appendix I. The Entity classifies its investments as 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 considered to be those in which the Entity, individually or together with the remaining Group entities, has a significant influence and which are not a subsidiary or joint venture. 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 include the amounts for buildings, land, furnishings, vehicles, data-processing 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 include 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 the provisions of IFRS 1 and section B).6 of Transitional Provision One of Bank of Spain Circular 4/2004 and the 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 depreciated on a straight-line basis over their estimated useful lives.

	Useful life (years)	**Annual depreciation rate**
Buildings	50-75	2% - 1.33%
Furnishings	3-15	33% - 6.6%
Plant	5-20	20% - 5%
Data-processing equipment	3-8	33.3% - 12.5%
Vehicles	6-9	17% - 11%

At least at the end of the year 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.

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 case, the Entity records for accounting purposes any loss that may have arisen in the recognised value of these assets due to impairment with a balancing entry on 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 contracts classified as finance leases, the amounts to be recognised at the 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 substantially all the risks and rewards incidental to ownership of the leased asset are 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 greater part of the economic life of the asset even if ownership 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.

Circular 4/2017 requires a lessee 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 of 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 that depend on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- 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 through operating lease agreements to Group entities are recognised in the Entity's separate financial statements as investment property, and as assets for own use in the consolidated financial statements.

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 these annual accounts. Foreign currency is any currency other than the euro.

At initial recognition, receivables and payables in foreign currency are converted to euro 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. 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 2024 and 31 December 2023, 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 By-laws, the mandatory allocation 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 related to the Education and Development Fund in accordance with the law or funds deriving from the levying of fines on members in relation to the Fund will be recognised as cooperative income and an appropriation will be made to the Fund in the same amount.

The expenses relating to the EDF and CDTF are presented on the balance sheet as a deduction from the heading "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 social 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 that are treated as "Non-current assets and disposal groups of assets classified as held for sale".

The assets received in an asset swap are recognised at the fair value of the asset delivered plus, if appropriate, the 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, 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"). Both have been transposed into Spanish law.

The rules governing the composition of eligible own funds and the levels of capital Grupo Cooperativo Cajamar 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"), as subsequently amended.

On 9 July 2024, the new banking package came into force, comprising Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 ("CRR III") and Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 ("CRD VI"), which amend their respective predecessor texts. The new rules will apply from 1 January 2025 and therefore have had no impact on the solvency figures presented in these annual accounts.

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 2015, and Royal Decree 7/2021, of 27 April 2021.

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 capital adequacy self-assessments and supervision.

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

The Single Supervisory Mechanism, comprising the ECB and the competent national authorities, 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 recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU).

Bank of Spain Circular 2/2016, of 2 February 2016, 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.

3.17. Fees

The Entity classifies the fees and commissions it pays or receives into 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 commissions received for arranging or acquiring finance, fees and commissions agreed as compensation for the commitment to grant finance, and fees and commissions paid to issue financial liabilities 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 forms part of the Deposit Guarantee Fund for Credit Institutions, regulated by Royal Decree-Law 16/2011, of 14 October 2011.

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

Bank of Spain Circular 8/2015, to institutions and branches that are members of the Deposit Guarantee Fund for Credit Institutions, on information to determine contribution calculation bases, was published on 18 December 2015, establishing two compartments: “Deposit guarantee compartment”, which will relate to deposits guaranteed under Royal Decree 2606/1996; and “Securities guarantee compartment”, regulated by the same Royal Decree, the calculation base being 5% of guaranteed securities. Subsequently, Bank of Spain Circular 5/2016 was published on 27 May 2016 and 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 2024, as provided for in article 6 of Royal Decree-Law 16/2011, of 14 October 2011, and article 3 of Royal Decree 2606/1996, of 20 December 1996, on deposit guarantee funds for credit institutions, as follows:

- No annual contribution to the deposit guarantee compartment of the Deposit Guarantee Fund.

- An annual contribution to the securities guarantee compartment equal to 2 per mille of 5% of the value, as of the last trading day of 2024, of the guaranteed securities, as defined in Article 4.2 of Royal Decree 2606/1996, held as of 31 December 2024.

- 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 2008, which establishes the guaranteed amounts referred to by article 7.1 of Royal Decree 2606/1996, of 20 December 1996, and article 6.1 of Royal Decree 948/2001, of 3 August 2001, on investor indemnity systems.

When the Deposit Guarantee Fund’s assets are 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 2024 and 2023, the expense incurred in respect of contributions by the Entity 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 carryforwards 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 2024 and 31 December 2023 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 to verify that they are still valid and to make the relevant 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 Act 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.

The Entity has applied the exemption on recognising deferred tax assets and liabilities arising from the implementation of Act 7/2024 of 20 December 2024, which transposes into Spanish law Council Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups, known as the "Pillar II legislation".

The Entity is not required to make any payments for 2023 and 2024 under the Pillar II legislation. However, it is currently analysing and assessing its potential exposure to the domestic top-up tax introduced to ensure a global minimum level of taxation for large-scale domestic groups.

3.20. Recognition of income and expenses

In general, income is recognised at the fair value of the consideration received or that will 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 companies 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 remuneration

Short-term remuneration

Short-term remuneration to employees comprises 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.

Post-employment benefits

Post-employment remuneration (or pension commitments) is defined as remuneration paid to employees after the end of their period of employment. Post-employment benefits, including those covered by internal or external pension funds, are classified as defined contribution plans when pre-determined contributions are made to a separate entity, or defined benefit 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 unrecognised past service costs, the net interest on the defined benefit provision/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 provision/asset as a result of actuarial gains or losses, the return on plan assets, excluding the amount included in net interest on the provision/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 these are not included within net interest on the provision/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.

Termination benefits

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.

Pension commitments entered into by the Entity

The pension commitments assumed by each institution corresponding to employees who provide their services thereto 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.

The defined benefit commitments envisaged by the Entity are:

- A top-up over the widow(er)s and orphans pension on 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 (€27.11 thousand), workplace accident (€54.23 thousand) or certified major disability (€117.34 thousand) for all Entity employees.

- Award for long service afforded to all Entity employees with more than 20 years of service, 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 and 8 March 2024, two new early retirement exit agreements were 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 2024 and 2023, 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 serving, retired and early-retired personnel, are as follows:

Actuarial assumptions used by Grupo Cooperativo Cajamar				
	2024		2023	
	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:		2.73%		3.90%
Active (retirement benefits)	3.29%	-	3.98%	-
Retired (immediate benefits)	3.19%	-	3.92%	-
Length of service award	3.20%	-	3.91%	-
Return on assets		0.00%		0.00%
Active (retirement benefits)	3.29%	-	3.98%	-
Retired (immediate benefits)	3.19%	-	3.92%	-
Length of service award	3.20%	-	3.91%	-
Salary increase (including slippage)	3.00%	1.00% / 1.50% / 2.00%	3.00%	1.00% / 1.50% / 2.00%
Inflation (CPI)	2.00%	-	2.00%	-
Increases in pensions	75% of salary increas	-	75% of salary increas	-
Maximum Social Security pension (€ thousand) (**)	44.45	-	42.82	-
Annual revaluation of the maximum monthly Social Security pension (**)	2.00%	-	2.00%	-
Annual increases in Social Security contribution bases (**)	2.00%	-	2.00%	-

(*) Remunerated 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	
	2024	2023
Active (retirement benefits)	3.29%	3.98%
Retired (immediate benefits)	3.19%	3.92%
Long service award	3.20%	3.91%

The values of pension obligations and other long-term employee benefits could be affected if the main actuarial assumptions considered were to change. In a scenario where the discount interest rate fluctuates by +/- 25 basis points, the present value of the Entity's post-employment obligations could vary by -2.33% and 2.42%, respectively. However, these variations would be partially offset by increases of 2.59% or decreases of -2.50%, respectively, in the fair value of the assets and pension-related insurance policies.

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 Entity 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 Entity 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. Cash flow statement

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

- Cash flows: inflows and outflows of cash and cash equivalents, understood asshort-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 any financing received.

- Investing activities: means acquisition, sale or disposal of long-term assets and other investments not included in 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 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 the 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, this being the entity which on the acquisition date obtains control over another entity, or in the event of any doubt or difficulty in identifying 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, as a result of a significant issue of equity instruments for delivery to the owners of another participating entity in exchange for ownership of the latter, one of the entities participating in the combination comes under the control of 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 combined entity 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 the combining entity 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 combining entity whose owners, as a group, have the ability to elect or appoint or to remove a 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 combining entity whose former key management personnel dominates 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. Arrangement 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, which will in no case be amortised, but rather will be tested for impairment on an annual basis as provided 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 purpose, or
- Plans to consume in the production process or in the provision of services.

The Group classifies as "Inventories" all assets foreclosed or received in payment of debt that meet the condition of being in the process of production, construction or development for this purpose.

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 the estimated costs necessary to make the sale. The cost of inventories is increased for any directly attributable borrowing costs, provided the inventories require more than one year to be readied 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.

As with the credit risk component, methodologies are in place to compare estimated and actual losses, which show that the real estate collateral for the current year is adequate. If any material differences are detected using these methodologies, they are modified internally to ensure the best possible estimates are generated.

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 the cash flows to be received, if applicable (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. Statement 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 recognised income and expense 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 expense

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 income and expenses recognised on the statement of profit or loss, on the one hand, 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 the correction of errors. 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 criteria and to correction of errors: this item reflects changes to equity as a result of the retroactive restatement of financial statement balances due to changes in accounting criteria or the correction of errors.

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

- Other changes in equity: this item reflects the rest of the items recognised in equity, such as capital increases or reductions, distribution of profit or application of loss, operations 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

Fair value of financial assets

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 the sector, 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" include investment funds and other investments listed on active markets whose measurement is carried out 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 assets and liabilities at fair value forming part of the Entity's financial instruments at 31 December 2024 and 31 December 2023, broken down by class of financial assets and liabilities and into 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 having a Bloomberg (BGN) price or a value in active markets, including the European Stock Exchanges and the AIAF, SENAF and MEFF.

- Level 2: 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 external valuations 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 2015, 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.

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 Group's ordinary contributions to the Single Resolution Fund is recognised in the item "Other operating expenses – Contribution to the Deposit Guarantee Fund" on the statement of profit or loss. The Group was not subject to ordinary contributions for 2024. The expense for 2023 is specified in 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 2024 and up to the date the annual accounts were authorised for issue, there were no errors and no significant changes to the Group's accounting policies that, due to their materiality, would require disclosure 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 2024 that the Entity's Governing Board will submit for approval at the General Assembly of partners, and the distribution already approved for 2023, are as follows:

	Thousands of Euros	
	2024	**2023**
Profit for the year before the mandatory contribution to the Education and Development Fund and after corporate income tax	291,711	134,778
Interest on capital contributions (Note 18)	(97,647)	(52,897)
Total to be distributed or available surplus	**194,064**	**81,881**
To the mandatory reserve fund	38,813	16,376
To the voluntary reserve fund	130,175	50,517
To the Education and Development Fund - mandatory contribution (Note 17)	19,406	8,188
To the Education and Development Fund - voluntary contribution (Note 17)	5,670	6,800
Total distributed	**194,064**	**81,881**

The proposal for 2023, and the subsequent distribution, was in line with the one approved at the Entity's Annual General Assembly on 16 May 2024.

6. Risk management policies and objectives

This section includes a description of the various financial risks faced by the Group, deriving from its banking 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 hedge accounting is used.

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

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 Department, 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 Credit Risk 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) **Basic principles and guidelines for defining credit risk management and control policies**

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:

- **Principle of independence:** Credit risk decisions must always be taken on the basis of the established credit policy and must not be made conditional on 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.

- **Principle of uniformity:** 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 not depend on the Entity or on where the activity takes place.

  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 bodies responsible for credit risk management and control, and for the management procedures.
  - Lastly, for the General Control Department, the definition of procedures to control such risk.

- **Principle of consistency:** 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 operation and providing an objective appraisal of the probability of default.
  - Periodic estimates of credit exposure and loss 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.

Therefore, 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 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
Preamble	BCC's Board of Directors	On its own initiative, or at the proposal of the CEO or Control Management
Chapter 1		
Chapter 2		
Chapter 3	CEO	Reasoned proposal from Investment Management. Opinion of Control Management. Report to the Board Risk Committee
Chapter 4		
Chapter 5	Global Risk Control Directorate	On its own initiative, communicating to Investment Management. Report to the Board Risk 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 lowest 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:**

  - Materiality. 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.

  - 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 / Sub-portfolio	Exposure limits	RWAs 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	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 cultivation	15%	23%
Other agri-food sector	15%	23%
2. Corporate	**50%**	**88%**
2.1. Developers	**6%**	**18%**
Development	3%	9%
Land	2%	6%
Other developers	2%	6%
2.2. Corporate agri-food	**15%**	**30%**
Agri-food producer	15%	30%
Agri-food distributor	15%	30%
Agri-food auxiliary industry	15%	30%
2.3. SMEs	**15%**	**30%**
Small	10%	20%
Medium	10%	20%
2.4. Large companies	**30%**	**40%**
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 geographical diversification, credit exposure in the 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 non-EMU issuers: 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 on % of TIER 1 of GCC	
Degree of control of GCC	Limit on risk accumulated with each company	Limit on sum of risks of all companies
Controlled	5%	10%
Not controlled	5%	50%

- **System of powers for the approval of lending operations**

  The empowerment 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:

  - Delegated 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 Department
    - Analysis Centres
    - Savings Banks' Governing Board / Committee
    - Central Business Committee
    - Territorial Risk Teams
    - 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.
- Do 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	LMB
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 risk events significantly reducing 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 Entity, which entails:

    - Not being a related party as per Bank of Spain Circular 4/2017.

    - Have the necessary 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 the 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 property held as collateral to secure credit transactions:

<table>
<tr><th>Transaction classification</th><th colspan="2">Property type/transaction type</th><th>Individual valuation</th><th>Statistical valuation (i)</th><th>Frequency</th><th>Initial valuation</th><th>Method</th></tr>
<tr><td rowspan="3">Performing</td><td colspan="2">Guarantee for building and components of finished buildings</td><td>Yes</td><td>Yes</td><td>Annual verification (ii)</td><td rowspan="3">On arranement of credit</td><td rowspan="3">Individual appraisal of up to 6 months</td></tr>
<tr><td colspan="2">Guarantee other than for building and components of finished buildings</td><td rowspan="2">Yes</td><td rowspan="2">No</td><td rowspan="2">Three years if no significant decrease in risk</td></tr>
<tr><td colspan="2">Transactions with a gross carrying amount of more than €3 million or 5% of eligible capital</td></tr>
<tr><td rowspan="5">Performing under special monitoring</td><td rowspan="3">Guarantee for building and components of finished buildings</td><td>Transactions pertaining to segments with an aggregate gross amount of more than €300 million or 10% of eligible capital (v)</td><td rowspan="2">Yes</td><td>Yes</td><td rowspan="2">Annual</td><td rowspan="5">On arrangemen t of credit</td><td rowspan="5">Individual appraisal of up to 6 months</td></tr>
<tr><td>Transactions with a gross amount of more than €1 million and LTV >70%</td><td>Only exceptionally and where justified</td></tr>
<tr><td>Other</td><td>Yes</td><td>Yes</td><td>Annual verification (ii)</td></tr>
<tr><td colspan="2">Guarantee other than for building and components of finished buildings</td><td rowspan="2">Yes</td><td rowspan="2">No</td><td rowspan="2">Annual</td></tr>
<tr><td colspan="2">Transactions with a gross carrying amount of more than €3 million or 5% of eligible capital</td></tr>
<tr><td rowspan="4">Non-performing</td><td rowspan="3">Guarantee for building and components of finished buildings</td><td>Gross transaction amount less than or equal to €0.3 million and non-performing for not more than 3 years</td><td>No</td><td>Yes</td><td>Annual</td><td rowspan="4">On being classified as non-performing</td><td rowspan="4">Individual appraisal or statistical appraisal (iii)</td></tr>
<tr><td rowspan="2">Gross transaction amount less than or equal to €0.3 million and non-performing for more than 3 years</td><td>No</td><td>Yes</td><td>Annual</td></tr>
<tr><td>Yes</td><td>No</td><td>Three years</td></tr>
<tr><td>Guarantees not included in the previous point (by type of guarantee or by gross carrying amount)</td><td>Guarantees other than finished buildings and components off finished buildings and any guarantee for non-performing transactions with a gross carrying amount of more than €0.3 million</td><td>Yes</td><td>No</td><td>Annual</td></tr>
<tr><td rowspan="4">Real estate assets foreclosed or received in payment of debt</td><td rowspan="3">Transactions with a fair value less than or equal to €0.3 million</td><td>On balance sheet for 3 years or less</td><td>No</td><td>Yes</td><td>Annual</td><td rowspan="4">On being foreclosed or at time of dation</td><td rowspan="4">Individual appraisal (iv)</td></tr>
<tr><td rowspan="2">On balance sheet for 3 years or more (iv)</td><td>No</td><td>Yes</td><td>Annual</td></tr>
<tr><td>Yes</td><td>No</td><td>Three years</td></tr>
<tr><td colspan="2">Rest (fair value greater than €0.3 million)</td><td>Yes</td><td>No</td><td>Annual</td></tr>
</table>

(i) Statistical valuation may be applied to the following types of property: homes (including garages and storage rooms), offices, multipurpose commercial premises and multipurpose industrial buildings.

(ii) Valuations must be updated in the event of significant falls 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 appraisals 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 appraisals 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 appraisal 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.

  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.

- 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 capacity. In the case of financing of agri-food campaigns, longer interest settlement periods are possible.

- 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. Exceptionally, interest may be included in the restructured loan capital if this is deemed essential to ensuring the recoverability of the entire restructured position.
- 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 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:

c1) Credit risk acceptance stage:

- **<u>Bodies involved</u>**

  - 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; when a decision is taken that does not fulfil these policies, the reasons must be placed on record.

  - <u>Agri-food and Retail Centre, Corporate Centre, Working Capital Renewal Centre, Special Financing and Major Borrowers Area, Asset Contracts and Real Estate Legal Advisory:</u>

These areas report to the Investments Department, 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.

- **<u>Organisation</u>**

  - <u>Special Financing and Major Borrowers Area:</u>

Its role is to manage on an end-to-end basis the acceptance and monitoring of loans in the Major Borrowers Portfolio to achieve two objectives: early management if there is evidence of impairment, and identification of opportunities to do business with/retain the loyalty of these groups in what is currently such a competitive market.

  - <u>Agri-food and Retail Centre:</u>

It engages in the management of the acceptance 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 escalating 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 two offices to fulfil its duties properly:

- ***Agri-food Analysis Centre***: Responsible for managing credit analysis and preparing reports on lending operations within its authority, ensuring appropriate structuring of proposals. It adopts resolutions on these operations, ratifies sanctions imposed by its subordinate subcommittees and analyses and reports to higher bodies on risk proposals exceeding its jurisdiction, conveying the resolutions adopted in such cases. It also maintains risk groups based on the analysis of the operations it has managed. Additionally, it reviews and evaluates transactions involving mergers, acquisitions, spin-offs, or other structural corporate modifications, assessing the potential exercise of the right to oppose the corporate decision.

- ***Retail Analysis Centre:*** Analyses and reports on lending operations within retail segments, including residential mortgage portfolios, other household financing, self-renewing credit facilities (excluding overdrafts) and financing for sole proprietorships and micro-enterprises. This excludes transactions that fall within the scope of the Working Capital Renewal Area, Agri-food Analysis Centre, Special Financing and Major Borrowers and the Restructuring Analysis Centre, as well as those exceeding the authority of local offices and Cajamar Group Business Committees. It sanctions operations within its jurisdiction according to the limits defined in the Credit Risk Manual (CRM) and escalates cases exceeding these limits to higher bodies.

- Corporate Centre:

The Corporate Centre is responsible for analysing and reporting on Grupo Cooperativo Cajamar proposals that involve special characteristics due to their type, amount, or type of borrower.

To fulfil its functions, it consists of the following two offices:

- ***Corporate Analysis Centre:*** Analyses and reports on credit operations within the corporate portfolio (including property developers, SMEs, and large non-agri-food enterprises), the public sector, and corporate non-profit organisations. It handles cases exceeding the authority of Grupo Cooperativo Cajamar local offices and Business Committees, and that fall outside the scope of other units, such as Special Financing and Major Borrowers Analysis. It sanctions transactions within its jurisdiction as per the limits defined in the Credit Risk Manual (CRM) and escalates those exceeding these limits to higher bodies.

- **Higher Committees Analysis Centre:** Performs similar functions to the Corporate Analysis Centre, focusing on corporate portfolio operations (property developers, SMEs, and large non-agri-food enterprises), public sector entities and corporate non-profit organisations. It assesses cases that exceed the authority of Grupo Cooperativo Cajamar local offices and Business Committees, as well as those beyond the scope of Special Financing and Major Borrowers Analysis. Transactions within its authority are sanctioned according to the limits defined in the Credit Risk Manual (CRM), while those exceeding these limits are escalated to higher bodies.

c.2) Credit and concentration risk monitoring, measurement and control stage:

- **<u>Bodies involved</u>**

  Monitoring of 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 Investments Department, through the following organisational units and systems:

- <u>Active Monitoring of Investment Portfolios Area</u>

  Comprising the following units:

  - ***Individual analysis of allowances and provisions:*** Its main functions include:

    - Verifying and, where necessary, proposing the correct accounting classification and the insolvency allowance and provision for all significant exposures of Grupo Cooperativo Cajamar (GCC) through an individual analysis.
    - Analysing proposals on the classification of borrowers with significant exposure submitted to the General Investments Department.
    - Handling all requests from the supervisor and the statutory auditor regarding the individual risk analysis.
    - Performing the required analyses through the systematic circuit via the UTP Checklist.

- <u>Credit and Real Estate Risk & ESG Control Area</u>

  - ***Credit and Real Estate Risk Control:*** The main functions include monitoring limits on (1) concentration by segments, portfolios, and sub-portfolios, (ii) borrowers, risk groups, investees and related parties; ensuring overall compliance with the credit policy, analysing credit risk trends in the loan portfolio, overseeing classification and coverage and monitoring foreclosed assets

- <u>Balance Sheet and Business Risk Control</u>

  Control of the credit and counterparty risk with financial institutions is handled by the Balance Sheet and Business Risk Area, which reports to the Risk Control Department. The area is formed by two management groups, one of which is responsible for market and counterparty, exchange rate, liquidity and interest rate risk.

- **<u>Monitoring, measurement and control tools:</u>**

  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.

- **<u>Monitoring controls:</u>**

  The Group has included information from the different credit rating models in order to assign a credit policy to the customers assessed.

The following credit policy options are defined:

Green - Favourable: Customers with no signs of significant alerts.

Amber - Hold / Secure Risk: Customers starting to have alert review events.

Red - Reduce Risk: Customers whose alerts warrant reducing risk.

Grey - Reduce with Default: Customers with recurring payment defaults.

Black - Extinguish / Recover Risk: Customers with very relevant alerts.

- 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.

c3) Impaired asset recovery stage:

- **Bodies involved**

The recovery stage is performed mainly by three functional units:

- Regional Divisions, which have:
  - Branches, where the recovery of loan operations is initiated.
  - Risk Managers, whose role is to manage recovery in their areas of influence and to directly manage the most significant defaults.

- **Debt Recovery Department**, whose mission is to control and provide guidance on default management across the Group, from the moment a default is identified to restructuring or settlement of the position; and to support the Parent's General Investments Department 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:

- **Judicial Foreclosure Management:** Responsible for overseeing judicial debt recovery procedures, ensuring their proper progression with maximum efficiency in terms of time, cost, and legal compliance. This includes resolving any issues that arise throughout the claim process, from filing the lawsuit to the full regularisation or divestment of financial debt, converting it into real estate risk when applicable.

- **Recovery Management and Treasury:** Handles management and accounting of past-due exposures classified as performing, non-performing and total write-off (in arrears for 120 days or less or in non-judicial bankruptcy proceedings). It manages non-delegated cases from branches or other organisational units and records asset acquisitions.

- **Systematic Recovery Management:** Monitors and controls the expected and actual behaviour of past-due performing, non-performing and total write-off exposures. It tracks operations in such situations, implementing a structured resource optimisation system to meet non-performing asset recovery targets. It also develops and implements a target system for the commercial network to ensure compliance with the GCC budget.

- **Pre-litigation Management:** Analyses the recovery strategy for operations with payments past due by more than 90 days and defines recovery guidelines.

- **Bankruptcy Risk Analysis and Monitoring:** Evaluates GCC's exposure to insolvency proceedings, defining strategies to mitigate risk in line with the Group's non-performing asset recovery objectives. This unit is also responsible for receiving, assessing, escalating and monitoring proposals that best 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 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 with 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.

• **Territorial Recovery 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.

- **<u>Asset Acceptance and Management</u>**, whose task is to disintermediate non-performing assets (primarily real estate assets) owned by Grupo Cooperativo Cajamar (GCC), 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 carried on by Cimenta2 Gestión e Inversiones, S.A.U.

- **<u>Servicer and Portfolio Control:</u>** Responsible for:

    – Directing the design, development and execution of institutional sales strategies for debt and REO (Real Estate Owned) portfolios.

    – Investor and servicer relations in both the pre-contractual and contractual phases, including portfolio preparation, datatape management and Q&A responses.

    – Supervising the formalisation process for portfolio sales contracts and ensuring compliance with all pre-contractual and contractual legal documentation requirements.

    – Collaborating with other business units to achieve the Entity's strategic objectives.

- **<u>Recovery management tools:</u>**

  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.

- **<u>Recovery controls:</u>**

  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) <u>Responsible consumer loan and credit approval policies</u>

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) <u>Risk policy: limits, diversification and mitigation</u>

In relation to management of this risk, the 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.

        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 above-mentioned 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) Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports

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 Department
- Risk Control Department. Balance Sheet and Business Risk Control
- Balance Sheet Management
- Accounting Operations, Securities and Cash Management
- General Internal Audit Department

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 the Risk Control Department.

c) Management tools: measurement, communication, control and monitoring systems

The Entity 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

The Operational Risk Control and Management Policy Manual addresses: (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 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 ongoing 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 in 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 this decision.

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 the Group's 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 GCC'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 Internal Audit.
   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.

- **Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports.**

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
  - Management Committee
  - Risk Control Department
  - Operational Risk Control
  - Coordinator Network
  - General Internal Audit Department

- **Management tools: measurement, communication, control and monitoring systems**

The Entity 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 map and self-assessment: Qualitative evaluation 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>

The management of this risk is governed by the Interest Rate and Credit Spread Risk Manual.

The Group must implement a commercial and financial policy that limits its exposure to interest rate risk in line with the Risk Appetite Framework defined by the Board of Directors. Accordingly, the risk measurement system must support risk management aligned with the following principles:

- Proactivity: The General Finance Department will regularly assess the Group's positioning alternatives concerning this risk.

- Collaboration: The departments involved in decisions impacting interest rate risk exposure will collaborate to comply with the defined strategy.

- Decision-making criteria: When making decisions regarding interest rate risk exposure, the following guidelines will be considered:

- No speculation against the yield curve: The Group's balance sheet interest rate risk management decisions must avoid speculation on future yield curve movements.

- Risk and cost analysis: Hedging decisions will be made by weighing costs against risks.

- Individual hedging: Decisions on specific balance sheet positions must consider the impact on the overall interest rate risk exposure.

The General Finance Department is responsible for initiating, coordinating, and promoting measures to comply with the interest rate risk strategy. It may act within its delegated powers or propose measures to the appropriate governing bodies.

Additionally, the Assets and Liabilities Committee (ALCO) plays a key role in interest rate risk management, requesting, receiving and analysing the necessary documentation. ALCO, either directly or through the General Finance Department, will promote the necessary risk management measures.

The ALCO will discuss the strategies for managing IRRBB exposure and submit them for authorisation to the Board of Directors or its delegated body (e.g., via the Annual Financing Plan).

To ensure ongoing risk monitoring, the Risk Appetite Framework includes metrics to quantify and report exposure levels. The framework also establishes the governance, review, and update mechanisms for these metrics.

b) Organisation of the risks, powers, responsibilities and delegation function. Risk control function

The governing bodies responsible for interest rate risk management and control are defined in the Interest Rate and Credit Spread Risk Manual and include:

- **Board of Directors**

  The highest authority on risk and policy matters within the Group. In this regard, the main functions carried out by the Board of Directors, or its delegated committees —particularly the Risk Committee— in relation to risk management are as follows:

  - Establish policies for the management and control of interest rate risk and credit spread risk, through manuals that will be mandatory for the entire organisation. The developments and procedures for managing and controlling these risks must always adhere to the policies established by the Board.
  - Make necessary decisions within its role as the governing body and, where applicable, establish a decision delegation system that ensures a clear allocation of responsibilities.
  - Be informed of and monitor risk information, either directly or through its delegated committees.
  - Participate in risk management either directly or through its delegated committees and assess the adequacy of the resources allocated to the risk management, control, and audit functions.
  - Define the Group's Risk Appetite Framework, in accordance with the provisions set out in the relevant manuals and regulations.

- **General Finance Department**

  Defines, implements, and executes the IRRBB risk management policy and is responsible for managing GCC's balance sheet financial risk in relation to interest rate risk and credit spread risk.

- **Assets and Liabilities Committee (ALCO)**

  The primary body responsible for supervising balance sheet risks.

- **Advanced Models Department**

  Contributes to risk measurement and quantification within its scope. Its mission is the design, development, and monitoring of the Group's decision-support model system.

- **Data Governance and Management Department**

  Responsible for designing and coordinating the implementation of financial and management information systems required to meet the Group's internal and external information needs at any given time. Its primary objective is to ensure that useful and reliable information is always provided.

- **General Control Department**

  Acts as the second line of defence for interest rate risk and credit spread risk.

- **General Internal Audit Department**

  As the third line of defence, it reports functionally and hierarchically to the Board of Directors and therefore maintains absolute independence from the business, risk management, and risk control areas.

c) Management tools: measurement, communication, control and monitoring systems

The Group manages interest rate risk using a specific tool (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 Group manages interest rate risk at the consolidated level. The sensitivity analysis performed by the Group from a "Net interest income perspective" and from an "Economic value perspective" is presented below:

Group net interest income perspective:

The sensitivity of net interest income is analysed from a dynamic point of view, assuming a static balance sheet —i.e. maintaining the size and structure of the balance sheet— for various scenarios of interest rate changes. 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 3.49% (5.09% in 2023).

Group economic value perspective:

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 0.99% (6.32% in 2023).

Analysis of interest rate risk from the economic value perspective at 31 December 2024 and 31 December 2023

The following tables show the analysis of interest rate risk that affects the Entity's financial activity at 31 December 2024 and 31 December 2023:

	Thousands of Euros									
2024	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 and 12 months**	**Over 12 months**	**Total sensitive**	**Sensitivity**	**Term**	**Not sensitive**	**Total**
Assets										
Money market	132,830	20,436,538	-	-	-	20,569,368	485	0.24%	591,192	21,160,560
Credit market	3,450,600	5,891,024	4,559,599	9,316,992	4,084,949	27,303,164	3,963	1.45%	123,854	27,427,019
Capital markets	805,816	856,677	15,255	1,673	99,531	1,778,952	81	0.45%	9,664	1,788,616
Other assets	-	-	-	-	-	-	-	-	5,195,048	5,195,048
	4,389,246	**27,184,239**	**4,574,854**	**9,318,665**	**4,184,480**	**49,651,485**	**4,528**	**0.91%**	**5,919,758**	**55,571,243**
Liabilities										
Money market	730,169	1,336,428	24,823	16,915	135,245	2,243,579	74	0.33%	7,925	2,251,503
Medium- and long-term issues	773,059	1,519,453	499,863	755,400	114,486	3,662,260	249	0.68%	-	3,662,260
Other liabilities	327,596	301,506	-	-	-	629,102	7	0.12%	4,134,753	4,763,856
Payables	16,674,488	1,814,346	2,176,930	3,168,435	20,994,387	44,828,586	9,416	2.10%	65,037	44,893,623
	18,505,312	**4,971,733**	**2,701,615**	**3,940,750**	**21,244,118**	**51,363,528**	**9,747**	**1.90%**	**4,207,715**	**55,571,243**
Gap	**(14,116,065)**	**22,212,506**	**1,873,239**	**5,377,915**	**(17,059,638)**	**(1,712,043)**	**(5,219)**	**(0.99%)**	**1,712,043**	
Gap/Assets (%)	**(25.40%)**	**39.97%**	**3.37%**	**9.68%**	**(30.70%)**	**(3.08%)**				

2023	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Over 12 months	Total sensitive	Sensitivity	Term	Not sensitive	Total
	Thousands of Euros									
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%)**				

Note: The figures in the table above correspond to assets and liabilities analysed by the Balance Sheet Management area.

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. In accordance with Directive (EU) 2019/87, this change in value must not reduce TIER 1 capital by more than 15%.

Similarly, the publication of the EBA/RTS/2022/10 regulation has brought to light a new limit for variation of the entity's NII on variations of +-200bp. This limit came into effect in May 2024 and stands at -5%.

Internal operations, the method used to manage assets and liabilities, the type of information and the criteria applied are set out in the Entity's Assets and Liabilities Committee (ALCO) 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) <u>Risk policy: limits, diversification and mitigation</u>

In relation to management of this risk, the 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 attend to the closest maturities of liabilities.
- The Group must finance loan investments mainly using retail resources, and making the use of wholesale financing remains 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 callable liabilities derived from wholesale financing, in a six-month time horizon, may not fall below 6.5% 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 70% 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 2024 was 218.14% (comfortably above the regulatory level of 100%) and the annual average LCR was around 210.00% (185.69% at 31 December 2023).

- 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 LCR at 31 December 2024 was 152.49% (comfortably above the regulatory level of 100%) and the annual average LCR was around 151.57% (140.40% at 31 December 2023).

b) <u>Organisation of the risks, powers, responsibilities and delegation function. Risk control function.</u>

The bodies responsible for liquidity risk management and control are:

- Board of Directors.
- Risk Committee.
- CEO.
- Assets and Liabilities Committee (ALCO).
- Treasury and Capital Markets Department.
- Risk Control Department Balance Sheet and Business Risk Control.
- Balance Sheet Management.
- Accounting Operations, Securities and Cash Management.
- General Internal Audit Department.

c) <u>Management tools: measurement, communication, control and monitoring systems</u>

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 QALM application, 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 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Cash	191,158	187,969
Cash balances at central banks	422,155	434,697
Other demand deposits	20,013,942	16,672,037
Total	**20,627,255**	**17,294,703**

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 and cash equivalents for the purposes of preparing the cash flow statements for 2024 and 2023.

8. Financial instruments

8.1. Breakdown of financial assets and liabilities by nature and category

Details of the carrying amount of the financial assets and liabilities owned by the Entity at 31 December 2024 and 31 December 2023, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of Euros				
	2024				
	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	107	-	-	-	-
Equity instruments	-	-	-	11,917	-
Debt securities	-	-	-	2,485	34,835
Loans and advances:	-	451,806	-	-	28,792,739
Credit institutions	-	-	-	-	600,046
Customers	-	451,806	-	-	28,192,693
Total	**107**	**451,806**	**-**	**14,402**	**28,827,574**
	2023				
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**

	Thousands of Euros		
	2024		
	Financial liabilities held for trading	**Financial liabilities designated at fair value through profit or loss**	**Financial liabilities at amortised cost**
Financial Liabilities: Nature/Category			
Derivatives	93	-	-
Short positions	-	-	-
Deposits:			
Credit institutions	-	-	2,258,723
Customers	-	-	45,305,175
Debt securities issued	-	-	1,737,384
Other financial liabilities	-	-	331,229
Total	**93**	**-**	**49,632,511**
	2023		
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**

The fair value of the Entity's financial assets and liabilities, by nature and counterparty, at 31 December 2024 and 31 December 2023 is as follows (Note 3.28):

	Thousands of Euros									
2024			**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)	**107**	**107**	**-**	**107**	**-**	**(157)**	**-**	**-**	**107**	**-**
Derivatives	107	107	-	107	-	(157)	-	-	107	-
Non-trading financial assets mandatorily at fair value through profit or loss	**451,806**	**451,806**	**-**	**-**	**451,806**	**-**	**-**	**-**	**-**	**-**
Loans and advances	451,806	451,806	-	-	451,806	-	-	-	-	-
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)	**14,402**	**14,401**	**465**	**-**	**13,936**	**-**	**(2,414)**	**(160)**	**-**	**(26,520)**
Equity instruments	11,917	11,916	464	-	11,452	-	17	(161)	-	(10,636)
Debt securities	2,485	2,485	1	-	2,484	-	(2,431)	1	-	(15,884)
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)	**10,698**	**10,698**	**-**	**10,698**	**-**	**7,069**	**-**	**-**	**10,698**	**-**
ASSETS	**477,013**	**477,012**	**465**	**10,805**	**465,742**	**6,912**	**(2,414)**	**(160)**	**10,805**	**(26,520)**
Financial liabilities held for trading (Note 8.2)	**93**	**93**	**-**	**93**	**-**	**144**	**-**	**-**	**(93)**	**-**
Derivatives	93	93	-	93	-	144	-	-	(93)	-
Financial liabilities designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – Hedge accounting (Note 9)	**1,025**	**1,025**	**-**	**1,025**	**-**	**(1,025)**	**-**	**-**	**(1,025)**	**-**
LIABILITIES	**1,118**	**1,118**	**-**	**1,118**	**-**	**(881)**	**-**	**-**	**(1,118)**	**-**

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 (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)
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**	**-**

There were no material changes in terms of reclassification between the various levels of the fair value hierarchy in 2024 and 2023.

A breakdown of financial instruments by residual maturity at 31 December 2024 and 31 December 2023 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:

2024

	Thousands of Euros									
ASSETS	**Demand**	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Indeterminate, unclassified maturity**	**Valuation adjustments**	**Total**
Cash, cash balances at central banks and other demand deposits	**20,627,221**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34**	**20,627,255**
Financial assets held for trading	**-**	**-**	**-**	**9**	**16**	**82**	**-**	**-**	**-**	**107**
Derivatives	-	-	-	9	16	82	-	-	-	107
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**451,806**	**-**	**-**	**451,806**
Loans and advances	-	-	-	-	-	-	451,806	-	-	451,806
Customers	-	-	-	-	-	-	451,806	-	-	451,806
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**10,341**	**11,917**	**(7,856)**	**14,402**
Equity instruments	-	-	-	-	-	-	-	11,917	-	11,917
Debt securities	-	-	-	-	-	-	10,341	-	(7,856)	2,485
Financial assets at amortised cost	**299,944**	**549,602**	**1,481,508**	**1,046,234**	**2,158,807**	**7,842,724**	**13,492,720**	**2,292,970**	**(336,935)**	**28,827,574**
Debt securities	-	-	-	-	-	34,835	-	-	-	34,835
Loans and advances	299,944	549,602	1,481,508	1,046,234	2,158,807	7,807,889	13,492,720	2,292,970	(336,935)	28,792,739
Credit institutions	-	33,561	527,097	-	-	-	34	38,078	1,276	600,046
Customers	299,944	516,041	954,411	1,046,234	2,158,807	7,807,889	13,492,686	2,254,892	(338,211)	28,192,693
TOTAL	**20,927,165**	**549,602**	**1,481,508**	**1,046,243**	**2,158,823**	**7,842,806**	**13,503,061**	**2,756,693**	**(344,757)**	**49,921,144**
LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities held for trading	**-**	**-**	**-**	**8**	**16**	**69**	**-**	**-**	**-**	**93**
Derivatives	-	-	-	8	16	69	-	-	-	93
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	**37,733,473**	**880,102**	**1,943,901**	**2,502,585**	**3,203,530**	**2,577,920**	**457,002**	**216,726**	**117,272**	**49,632,511**
Deposits	37,733,473	764,339	1,943,901	2,502,585	3,203,530	884,668	457,002	1,260	73,140	47,563,898
Credit institutions	642,368	853	226,015	325,551	179,383	721,150	154,788	688	7,927	2,258,723
Customers	37,091,105	763,486	1,717,886	2,177,034	3,024,147	163,518	302,214	572	65,213	45,305,175
Debt securities issued	-	-	-	-	-	1,693,252	-	-	44,132	1,737,384
Other financial liabilities	-	115,763	-	-	-	-	-	215,466	-	331,229
TOTAL	**37,733,473**	**880,102**	**1,943,901**	**2,502,593**	**3,203,546**	**2,577,989**	**457,002**	**216,726**	**117,272**	**49,632,604**

2023

	Thousands of Euros									
ASSETS	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 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
Financial liabilities designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities 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**

The following table shows the Entity'stotal credit risk exposure net of allowances at year-end 2024 and 2023:

	Thousands of Euros	
	2024	**2023**
Financial assets held for trading	**107**	**264**
Hedging derivatives	107	264
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**451,806**	**440,139**
Loans and advances	451,806	440,139
Financial assets designated at fair value through profit or loss	**-**	**-**
Debt securities	-	-
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	**14,402**	**21,545**
Equity instruments	11,917	11,828
Debt securities	2,485	9,717
Financial assets at amortised cost	**28,827,574**	**29,274,795**
Debt securities	34,835	35,772
Loans and advances	28,792,739	29,239,023
Hedging derivatives	**10,698**	**25,333**
Total credit risk due to financial assets	**29,304,587**	**29,762,076**
Loan commitments given	4,151,507	4,248,416
Financial guarantees given	971,398	965,435
Other commitments given	1,389,065	936,336
Total off-balance sheet exposures	**6,511,970**	**6,150,187**
Total maximum exposure to credit risk	**35,816,557**	**35,912,263**

Credit risk concentration by activity, geographical area and counterparty at 31 December 2024 and 31 December 2023 is as follows:

	Thousands of Euros				
	2024				
	TOTAL	**Spain**	**Rest of the European Union**	**Latin America**	**Rest of the world**
Central banks and credit institutions	**22,561,051**	**22,561,029**	**-**	**-**	**22**
General governments	**2,676,914**	**2,676,913**	**1**	**-**	**-**
Central government	113,691	113,690	1	-	-
Other general government exposures	2,563,223	2,563,223	-	-	-
Other financial corporations and sole proprietorships (financial business activity)	**4,108,403**	**4,071,506**	**36,897**	**-**	**-**
Non-financial corporations and sole proprietorships (non-financial business activity) (broken down by sector)	**11,753,802**	**11,733,181**	**12,492**	**5,944**	**2,185**
Real estate construction and property development (including land)	245,301	245,301	-	-	-
Civil works construction	-	-	-	-	-
Other purposes	11,508,501	11,487,880	12,492	5,944	2,185
Large corporations	4,126,435	4,123,234	3,180	-	21
SMEs and sole proprietorships	7,382,066	7,364,646	9,312	5,944	2,164
Other households (broken down by purpose)	**13,387,489**	**13,122,063**	**143,653**	**15,350**	**106,423**
Housing	11,672,792	11,412,332	140,658	15,167	104,635
Consumer	444,140	441,599	1,748	138	655
Other purposes	1,270,557	1,268,132	1,247	45	1,133
TOTAL	**54,487,659**	**54,164,692**	**193,043**	**21,294**	**108,630**

	2023				
	TOTAL	**Spain**	**Rest of the European Union**	**Latin America**	**Rest of the 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 construction and property development (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**

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 valuation adjustments for specific hedging operations.

Credit risk concentration in Spain by geographical area and counterparty at 31 December 2024 and 31 December 2023 is as follows:

	Thousands of Euros									
	2024									
	TOTAL	**Andalusia**	**Aragon**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castile-La Mancha**	**Castile and Leon**	**Catalonia**
Central banks and credit institutions	**22,561,030**	**105,317**	**10,341**	**-**	**710**	**-**	**3,022**	**-**	**-**	**-**
General governments	**2,676,913**	**721,042**	**17,255**	**41,947**	**24,246**	**486,854**	**-**	**36,732**	**70,329**	**355,821**
Central government	113,691	-	-	-	-	-	-	-	-	-
Other general government exposures	2,563,222	721,042	17,255	41,947	24,246	486,854	-	36,732	70,329	355,821
Other financial corporations and sole proprietorships (financial business activity)	**4,071,506**	**3,930,296**	**27**	**1**	**623**	**699**	**-**	**148**	**897**	**14,902**
Non-financial corporations and sole proprietorships (non-financial business activity) (broken down by sector)	**11,733,180**	**3,040,127**	**118,978**	**233,960**	**302,856**	**422,690**	**112,767**	**190,374**	**866,255**	**547,228**
Real estate development and construction (including land)	245,301	98,218	5	-	587	14,575	2	15,912	6,557	4,116
Civil works construction	-	-	-	-	-	-	-	-	-	-
Other purposes	11,487,879	2,941,909	118,973	233,960	302,269	408,115	112,765	174,462	859,698	543,112
Large corporations	4,123,234	576,337	56,272	214,743	55,458	93,970	91,634	25,984	128,486	187,970
SMEs and sole proprietorships	7,364,645	2,365,572	62,701	19,217	246,811	314,145	21,131	148,478	731,212	355,142
Other households (broken down by purpose)	**13,122,063**	**3,856,947**	**94,513**	**23,462**	**457,281**	**463,867**	**13,884**	**159,146**	**635,478**	**939,383**
Housing	11,412,332	3,392,699	35,561	21,385	421,851	414,642	12,132	134,651	493,247	852,931
Consumer	441,599	118,431	1,691	708	11,813	20,864	441	6,035	20,294	15,437
Other purposes	1,268,132	345,817	57,261	1,369	23,617	28,361	1,311	18,460	121,937	71,015
TOTAL	**54,164,692**	**11,653,729**	**241,114**	**299,370**	**785,716**	**1,374,110**	**129,673**	**386,400**	**1,572,959**	**1,857,334**

	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarre**	**Valencian Community**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Central banks and credit institutions	**-**	**-**	**22,381,712**	**-**	**-**	**59,903**	**25**	**-**	**-**
General governments	**-**	**25,709**	**155,276**	**351,436**	**171**	**213,480**	**-**	**-**	**62,924**
Central government	-	-	-	-	-	-	-	-	-
Other general government exposures	-	25,709	155,276	351,436	171	213,480	-	-	62,924
Other financial corporations and sole proprietorships (financial business activity)	**47**	**42**	**108,766**	**6,571**	**5**	**8,293**	**-**	**186**	**3**
Non-financial corporations and sole proprietorships (non-financial business activity) (broken down by sector)	**71,612**	**171,371**	**2,031,342**	**1,489,030**	**64,123**	**1,836,037**	**206,042**	**18,509**	**9,879**
Real estate development and construction (including land)	-	335	16,788	36,203	210	50,758	62	-	973
Civil works construction	-	-	-	-	-	-	-	-	-
Other purposes	71,612	171,036	2,014,554	1,452,827	63,913	1,785,279	205,980	18,509	8,906
Large corporations	37,917	78,423	1,693,729	237,103	35,821	412,090	193,774	3,523	-
SMEs and sole proprietorships	33,695	92,613	320,825	1,215,724	28,092	1,373,189	12,206	14,986	8,906
Other households (broken down by purpose)	**14,916**	**61,762**	**762,368**	**2,376,317**	**54,209**	**3,129,601**	**12,892**	**10,229**	**55,808**
Housing	9,418	57,782	722,930	2,086,227	50,705	2,633,352	11,941	9,546	51,332
Consumer	391	1,480	13,493	86,556	1,902	140,230	383	351	1,099
Other purposes	5,107	2,500	25,945	203,534	1,602	356,019	568	332	3,377
TOTAL	**86,575**	**258,884**	**25,439,464**	**4,223,354**	**118,508**	**5,247,314**	**218,959**	**28,924**	**128,614**

	Thousands of Euros									
	2023									
	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castile-La Mancha	Castile and Leon	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	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	Navarre	Valencian Community	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	-	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**

Total risk includes the following balance sheet items: deposits at credit institutions, customer loans, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting valuation adjustments for specific hedging operations.

Risk is distributed by geographical 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	
	2024	2023	2024	2023
Derivatives	107	264	93	237
Equity instruments	-	-	-	-
Debt securities	-	-	-	-
Loans and advances	-	-	-	-
Total	**107**	**264**	**93**	**237**

8.2.1. Derivatives

In accordance with the matters indicated in Note 3.1 to the accompanying annual accounts, trading derivatives are classified in the trading portfolio and, as such, are measured at fair value, and any changes that may arise in their fair value are recorded directly on the statement of profit or loss.

At 31 December 2024 the fair value of asset trading derivatives is €107 thousand (€264 thousand at 31 December 2023) and the fair value of liability derivatives is €93 thousand at 31 December 2024 (€237 thousand at 31 December 2023).

The fair value of trading derivatives is 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 2024 and 31 December 2023 are shown below, classified by type of market, type of product, counterparty, remaining term and type of risk:

	Thousands of Euros							
	2024				2023			
	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	**107**	**93**	**315,036**	**3,464**	**264**	**237**	**811,489**	**3,789**
OTC options	-	-	6,927	3,464	3	3	7,577	3,789
Other OTC	107	93	308,109		261	234	803,912	
Other OTC	-	-	-		-	-	-	
DERIVATIVES	**107**	**93**	**315,036**	**3,464**	**264**	**237**	**811,489**	**3,789**
Of which: OTC – credit institutions	107	16	307,772		264	45	803,256	
Of which: OTC – other	-	78	7,264		-	192	8,233	

The fair value of the Entity's financial asset and liability derivatives, by type and counterparty, at 31 December 2024 and 31 December 2023 is as follows (Note 3.28):

2024	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	107	107	-	107	-	(157)	-	-	107	-
Financial liabilities held for trading										
Derivatives	93	93	-	93	-	144	-	-	(93)	-

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	-

8.2.2. Equity instruments

At 31 December 2024 and 31 December 2023, the Entity does not have any balances recognised under this heading.

8.2.3. Debt securities

At 31 December 2024 and 31 December 2023, the Entity does not have any balances recognised under this heading.

8.2.4. Loans and advances

At 31 December 2024 and 31 December 2023 there were no amounts recorded 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	
	2024	2023
Equity instruments	-	-
Debt securities	-	-
Loans and advances	451,806	440,139
Total	**451,806**	**440,139**

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 2024 and 31 December 2023 there were no amounts recorded under this balance sheet heading.

8.3.2. Debt securities

At 31 December 2024 and 31 December 2023, 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 2024, the Entity has recognised an account receivable from Generali in the amount of €451,806 thousand (€440,139 thousand at 31 December 2023) for the estimated variable price of the Cajamar Vida, S.A. transaction and balances relating to receivables obtained through various novation agreements.

The above figure was generated by the Group's sale of 50% of the share capital of Cajamar Vida, S.A. de Seguros y Reaseguros to Generali España, Holding de Entidades de Seguros, S.A. The overall price of the share purchase and sale is composed of a fixed price and a variable price to be determined based on the value of the business and the net asset value attained at maturity of the contract. Subsequently, to give coverage to agreements reached by the newly configured IPS and branch network, the Group signed several renegotiations in subsequent years, mainly to modify the determination of the variable price. As part of these modifications, in 2022 the fourth novation of the contract was signed, affirming their continued mutual interest in prolonging the alliance until 2035, and introducing adjustments to the cash flows and their calculations, thus 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.

At 31 December 2024, €7,277 thousand for the annual recognition of the variable price resulting from the fourth novation has been recognised in the statement of profit or loss under "Gains or (-) losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net" and €4,390 thousand in net interest income as the financial component of the operation, of which €3,414 thousand corresponds to the consolidated debt of prior years and the up-front component, and €976 thousand to the earn-out. The result recorded in 2023 for the annual recognition of the variable price amounted to €8,537 thousand, and €4,077 thousand was recognised in net interest income derived from the financial component of the transaction.

8.4. Financial assets designated at fair value through profit or loss

At 31 December 2024 and 31 December 2023, 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	
	2024	**2023**
Debt securities	2,485	9,717
Equity instruments	11,917	11,828
Loans and advances	-	-
Total	**14,402**	**21,545**

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 prices are obtained from active markets; Level 2 is for assets having prices or valuations based on variables other than those that apply to Level 1 and which are directly or indirectly observable in the market; and Level 3 contains 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).

8.5.1. Debt securities

Details of debt securities, classified based on the counterparty, are as follows:

	Thousands of Euros	
	2024	**2023**
Central banks	-	-
General governments	1	1
Credit institutions	10,340	12,772
Other private sectors	-	-
Non-performing assets	-	-
Valuation adjustments:		
Valuation adjustments for impairment	(7,856)	(3,056)
Total	**2,485**	**9,717**

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2024 was 1.91% (0.80% in 2023).

The movements in the balance of this item in the accompanying balance sheets at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance	**9,717**	**9,699**
Procurements	192,184	-
Sales and redemptions	(192,184)	(127)
Portfolio cost allowance	-	(8)
Valuation adjustments in equity	(2,432)	153
Valuation adjustments for impairment	(4,800)	-
Closing balance	**2,485**	**9,717**

The interest accrued on “Debt securities” at 31 December 2024 was €15 thousand (€12 thousand at 31 December 2023) (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 2024 are zero (zero at 31 December 2023) (Note 25).

The breakdown of impairment losses booked at 31 December 2024 and 31 December 2023 for assets under the “Financial assets at fair value through other comprehensive income – Debt securities” heading is as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance	**(3,056)**	**(3,056)**
Allowances taken to profit or loss	(4,800)	-
Recoveries	-	-
Cancellations due to use and other	-	-
Closing balance	**(7,856)**	**(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 2024 and 31 December 2023 the breakdown of this heading by the issuer's business sector is as follows:

	Thousands of Euros	
	2024	**2023**
Credit institutions	2,980	2,980
Other resident sectors	8,714	8,680
Non-residents	223	168
Total	**11,917**	**11,828**

The cumulative gains or losses taken to the Entity's other reserves from the disposal of equity instruments classified as "Financial assets at fair value through other comprehensive income" amounted to €9,825 thousand at 31 December 2024 (€9,825 thousand at 31 December 2023) (Note 18.2).

Income from "Equity instruments" amounted to €289 thousand at 31 December 2024 (€181 thousand at 31 December 2023) (Note 25).

The breakdown of the "Equity instruments" account at 31 December 2024 and 31 December 2023, based on whether the shares are listed or not and showing the percentage of the total, is as follows:

	2024		**2023**	
	Thousands of Euros	**% of total**	**Thousands of Euros**	**% of total**
Listed:	**464**	**3.89%**	**393**	**3.32%**
Cost	625	5.24%	631	5.33%
Accumulated other comprehensive income	(161)	(1.35%)	(238)	(2.01%)
Unlisted:	**11,452**	**96.10%**	**11,435**	**96.68%**
Cost	10,703	89.81%	10,703	90.49%
Accumulated other comprehensive income	750	6.29%	732	6.19%
Total	**11,917**	**100.00%**	**11,828**	**100.00%**

In 2024 and 2023, the "Equity instruments" account recorded the following movements, distinguishing between securities that are listed on an organised market and those that are not listed:

	Thousands of Euros			
	Listed		**Unlisted**	
	2024	**2023**	**2024**	**2023**
Opening balance	**393**	**241**	**11,435**	**11,537**
Additions	-	6	-	-
Disposals	(6)	-	-	-
Transfers and reclassifications	-	122	-	(122)
Accumulated other comprehensive income	77	24	17	20
Closing balance	**464**	**393**	**11,452**	**11,435**

There were no significant additions or disposals in the "Equity instruments" account in 2024 and 2023.

8.5.3. Loans and advances

At 31 December 2024 and 31 December 2023 there were no amounts recorded 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 2024 and 31 December 2023 are as follows:

Items that will not be reclassified to profit or loss	Thousands of Euros	
	2024	**2023**
Changes in the fair value of equity instruments at fair value through other comprehensive income	**562**	**491**
Gains/losses	589	494
Tax effect	(27)	(3)
Total valuation adjustments	**562**	**491**

Items that will be reclassified to profit or loss	Thousands of Euros	
	2024	**2023**
Debt instruments at fair value through other comprehensive income	**(11,912)**	**(10,089)**
Gains/losses	(15,883)	(13,452)
Tax effect	3,971	3,363
Total valuation adjustments	**(11,912)**	**(10,089)**

8.6. Financial assets at amortised cost

Details of this heading of the accompanying balance sheet are as follows:

	Thousands of Euros	
	2024	**2023**
Loans and advances to credit institutions	600,046	1,170,068
Loans and advances to customers	28,192,693	28,068,955
Debt securities	34,835	35,772
Total	**28,827,574**	**29,274,795**

The fair value of the Entity's assets at amortised cost classified by nature at 31 December 2024 and 31 December 2023 is as follows:

	Thousands of Euros			
2024	**Fair value**	**Fair value hierarchy:**		
		Level 1	**Level 2**	**Level 3**
Financial assets at amortised cost	**28,824,867**	**-**	**-**	**28,824,867**
Debt securities	32,119	-	-	32,119
Loans and advances	28,792,748	-	-	28,792,748

	Thousands of Euros			
2023	**Fair value**	**Fair value hierarchy:**		
		Level 1	**Level 2**	**Level 3**
Financial assets at amortised cost	**29,405,620**	**-**	**-**	**29,405,620**
Debt securities	32,402	-	-	32,402
Loans and advances	29,373,218	-	-	29,373,218

The following table shows loans and receivables drawn down and financial guarantees given at 31 December 2024 and 31 December 2023 by segment, portfolio and sub-portfolio:

	Thousands of Euros			
	2024		2023	
	Exposure	Distribution (%)	Exposure	Distribution (%)
Retail:	**20,233,486**	**63.07%**	**20,621,575**	**65.29%**
Housing:	**11,684,308**	**36.42%**	**11,649,696**	**36.89%**
Usual residence	10,144,440	31.62%	10,226,481	32.38%
Other uses	1,539,868	4.80%	1,423,215	4.51%
Other household financing:	**1,034,933**	**3.23%**	**997,561**	**3.16%**
Micro-consumer	821,758	2.56%	679,981	2.15%
Other goods and services	213,176	0.66%	317,580	1.01%
Automatically renewable:	**634,485**	**1.98%**	**658,271**	**2.08%**
Credit cards	629,041	1.96%	653,035	2.07%
Overdrafts	5,444	0.02%	5,236	0.01%
Small businesses:	**3,656,824**	**11.40%**	**4,009,294**	**12.69%**
Self-employed	957,621	2.99%	1,110,541	3.52%
Micro-enterprises	1,372,864	4.28%	1,503,424	4.76%
Small retail	938,472	2.93%	1,001,432	3.17%
Medium retail	387,868	1.21%	393,897	1.24%
Retail agri-food:	**3,222,935**	**10.05%**	**3,306,753**	**10.47%**
Greenhouse cultivation	577,532	1.80%	601,027	1.90%
Other agri-food sector	2,645,404	8.25%	2,705,726	8.57%
Corporate:	**7,483,402**	**23.33%**	**7,027,725**	**22.25%**
Developers:	**363,344**	**1.13%**	**425,919**	**1.35%**
Housing development	253,545	0.79%	302,605	0.96%
Land	31,741	0.10%	44,618	0.14%
Other developers	78,059	0.24%	78,696	0.25%
Corporate agri-food:	**2,980,526**	**9.29%**	**2,974,311**	**9.42%**
Agri-food producer	473,149	1.47%	541,083	1.71%
Agri-food distributor	2,037,432	6.35%	2,061,843	6.53%
Agri-food auxiliary industry	469,944	1.46%	371,385	1.18%
SMEs:	**925,845**	**2.89%**	**1,330,450**	**4.21%**
Small	474,786	1.48%	775,987	2.46%
Medium	451,059	1.41%	554,463	1.75%
Large companies:	**3,213,688**	**10.02%**	**2,297,045**	**7.27%**
General government:	**4,007,363**	**12.49%**	**3,562,603**	**11.28%**
Non-profits:	**128,135**	**0.40%**	**129,438**	**0.41%**
Financial intermediaries:	**227,948**	**0.71%**	**242,643**	**0.77%**
Total loan portfolio	**32,080,335**	**100.00%**	**31,583,984**	**100.00%**
Of which: structured transactions	**68,134**	**0.21%**	**84,003**	**0.27%**

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 loans and advances to customers, 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	
	2024	**2023**
Term deposits	**433,271**	**414,409**
Reverse repurchase agreements	**100,034**	**686,621**
Other financial assets	**65,465**	**67,988**
Valuation adjustments	**1,277**	**1,050**
Accrued interest	1,275	1,046
Unaccrued transaction costs	2	4
Total	**600,047**	**1,170,068**

Details of the amounts, without valuation adjustments in respect of credit quality, at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Performing exposures	598,770	1,169,018
Of which: Performing exposures under special monitoring	-	-
Non-performing exposures	-	-
Closing balance	**598,770**	**1,169,018**

At year-end 2024 and 2023, there were no impairment losses on "Loan 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	
	2024	**2023**
By loan type and status:		
Commercial loans	1,955,823	1,555,684
Secured loans	14,292,989	14,710,822
Other term loans	10,478,511	10,396,285
Finance leases	284,228	284,875
Receivables on demand and other	648,520	630,418
Non-performing assets	622,092	629,057
Other financial assets:		
Commissions for financial guarantees and other commitments given (Note 21.2) (Note 21.3)	69,489	54,804
Other financial assets	179,253	260,702
Of which: in arrears	*416*	*361*
Valuation adjustments	(338,211)	(453,692)
Total	**28,192,694**	**28,068,955**
By sector:		
General governments	2,641,694	2,451,421
Other private sectors:		
Financial corporations	2,102,830	2,048,667
Non-financial corporations	8,305,917	8,361,223
Households	15,142,253	15,207,644
Total	**28,192,694**	**28,068,955**

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 2024 was 4.42% (4.59% in 2023).

In 2024 and 2023 the Entity individually assigned certain loans for non-material amounts, recognising income of €2,716 thousand (€9,002 thousand in 2023). In addition, the Group sold a number of loan books containing receivables of various types, origin, age and amount and generally with varying terms and guarantees (mortgage and non-mortgage) (Notes 8.6.5 and 8.6.6).

Details of the amounts, without valuation adjustments, of loans and advances to customers at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Performing exposures	27,908,397	27,893,229
Of which: Performing exposures under special monitoring	*3,079,594*	*2,987,119*
Non-performing exposures	622,092	629,057
Other assets in arrears	416	361
Closing balance	**28,530,905**	**28,522,647**

The amount of the collateral received to secure the transactions recorded under "Loans and advances to customers" at 31 December 2024 and 31 December 2023 is as follows:

	Thousands of Euros						
	Maximum amount of collateral or personal guarantee that can be considered						
2024	**Loans collateralised by property**		**Other collateralised loans**				**Financial guarantees received**
	Residential buildings	**Commercial buildings**	**Cash, deposits, [debt securities issued]**	**Moveable goods**	**Equity instruments and Debt securities**	**Other**	
Loans and advances	**12,345,740**	**2,016,295**	**16,070**	**13,114**	**-**	**173,093**	**2,731,389**
Of which: Other financial corporations	1,017	645	50	-	-	2,717	**2,845**
Of which: Non-financial corporations	274,924	1,200,392	11,118	6,608	-	114,533	**2,191,332**
Of which: Small and medium-sized enterprises	271,431	1,040,801	10,423	3,203	-	91,156	**1,633,394**
Of which: Business property loans to small and medium-sized enterprises	199,315	1,040,801	413	85	-	20,449	**86,460**
Of which: Business property loans to non-financial corporations other than small and medium-sized enterprises	3,176	159,592	-	-	-	5,193	**523**
Of which: Households	12,052,602	807,274	4,832	6,506	-	53,162	**520,172**
Of which: Lending for housing purchase	11,407,755	112,424	1,268	132	-	3,251	**13,275**
Of which: Consumer credit	53,266	5,368	791	46	-	2,595	**7,099**

	Thousands of Euros						
	Maximum amount of collateral or personal guarantee that can be considered						
2023	**Loans collateralised by property**		**Other collateralised loans**				**Financial guarantees received**
	Residential buildings	**Commercial buildings**	**Cash, deposits, [debt securities issued]**	**Moveable goods**	**Equity instruments 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: Business property loans to small and medium-sized enterprises	219,892	1,215,980	869	-	-	-	**99,233**
Of which: Business property 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 housing purchase	11,269,708	120,552	1,150	-	-	-	**14,164**
Of which: Consumer credit	60,706	6,742	1,491	-	-	-	**8,839**

The breakdown of loans and advances to customers at 31 December 2024 and 31 December 2023 by counterparty, showing the amount covered by each of the main guarantees and the distribution of the secured loans according to the ratio of the carrying amount of the loan to the amount of the latest available appraisal or valuation of the collateral, is as follows:

2024	Thousands of Euros							
				Secured loans, carrying amount based on latest available appraisal (loan to value)				
	Total	Of which: Real estate collateral	Of which: Other collateral	Less than or equal to 40%	Over 40% and equal to or less than 60%	Over 60% and equal to or less than 80%	Over 80% and equal to or less than 100%	Over 100%
General governments	**2,634,700**	**29,073**	**2,752**	**11,257**	**10,231**	**365**	**381**	**9,592**
Other financial corporations and sole proprietorships (financial business activity)	**1,951,058**	**4,303**	**2,806**	**4,513**	**1,441**	**507**	**152**	**496**
Non-financial corporations and sole proprietorships (non-financial business activity)	**10,603,287**	**2,432,892**	**184,224**	**1,296,790**	**771,172**	**380,493**	**67,992**	**100,670**
Real estate development and construction (including land)	188,959	172,634	4,696	73,364	54,868	33,432	4,832	10,833
Other purposes	10,414,328	2,260,259	179,529	1,223,426	716,304	347,061	63,160	89,837
Large corporations	3,318,113	169,052	28,286	99,537	54,563	21,875	8,367	12,996
SMEs and sole proprietorships	7,096,215	2,091,207	151,243	1,123,890	661,741	325,186	54,793	76,841
Other households	**13,003,650**	**12,011,195**	**35,026**	**3,408,750**	**3,559,761**	**3,950,937**	**855,924**	**270,848**
Housing	11,672,792	11,584,750	5,040	3,205,275	3,445,142	3,868,084	829,366	241,923
Consumer	444,140	59,882	4,071	37,082	13,407	8,752	2,115	2,598
Other purposes	886,718	366,562	25,914	166,393	101,212	74,102	24,443	26,326
Total	**28,192,695**	**14,477,464**	**224,808**	**4,721,310**	**4,342,605**	**4,332,303**	**924,449**	**381,605**
Memorandum items:								
Refinancing, refinanced and restructured transactions	**642,008**	**384,265**	**8,032**	**101,017**	**131,324**	**87,717**	**42,861**	**29,377**

2023	Thousands of Euros							
				Secured loans, carrying amount based on latest available appraisal (loan to value)				
	Total	Of which: Real estate collateral	Of which: Other collateral	Less than or equal to 40%	Over 40% and equal to or less than 60%	Over 60% and equal to or less than 80%	Over 80% and equal to or less than 100%	Over 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 items:								
Refinancing, refinanced and restructured transactions	**745,951**	**468,944**	**2,995**	**115,330**	**154,090**	**115,581**	**45,669**	**41,269**

The total exposure includes customer loans net of the impairment provisions recognised to cover specific transactions.

The composition of risk by total amount per customer under “Loans and advances to customers” in the “Financial assets at amortised cost” portfolio at 31 December 2024 and 31 December 2023 is as follows:

	Thousands of Euros					
	2024			2023		
Thousands of Euros	**Risk**	**Distribution**	**Of which: Non-performing assets**	**Risk**	**Distribution**	**Of which: Non-performing assets**
Exceeding 6,000	7,417,653	26.00%	14,454	6,819,417	23.91%	8,004
Between 3.000 and 6.000	661,966	2.32%	40,396	657,666	2.31%	32,675
Between 1.000 and 3.000	1,420,398	4.98%	101,508	1,519,210	5.33%	73,623
Between 500 and 1.000	1,361,924	4.77%	67,831	1,458,113	5.11%	80,476
Between 250 and 500	2,781,389	9.75%	74,823	2,729,991	9.57%	77,480
Between 125 and 250	4,692,445	16.45%	103,453	4,724,227	16.56%	123,406
Between 50 and 125	6,955,712	24.38%	128,656	7,275,944	25.51%	140,367
Between 25 and 50	1,993,188	6.99%	46,616	2,050,540	7.19%	44,965
Less than 25	1,246,229	4.36%	44,770	1,287,539	4.51%	48,422
Valuation adjustments	(338,211)			(453,692)		
Loans and advances	**28,192,693**	**100.00%**	**622,508**	**28,068,955**	**100.00%**	**629,418**

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	
	2024	**2023**
Valuation adjustments:		
Impairment allowances	(599,268)	(679,751)
Impairment allowances for other financial assets	(624)	(558)
Accrued interest	110,291	109,022
Accumulated changes in fair value not due to credit risk	(2,704)	(3,359)
Premiums/discounts on acquisition	(17,094)	(20,538)
Commissions	(25,584)	(30,302)
Transaction costs	196,771	171,794
Total	**(338,212)**	**(453,692)**

8.6.2.2. Transfer and derecognition of financial assets

The Entity has transferred various 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 2024 and 31 December 2023 was as follows:

	Thousands of Euros	
	2024	**2023**
Written off the balance sheet:	**278,162**	**181,635**
Other transfers to credit institutions	4,650	7,189
Other transfers	273,512	174,446
Held on the balance sheet:	**2,160,016**	**3,166,757**
Loans granted to securitisation funds	2,160,016	3,166,757
Total	**2,438,178**	**3,348,392**

The balance recorded at 31 December 2024 and 31 December 2023 of transactions written off the balance sheet "Other transfers" corresponds to loans assigned by the Entity to third parties and for which it retains management (Note 8.6.2.4)

The Entity has transformed loans into bonds that may be discounted through the assignment of securitisation funds that, while recorded under “Loans and advances”, allows financing to be obtained by pledging those items. At 31 December 2024 the Entity held €1,900,653 thousand in retained securitised bonds from the above-mentioned transformations of loans and credit facilities (€2,757,658 thousand at 31 December 2023) (Note 8.7.3).

No amount of the aforementioned €1,900,653 thousand in securitisation bonds existing at 31 December 2024, or of the €2,757,658 thousand existing at 31 December 2023, 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 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 €295,677 thousand in 2024 and €444,020 thousand in 2023, under the heading “Participation mortgages issued” (Note 8.7.3).

During 2024 and 2023, the following funds were cancelled:

Year 2024

Identifier	Stake	Origination date	Type of securitisation	Nature	Amount at origination date (Thousands of Euros)
RURAL HIPOTECARIO X FTA	29,86%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	561,467
RURAL HIPOTECARIO XI FTA	29,02%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	633,195
RURAL HIPOTECARIO XII F.T.A.	29,55%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	268,786
IM CAJAMAR3 FTA	100,00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000
					2,663,448

Year 2023

Identifier	Stake	Origination date	Type of securitisation	Nature	Amount at origination date (Thousands of Euros)
RURAL HIPOTECARIO Global I FTA	54.2%	18/11/2005	Multi-assignor	ON-BALANCE SHEET	588,002
					588,002

The securitisation arrangements in force at 31 December 2024 and 31 December 2023 to which the Entity is party are as follows:

31 December 2024

Identifier	Stake	Origination date	Type of securitisation	Nature	Amount at origination date (Thousands of Euros)	Amount of securitised positions at reporting date (Thousands of Euros)
TDA19-MIXTO FTA	67.17%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	15,115
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	62,699
RURAL HIPOTECARIO VIII FTA	35.08%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	32,995
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	117,769
RURAL HIPOTECARIO IX FTA	43.27%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	575,585	76,385
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	123,103
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	317,704
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	275,183
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	111,429
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	380,245
IM BCC CAJAMAR PYME 3, F.T.	100.00%	06/04/2021	Other	ON-BALANCE SHEET	1,000,000	267,314
IM BCC CAJAMAR PYME 4, F.T.	100.00%	16/03/2022	Other	ON-BALANCE SHEET	900,000	380,075
					10,624,543	**2,160,016**

31 December 2023

Identifier	Stake	Origination date	Type of securitisation	Nature	Amount at origination date (Thousands of Euros)	Amount of securitised positions at reporting date (Thousands of Euros)
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**

8.6.2.3. Impairment losses on loans and advances – Customer loans

Details of impairment losses booked at 31 December 2024 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 2023	**(95,663)**	**(323,960)**	**(260,128)**	**(679,751)**
Increases due to origination and acquisition	(11,102)	(16,392)	(8,291)	(35,785)
Decreases due to derecognitions	24,465	22,340	75,924	122,729
Changes due to variation in credit risk (net)	29,278	59,604	(182,519)	(93,637)
Changes due to modifications without derecognition (net)	409	(510)	(2,221)	(2,322)
Changes due to revision of the entity’s estimation model (net)	-	-	-	-
Decrease in the allowance account as a result of delinquent loans written off	-	12,715	76,345	89,060
Other adjustments	18	-	421	439
Balance at 31 December 2024	**(52,595)**	**(246,204)**	**(300,469)**	**(599,268)**

Changes in gross exposures and impairment at 31 December 2024 as follows:

	Thousands of Euros			
Gross exposure transfers:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		517,379	4,169	**521,548**
To Stage 2:	976,648		16,695	**993,343**
To Stage 3:	110,786	176,530		**287,316**
Impairment transfers:				
To Stage 1:		1,631	18	**1,649**
To Stage 2:	34,836		1,176	**36,012**
To Stage 3:	58,592	56,645		**115,237**

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	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 derecognitions	12,626	11,781	207,550	231,957
Changes due to variation 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 the allowance account as a result of delinquent loans written off	-	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			
Gross exposure transfers:	**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**
Impairment transfers:				
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 on other financial assets classified in “Loans and advances – Customer loans” at 31 December 2024 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2023	**(227)**	**-**	**(331)**	**(558)**
Increases due to origination and acquisition	(5)	-	(252)	(257)
Decreases due to derecognitions	-	-	181	181
Changes due to variation in credit risk (net)	-	-	9	9
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to revision of the entity’s estimation model (net)	-	-	-	-
Decrease in the allowance account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 December 2024	**(232)**	**-**	**(393)**	**(625)**

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			
	Valuation adjustments			
	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 derecognitions	-	-	89	89
Changes due to variation 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 the allowance account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 December 2023	**(227)**	**-**	**(331)**	**(558)**

8.6.2.4. Customer loans and advances pledged as collateral for issues

Of the loans and receivables recorded in the balance sheet, the Entity has certain balances pledged as collateral, mainly related to securitisations, mortgage covered bond issuances and the conversions carried out. The following table presents data on the assets used as collateral, as well as the amount of securities issued against these assets:

Thousands of Euros

	2024		2023	
	Gross carrying amount	Nominal amount	Gross carrying amount	Nominal amount
Mortgage covered bonds	**5,203,201**	**5,200,000**	**5,596,588**	**5,600,000**
Cover assets	6,943,466	6,833,390	7,529,716	7,448,181
Public sector bonds	**750,000**	**750,000**	**750,000**	**750,000**
Cover assets	1,708,621	1,697,001	1,514,702	1,502,031
Total securitised loans	**2,160,016**		**3,166,757**	
Collateralised mortgage bonds	407,170	405,946	577,758	580,839
Mortgage transfer certificates	1,562,281	1,563,520	2,033,556	2,048,637
Of which: Off-balance sheet	*223,886*	*221,348*	*106,359*	*104,691*
Total cover assets	**10,621,538**	**10,499,857**	**11,655,732**	**11,579,688**

The balance of “Mortgage Transfer Certificates” recorded off-balance sheet at 31 December 2024 and 2023 corresponds to issuances linked to loans transferred by to third parties, for which the Entity retains collection management (Note 8.6.2.2).

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 2024 and 31 December 2023 are as follows (Note 25):

	Thousands of Euros	
	2024	2023
Charges for the year:	**(1,419,730)**	**(653,156)**
Allowances recognised in profit or loss	(1,369,498)	(592,599)
Repayments, net of loan losses	(50,232)	(60,557)
Recovery of write-offs	**23,507**	**43,196**
Other recoveries	**1,285,057**	**421,484**
Country risk	**17**	**6**
Charges	(11)	(25)
Recoveries	28	31
Total	**(111,149)**	**(188,470)**

8.6.4. Debt securities

Details of debt securities, classified based on the counterparty, are as follows:

	Thousands of Euros	
	2024	**2023**
Central banks	-	-
General governments	34,835	35,772
Credit institutions	-	-
Other private sectors	-	-
Non-performing assets	-	-
Total	**34,835**	**35,772**

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2024 was 1.94% (1.84% in 2023).

This account includes financial assets managed as per a business model designed to generate cash flows comprising principal and interest, holding the assets until maturity or close to maturity.

The return on “Debt securities” at 31 December 2024 was €196 thousand (€971 thousand at 31 December 2023) (Note 25).

Movements in the balance under this heading of the accompanying balance sheets in 2024 and 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance	**35,772**	**-**
Purchases	-	35,456
Portfolio cost allowance	(938)	(161)
Accrued interest	1	477
Closing balance	**34,835**	**35,772**

The gains or losses on disposal of assets classified as “Financial assets at amortised cost” recognised in profit or loss at 31 December 2024 are €33 thousand (zero at 31 December 2023) (Note 25).

8.6.5. *Information on performing exposures in Loans and advances*

The classification by days past-due of performing exposures in the loans and receivables portfolio is as follows:

2024	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 (*)	**28,770,124**	**28,605,399**	**164,725**	**25,691,030**	**3,079,594**
Central banks	-	-	-	-	-
General governments	2,641,694	2,641,694	-	2,640,207	1,488
Credit institutions	600,046	600,046	-	600,046	-
Other financial corporations	2,236,061	2,236,012	49	1,327,046	909,015
Non-financial corporations	8,233,936	8,191,050	42,886	7,166,908	1,067,027
Of which: Small and medium-sized enterprises	4,866,545	4,825,193	41,352	4,092,434	774,112
Of which: Collateralised by commercial immovable property	1,273,511	1,261,916	11,595	990,221	283,290
Households	15,058,387	14,936,597	121,790	13,956,823	1,102,064
Of which: Loans collateralised by residential immovable property	12,114,692	12,009,997	104,695	11,278,631	836,059
Of which: Consumer credit	441,394	437,961	3,433	417,173	24,220
Total debt instruments at amortised cost	**28,770,124**	**28,605,399**	**164,725**	**25,691,030**	**3,079,594**

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**

(*) Not including cash balances at central banks and other demand deposits.

In 2024, as indicated in Note 8.6.2, the Entity sold various loan books. These sales resulted in the derecognition of performing assets in a gross amount of €46,277 thousand) (€34,098 thousand at 31 December 2023).

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:

2024	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: 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	490	491	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	311	25	211	-	75	311	311	-	-
Non-financial corporations	416,229	74,934	43,643	76,857	220,795	413,971	416,229	-	50,769
Of which: Small and medium-sized enterprises	357,439	52,867	41,932	66,342	196,298	356,251	357,439	-	47,910
Of which: Collateralised by commercial immovable property	79,870	18,982	11,734	6,403	42,751	79,225	79,870	-	37,884
Households	205,477	74,936	18,806	25,969	85,766	199,712	205,477	-	98,111
Of which: Loans collateralised by residential immovable property	124,316	55,980	12,460	14,812	41,064	120,478	124,316	-	85,752
Of which: Consumer credit	11,800	1,863	1,285	1,890	6,762	11,698	11,800	-	1,350
Total debt instruments at amortised cost	**622,508**	**149,895**	**62,660**	**102,826**	**307,127**	**614,484**	**622,508**	**-**	**148,880**

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: 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**

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 €9,314 thousand at 31 December 2024 (€10,099 thousand at 31 December 2023).

Details of and movements in non-performing financial assets at amortised cost at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance	**629,418**	**869,096**
Additions	**411,770**	**480,896**
Disposals	**418,680**	**720,574**
Collected in cash	75,231	110,353
Foreclosure or receipt of assets	3,801	18,058
Performing	11,970	22,286
Performing exposures under special monitoring	61,897	135,482
Write-offs	127,106	146,486
Asset transfers	132,526	277,649
Other disposals	6,150	10,260
Closing balance	**622,508**	**629,418**

Details of and movements in financial assets at amortised cost classified as write-offs at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Write-offs (a)		
Opening balance	**495,761**	**573,163**
Total additions	**169,958**	**183,261**
Use of accumulated impairment balance	89,059	94,626
Direct write-down in profit or loss	65,394	71,437
Contractually callable interest (b)	4,898	15,219
Other items	10,607	1,979
Total disposals	**97,369**	**260,663**
Collection of principal in cash from counterparties	28,943	52,752
Collection of interest in cash from counterparties	56	80
Forgiveness	7,010	9,557
Time-barred	1,059	3,086
Foreclosure of tangible assets	-	-
Foreclosure of other assets	-	-
Debt refinancing or restructuring	-	-
Sale	60,301	195,188
Collection from assignees	4,298	12,138
Definitive loss	56,003	183,050
Other items	-	-
Exchange differences	**-**	**-**
Closing balance	**568,351**	**495,761**

(a) Amount of additions and disposals during the year recognised under “Write-offs”. This 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 Note 8.6.2 to these annual accounts, the Entity derecognised a gross amount of €108,706 thousand of non-performing assets and €9,089 thousand of assets classified as write-offs. In 2023 the Entity derecognised €242,344 thousand of non-performing assets and €98,347 thousand of assets classified as write-offs.

8.7. Financial liabilities measured at amortised cost

Details of this liabilities account on the balance sheets at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Deposits from central banks	-	-
Deposits from credit institutions	2,258,723	4,003,334
Customer deposits	45,305,175	41,481,080
Debt securities issued	1,737,384	1,122,346
Of which: Subordinated liabilities	-	-
Other financial liabilities	331,229	363,913
Total	**49,632,511**	**46,970,673**

The fair value of the Entity's financial liabilities measured at amortised cost classified by nature at 31 December 2024 and 31 December 2023 is as follows:

	Thousands of Euros			
2024	**Fair value**	**Fair value hierarchy:**		
		Level 1	**Level 2**	**Level 3**
Financial liabilities at amortised cost	**49,765,812**	**3,196,662**	**399,517**	**46,169,633**
Deposits	47,667,743	1,429,822	399,517	45,838,404
Debt securities issued	1,766,840	1,766,840	-	-
Other financial liabilities	331,229	-	-	331,229

	Thousands of Euros			
2023	**Fair value**	**Fair value hierarchy:**		
		Level 1	**Level 2**	**Level 3**
Financial liabilities at amortised cost	**46,986,510**	**4,298,641**	**-**	**42,687,869**
Deposits	45,484,413	3,160,457	-	42,323,956
Debt securities issued	1,138,184	1,138,184	-	-
Other financial liabilities	363,913	-	-	363,913

8.7.1 Deposits from central banks

At 31 December 2024 and 31 December 2023, 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 using the mechanisms governing Eurosystem monetary policy, the Entity holds a loan on which it has pledged securities for €716,644 thousand (€201,934 thousand at 31 December 2023) (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	
	2024	**2023**
Reciprocal accounts	160	-
Current accounts	642,209	612,728
Term deposits	185,394	228,830
Repurchase agreements	1,423,034	3,149,515
Valuation adjustments:		
Accrued interest	7,927	12,261
Total	**2,258,724**	**4,003,334**

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	
	2024	**2023**
Demand deposits	37,089,795	34,033,389
Term deposits	7,847,295	6,945,686
Participation mortgages issued	295,677	444,020
Cash received	*2,202,269*	*3,207,617*
Loans (-)	*(5,939)*	*(5,939)*
Debt securities (-)	*(1,900,653)*	*(2,757,658)*
Other accounts	7,195	4,552
Valuation adjustments:		
Accrued interest	*70,734*	*57,853*
Unaccrued transaction costs	*(5,520)*	*(4,420)*
Micro-hedging transactions	-	-
Total	**45,305,176**	**41,481,080**

The average effective interest rate on customers' demand and term deposits at the Group in 2024 was 2.38% (2.14% in 2023).

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	
	2024	**2023**
Marketable debt securities	1,737,384	1,122,346
Total	**1,737,384**	**1,122,346**

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	
	2024	**2023**
Mortgage bonds	5,193,252	5,596,767
Other secured bonds	750,000	750,000
Treasury shares	(4,250,000)	(5,250,000)
Valuation adjustments	44,132	25,579
Total	**1,737,384**	**1,122,346**

The movement of each type of financial liability during 2024 and 2023, without taking into account valuation adjustments, is as follows:

	Thousands of Euros				
	2024				
	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	**1,096,767**	1,346,484	(750,000)	-	**1,693,251**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage securities	**1,096,767**	1,346,484	(750,000)	-	**1,693,251**
Other debt instruments issued	**-**	-	-	-	**-**
Other secured bonds	**-**	-	-	-	**-**

	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 instruments issued	**-**	-	-	-	**-**
Other secured bonds	**-**	750,000	(750,000)	-	**-**

Details of issues placed and pending maturity under “Mortgage bonds” at 31 December 2024 are as follows:

Date		Thousands of Euros				
Issuance	**Maturity**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**
25/01/2024	25/07/2029	596,484	-	AA+	Standard & Poor's	3.38%
31/03/2023	31/03/2029	350,000	-	AA+	Standard & Poor's	3.55%
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%
12/03/2024	12/03/2031	750,000	(750,000)	AAH	DBRS	4.66%
	Total issuances	**5,193,251**	**(3,500,000)**			

Details of issues placed and pending maturity under “Mortgage bonds” at 31 December 2023 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%
07/05/2020	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)**			

In 2024, the Entity completed two issues of mortgage bonds for a total of €1,346,484 thousand. The Entity also redeemed early the mortgage covered bond issues “Cajamar 2017 Series II” (€750,000 thousand nominal) and “Cajamar 2020 Series I” (€1,000,000 thousand nominal), both of which were fully retained. During 2023, the Entity issued mortgage covered bonds for a total of €1,096,767 thousand, while also redeeming a maturing covered bond issuance for €497,220 thousand in cash.

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.

Details of the balances of “Other secured bonds” and “Other debt instruments issued” at 31 December 2024 are 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)	AA	DBRS	3.55%
	Issuance	**750,000**	**(750,000)**			

Details of the balances of "Other secured bonds" and "Other debt instruments issued" at 31 December 2023 were 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)**			

The interest accrued at 31 December 2024 on debt securities issued amounted to €56,684 thousand (€33,806 thousand at 31 December 2023) (Note 25) and is included in "Interest expenses" on the accompanying statements of profit or loss.

Of the balance of "Debt securities issued" at 31 December 2024, €336,644 thousand was pledged under the loan agreement secured by a pledge of securities and other assets entered into with the Bank of Spain (€1,934 thousand at 31 December 2023) (Note 8.7.1).

8.7.4.2. Subordinated liabilities

At 31 December 2024 and 31 December 2023, 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 sheets are classified as part of the "Financial liabilities at amortised cost" portfolio and therefore they 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	
	2024	**2023**
Payment obligations	57,584	75,186
Guarantees received	5,135	5,622
Clearing houses	-	15,201
Tax collection accounts	155,610	124,047
Special accounts	39,910	84,185
Financial guarantees	18,130	18,370
Other items	54,860	41,302
Total	**331,229**	**363,913**

The liabilities recognised under "Payment obligations" on the accompanying balance sheet at 31 December 2024 and 31 December 2023 and arising from the obligations assumed by the Entity in operating leases, by remaining lease term, are as follows:

2024

	Thousands of Euros							
CATEGORY	**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	**19,868**	6,887	3,400	3,308	879	774	719	3,901
Rest of spaces	**1,033**	296	141	144	130	101	67	154
Vehicles	**1,260**	405	209	217	219	161	40	11
Total	**22,161**	**7,588**	**3,750**	**3,669**	**1,228**	**1,036**	**826**	**4,066**

2023

	Thousands of Euros							
CATEGORY	**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**

The average discount rate used to determine the payment obligations arising under operating leases is 5.07% at 31 December 2024 (4.34% at 31 December 2023).

The amount of capitalised rights-of-use arising from operating leases is shown in Note 12.

9. Derivatives – Hedge accounting (assets and liabilities)

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 2024 the Entity had recognised €10,698 thousand for the fair value of asset derivatives (€25,333 at 31 December 2023). The fair value of derivatives on the liabilities side totalled €1,025 thousand at 31 December 2024 (€0 at 31 December 2023).

The instruments covered by micro-hedges are wholesale issues with a fixed-rate coupon.

Also regarding micro-hedges, in order to hedge the interest rate risk associated with the value of mortgages, the Entity has an interest rate swap (IRS) portfolio. This portfolio economically hedges the fair value of a raft of mortgage loans granted to customers at fixed rates against a reference rate, thereby reducing exposure to changes in the fair value of the loans granted as a result of fluctuations in the reference rates. At 31 December 2024 the result of the fair-value adjustment to loans and receivables was a negative €655 thousand (negative €1,103 thousand at 31 December 2023).

At 31 December 2024, 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 values of financial derivatives recorded under "Derivatives – Hedge accounting" at 31 December 2024 and 31 December 2023 are set out below, by counterparty, remaining term and type of risk:

	Thousands of Euros							
	2024				2023			
	Carrying amount		Notional amount		Carrying amount		Notional amount	
	Assets	Liabilities	Total hedges	Of which: sold	Assets	Liabilities	Total hedges	Of which: sold
Interest rate	7,759	1,025	1,700,000	-	21,704	-	1,100,000	-
Other OTC	7,759	1,025	1,700,000		21,704	-	1,100,000	
FAIR VALUE HEDGES	7,759	1,025	1,700,000	-	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	2,939	-	20,000	-	3,629	-	20,000	-
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	-	-	-	-	-	-	-	-
DERIVATIVES-HEDGE ACCOUNTING	10,698	1,025	1,720,000	-	25,333	-	1,120,000	-
Of which: OTC – credit institutions	10,698	1,025	1,720,000		25,333	-	1,120,000	
Of which: OTC – other financial corporations	-	-	-		-	-	-	
Of which: OTC – others	-	-	-		-	-	-	

The fair value of the Entity's financial asset and liability derivatives, by nature and counterparty at 31 December 2024 and 31 December 2023 is as follows (Note 3.28):

2024	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
ASSETS										
Derivatives – Hedge accounting	10,698	10,698	-	10,698	-	7,069	-	-	10,698	-
LIABILITIES										
Derivatives – Hedge accounting	1,025	1,025	-	1,025	-	(1,025)	-	-	(1,025)	-

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
ASSETS										
Derivatives – Hedge accounting	25,333	25,333	-	25,333	-	13,925	-	-	13,925	-
LIABILITIES										
Derivatives – Hedge accounting	-	-	-	-	-	-	-	-	-	-

Gains or losses from hedge accounting at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Changes in the fair value of the hedging instrument [including discontinued operations]	8,151	(562)
Changes in the fair value of the hedged item attributable to the hedged risk	(8,151)	562
Ineffectiveness in profit or loss of cash flow hedges	-	-
Ineffectiveness in profit or loss of hedges of net investments in foreign operations	-	-
GAINS OR (-) LOSSES FROM HEDGE ACCOUNTING, NET	**-**	**-**

To mitigate the risk in hedging derivative transactions linked to the portfolio of debt securities at amortised cost, at 31 December 2024 and 31 December 2023 the Entity has posted guarantees in the amount of €3,020 thousand and €3,750 thousand, respectively (Note 8.7.5).

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

The details of this heading on the accompanying balance sheets at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Tangible assets for own use	**29,808**	**42,988**
Acquisition cost	31,566	44,921
Impairment allowances	(1,758)	(1,933)
Investment property	**3,499**	**3,977**
Acquisition cost	3,973	4,992
Accumulated depreciation	(135)	(135)
Impairment allowances	(339)	(880)
Tangible assets foreclosed	**27,648**	**39,107**
Acquisition cost	58,934	77,792
Accumulated depreciation	(1,611)	(1,741)
Impairment allowances	(29,675)	(36,944)
Total	**60,955**	**86,072**

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**		**Agriculture**		**Other**	
Tangible assets	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Tangible assets for own use	13,243	26,598	18,323	18,323	-	-	-	-
Tangible assets foreclosed	39,706	51,262	13,951	21,155	3,335	3,290	331	344
Investment property	484	1,503	3,117	3,117	237	237	-	-
Total	**53,433**	**79,363**	**35,391**	**42,595**	**3,572**	**3,527**	**331**	**344**

The fair value of the tangible assets recorded under this heading at 31 December 2024 and 31 December 2023 matches the carrying amount.

Movements in these headings on the balance sheet during 2024 and 2023, 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 2022	**19,202**	**124,151**	**5,455**
Additions	25,946	4,273	-
Disposals	(227)	(50,334)	(463)
Transfers (Note 12) and (Note 16)	-	(298)	-
Balance at 31 December 2023	**44,921**	**77,792**	**4,992**
Additions	-	2,356	-
Disposals	(13,355)	(20,455)	(1,019)
Transfers (Note 12) and (Note 16)	-	(758)	-
Balance at 31 December 2024	**31,566**	**58,935**	**3,973**
Accumulated depreciation			
Balance at 31 December 2022	**-**	**(1,691)**	**(137)**
Increases with effects on results	-	-	-
Decreases	-	140	2
Transfers (Note 12) and (Note 16)	-	(190)	-
Balance at 31 December 2023	**-**	**(1,741)**	**(135)**
Increases with effects on results	-	-	-
Decreases	-	182	-
Transfers (Note 12) and (Note 16)	-	(54)	-
Balance at 31 December 2024	**-**	**(1,613)**	**(135)**

In 2024, loans granted to finance the sale of the Entity’s foreclosed property, plant and equipment totalled €3,096 thousand (€11,111 thousand in 2023). The average amount of foreclosed assets financed as a percentage of the total amount sold at 31 December 2024 was 13.39% (36.61% in 2023). At 31 December 2024, there are no unrecognised gains from the sale of these assets (no amount at 31 December 2023).

The average time to sell assets classified by the Entity as foreclosed is between two and five years, depending on the category of asset.

The main additions to “Tangible assets for own use” in 2023 related to plots of urban land registered in accordance with the commercial swap agreed between Cajamar Caja Rural, Sociedad Cooperativa de Crédito and the Government of Andalucía (Junta de Andalucía) (Note 12).

Impairment losses recognised for assets classified in this balance sheet heading in 2024 and 2023 are as follows:

	Thousands of Euros		
	Tangible assets for own use	Foreclosed	Investment property
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)**
Allowances recognised in profit or loss (Note 25)	(34)	(5,053)	(5)
Recovered funds (Note 25)	-	1,787	-
Cancellation due to use, transfers and others	209	10,535	546
Balance at 31 December 2024	**(1,758)**	**(29,675)**	**(339)**

11. Investments in subsidiaries, joint ventures and associates

Details of this heading of the accompanying balance sheets are as follows:

	Thousands of Euros	
	2024	**2023**
Group companies	**2,443,217**	**2,436,484**
Securities held by the entity	2,782,942	2,782,591
Impairment allowances	(339,725)	(346,107)
Associates	**16,493**	**17,318**
Securities held by the entity	21,102	20,280
Impairment allowances	(4,609)	(2,962)
Total	**2,459,710**	**2,453,802**

The movements during 2024 and 2023 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	
	2024	**2023**
Opening balance	**2,802,871**	**2,803,529**
Additions	2,185	-
Disposals	(1,012)	(658)
Closing balance	**2,804,044**	**2,802,871**

The additions to "Investments in subsidiaries, joint ventures and associates" in 2024 relate to the purchase of shares of "Banco de Crédito Social Cooperativo, S.A." for €350 thousand and to the €1,835 thousand share in the capital increase in "Parque Científico-Tecnológico de Almería, S.A.".

The disposals in 2024 relate to the return of shareholder contributions totalling €337 thousand in Giesmed Parking, S.L. and the partial return of €675 thousand of “Other shareholder contributions” from the stake in Promontoria Jaguar, S.A.

There were no additions to “Investments in subsidiaries, joint ventures and associates” during 2023.

The disposals in 2023 were in respect of the return of shareholder contributions totalling €357 thousand in Giesmed Parking, S.L. and the partial return of €301 thousand of "Other shareholder contributions" from the stake in Promontoria Jaguar, S.A.

The movements in the allowances for impairment losses on assets included under this heading of the accompanying balance sheet during 2024 and 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance	**(349,069)**	**(331,617)**
Net additions for the year (Note 25)	(1,745)	(17,452)
Recovered funds (Note 25)	6,481	-
Closing balance	**(344,333)**	**(349,069)**

The net provisions in 2024 relate mainly to the charges made in "Promontoria Jaguar, S.A." amounting to €1,049 thousand and in "Parque Científico-Tecnológico de Almería, S.A." for €556 thousand.

The funds recovered in 2024 were in "Cimenta2 Gestión e Inversiones, S.A.U."

The charges made in 2023 related mainly to the amounts recorded in 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 2024 amounted to €50,428 thousand (€20,610 thousand at 31 December 2023) (Note 25).

At 31 December 2024 and 31 December 2023, no profits from the sale of shareholdings were pending recognition.

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 item on the balance sheet at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
For own use		
Amortised cost	**531,465**	**549,495**
Computer hardware	14,754	19,352
Furniture, installations and other	86,650	92,046
Buildings	410,308	418,418
Construction in progress	6,394	6,137
Other tangible assets	13,359	13,542
Capitalised rights of use in leases	**20,840**	**25,520**
Furniture, installations and other	1,202	900
Buildings	18,740	24,190
Other tangible assets	898	430
Accumulated impairment	**(1,119)**	**(1,146)**
Total	**551,186**	**573,869**

	Thousands of Euros	
	2024	**2023**
Assigned to social projects		
Amortised cost		
Furnishings and fixtures	13	13
Constructions	294	301
Accumulated impairment	-	-
Total	**307**	**314**

	Thousands of Euros	
	2024	**2023**
Investment property		
Amortised cost		
Furniture, vehicles and other fixtures	627	818
Buildings	91,252	90,652
Rural properties, land and plots	587	587
Accumulated impairment	(4,569)	(6,256)
Total	**87,897**	**85,801**

The breakdown of tangible assets for own use recorded under this heading on the balance sheet and movements during 2024 and 2023 are as follows:

	Thousands of Euros					
	Own use					
	Computer hardware	**Furniture, fixtures and other**	**Buildings**	**Construction in progress**	**Other tangible assets**	**Total**
<u>Cost</u>						
Balance at 31 December 2022	**169,781**	**502,902**	**550,605**	**5,181**	**18,341**	**1,246,810**
Additions	4,037	11,289	2,239	4,321	1	21,887
Disposals	(16,578)	(12,114)	(43,517)	-	-	(72,209)
Transfers (Note 10) (Note 16)	1	923	1,278	(3,365)	-	(1,163)
Other movements	-	1,295	23,099	-	693	25,087
Balance at 31 December 2023	**157,241**	**504,295**	**533,703**	**6,137**	**19,036**	**1,220,412**
Additions	2,237	13,035	2,161	4,151	-	21,584
Disposals	-	(3,609)	(933)	(26)	-	(4,568)
Transfers (Note 10) (Note 16)	-	141	(4,210)	(3,869)	-	(7,938)
Balance at 31 December 2024	**159,478**	**513,862**	**530,721**	**6,394**	**19,037**	**1,229,492**
<u>Accumulated depreciation</u>						
Balance at 31 December 2022	**(147,333)**	**(403,125)**	**(99,437)**	**-**	**(4,619)**	**(654,514)**
Increases with effects on results (Note 25)	(6,751)	(18,902)	(7,301)	-	(181)	(33,135)
Decreases	16,534	11,073	14,552	-	(1)	42,158
Transfers (Note 10) (Note 16)	-	-	-	-	-	-
Other movements	(339)	(1,295)	(23,099)	-	(693)	(25,426)
Balance at 31 December 2023	**(137,889)**	**(412,249)**	**(115,285)**	**-**	**(5,494)**	**(670,917)**
Increases with effects on results (Note 25)	(6,578)	(18,245)	(6,680)	-	(182)	(31,685)
Decreases	-	3,282	298	-	-	3,580
Transfers (Note 10) (Note 16)	-	-	1,255	-	-	1,255
Other movements	(258)	-	-	-	-	(258)
Balance at 31 December 2024	**(144,724)**	**(427,212)**	**(120,412)**	**-**	**(5,677)**	**(698,025)**

Capitalised rights of use under leases:

Details of capitalised rights of use in leases included in tangible assets for own use under this heading on the balance sheet and movements in 2024 and 2023 are as follows:

	Capitalised rights of use under leases.				
	Business units	**Other**	**Vehicles**	**Computer hardware**	**Total**
Cost					
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**
Additions	4,042	740	783	-	5,565
Disposals	(5,778)	(296)	(1,334)	-	(7,408)
Transfers	-	-	-	-	-
Balance at 31 December 2024	**50,300**	**1,778**	**1,728**	**-**	**53,806**
Accumulated depreciation					
Balance at 31 December 2022	**(22,793)**	**(998)**	**(1,295)**	**-**	**(25,086)**
Increases with effects on results (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)**
Increases with effects on results (Note 25)	(7,025)	(292)	(417)	-	(7,734)
Decreases	3,365	260	1,269	-	4,894
Transfers	-	-	-	-	-
Balance at 31 December 2024	**(31,686)**	**(754)**	**(526)**	**-**	**(32,966)**

Details of the liabilities recorded as bonds payable linked to lease arrangements are provided in Note 8.7.5.

Movements in valuation adjustments for impairment of tangible assets for own use in 2024 and 2023 were as follows:

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 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)**
Allowances recognised in profit or loss	-	-	-	-	-	-
Recovered funds	-	-	27	-	-	27
Cancellation due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2024	**-**	**-**	**(1,119)**	**-**	**-**	**(1,119)**

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 during 2024 and 2023, in this heading, are as follows:

	Thousands of Euros.				
	Investment property			**Linked to the Education and Development Fund**	
	Furniture, vehicles and other fixtures	**Buildings**	**Rural properties, land and plots**	**Furniture and fixtures**	**Buildings**
Cost					
Balance at 31 December 2022	**2,164**	**110,873**	**633**	**901**	**541**
Additions	73	52	37	-	-
Disposals	-	(8,296)	-	-	-
Transfers (Note 10) (Note 16)	-	1,544	(83)	-	-
Other movements	-	1,405	-	-	-
Balance at 31 December 2023	**2,237**	**105,578**	**587**	**901**	**541**
Additions	38	23	-	-	-
Disposals	-	(4,544)	-	-	-
Transfers (Note 10) (Note 16)	-	7,348	-	-	-
Balance at 31 December 2024	**2,275**	**108,405**	**587**	**901**	**541**
Accumulated depreciation					
Balance at 31 December 2022	**(1,186)**	**(14,504)**	**-**	**(888)**	**(233)**
Increases with effects on results (Note 25)	(233)	(1,465)	-	-	(7)
Decreases	-	853	-	-	-
Transfers (Note 10) (Note 16)	-	190	-	-	-
Balance at 31 December 2023	**(1,419)**	**(14,926)**	**-**	**(888)**	**(240)**
Increases with effects on results (Note 25)	(230)	(1,456)	-	-	(7)
Decreases	-	429	-	-	-
Transfers (Note 10) (Note 16)	-	(1,201)	-	-	-
Balance at 31 December 2024	**(1,648)**	**(17,153)**	**-**	**(888)**	**(247)**
Impairment losses					
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)**	**-**	**-**
Allowances recognised in profit or loss	-	(505)	(84)	-	-
Recovered funds	-	702	9	-	-
Cancellation due to use, transfers and others	-	1,565	-	-	-
Balance at 31 December 2024	**-**	**(4,283)**	**(286)**	**-**	**-**

At 31 December 2024 the gains from sales and write-downs of certain tangible assets totalled €707 thousand (€10,018 thousand at 31 December 2023), while the losses came to €2,845 thousand (€12,371 thousand at 31 December 2023) (Note 25).

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 Council of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, resolved to enter into a commercial exchange agreement with the government of Andalucía (Junta de Andalucía), which was decided and approved on 21 December 2023. Under this agreement, Cajamar Caja Rural, Sociedad Cooperativa de Crédito delivered 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 Toyo development in the municipality of Almería with a value of €25,946 thousand (Note 10).

Thus, the main retirements under the headings of “Buildings” and “Furniture, fixtures and other” in 2023 related to the assets included in the aforementioned transaction. At 31 December 2024 and 31 December 2023 the Entity had no unrecognised gains from financing in sales of assets classified as investment property.

At 31 December 2024 the Entity had zero commitments for fixed asset purchases (€1,294 thousand at 31 December 2023).

Fully depreciated assets still in use by the Entity at 31 December 2024 totalled €455,941 thousand (€431,899 thousand at 31 December 2023).

The fair value of property for own use and investment property matches the carrying amount.

Rental income from investment property amounted to €6,867 thousand at 31 December 2024 (€6,918 thousand at 31 December 2023) (Note 25). Operating expenses recognised in connection with these investments amounted to €1,163 thousand in 2024 (€1,261 thousand at 31 December 2023) (Note 25).

13. Intangible assets

Details of this item on the accompanying balance sheets at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Computer software	147	147
Administrative concessions	18,395	18,395
Other intangible assets	-	-
Total, gross	**18,542**	**18,542**
Accumulated amortisation	(9,487)	(8,253)
Impairment losses	(5,912)	(5,912)
Total, net	**3,143**	**4,377**

The movement in computer software, administrative concessions and other intangible assets under this heading of the balance sheet in 2024 and 2023 was as follows:

	Thousands of Euros	
Cost	**2024**	**2023**
Opening balance	**18,543**	**18,543**
Additions	-	-
Disposals	-	-
Other	-	-
Closing balance	**18,542**	**18,543**
Amortisation		
Opening balance	**(8,254)**	**(7,563)**
Increases with effects on results	(1,234)	(691)
Other	-	-
Closing balance	**(9,487)**	**(8,254)**
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	**3,143**	**4,377**

Fully amortised intangible assets included in “Computer software” and “Administrative concessions” still in use in the Entity at 31 December 2024 totalled €147 thousand (€147 thousand at 31 December 2023).

14. Provisions

Details of this item on the balance sheet at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	2023
Pensions and other post-employment defined benefit obligations	2,864	2,174
Other long-term employee benefits	68	325
Commitments and guarantees given	12,597	8,867
Loan commitments given	*6,183*	*2,841*
Financial guarantees given	*2,247*	*2,864*
Other commitments given	*4,167*	*3,162*
Other provisions	165,039	53,953
Total	**180,568**	**65,319**

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	
	2024	2023
Other assets – Net pension plan assets	-	-
Provisions – Provisions for pensions and similar obligations	2,932	2,499

The present value of the commitments based on the assumptions indicated in Note 3.21, applied to post-employment benefits by the Entity and the manner in which these commitments were hedged, giving rise to the aforementioned balance sheet items, is as follows:

	Thousands of Euros			
	2024		2023	
	Active and retired employees	Early retirees	Active and retired employees	Early retirees
Present value of the obligations:				
Commitments accrued with active employees	19,676	-	17,902	-
Commitments accrued with early-retired employees	-	68	-	325
Commitments with retired employees	16,621	-	14,886	-
Fair value of plan assets (-):				
Pension plan assets	(23,370)	-	(20,945)	-
Insurance contract	(10,063)	-	(9,669)	-
(Other assets) / Provisions recognised in the balance sheet	**2,864**	**68**	**2,174**	**325**

Movements in net assets and liabilities during 2024 and 2023, recognised on the balance sheet, are as follows:

	Thousands of Euros			
	2024		2023	
	Active and retired employees	Early retirees	Active and retired employees	Early retirees
(Other assets) / Provisions, opening balance	**2,174**	**325**	**1,685**	**626**
Appropriations during the period	948	6	1,098	-
Gains and losses on other long-term employee benefits	-	1	-	34
Actuarial gains and losses recognised through equity	º1,035	-	588	-
Other movements	(24)	-	(16)	-
Cash outflows	(1,269)	(264)	(1,181)	(335)
(Other assets) / Provisions, closing balance	**2,864**	**68**	**2,174**	**325**

Details of total income and expenses recognised on the statements of profit or loss at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	2023
Staff expenses – Appropriations to defined benefit plans (Note 25)	(870)	(855)
Pension fund interest expenses (Note 25)	(1,214)	(1,103)
Interest income – Yield on plan assets (Note 25)	1,114	1,019
Appropriations to pension funds and similar obligations (Note 25)	15	(193)
Accounting income/(expense)	**(955)**	**(1,132)**

At 31 December 2024, contributions to the external pension fund for defined benefit pension commitments made by the Entity amounted to €9,129 thousand (€8,763 thousand at 31 December 2023) and are recorded under “Staff expenses” on the statements 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 this heading on the balance sheet and movement in 2024 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2023	**5,570**	**465**	**2,831**	**8,866**
Increases due to origination and acquisition	2,049	5	33	2,087
Decreases due to derecognitions	(1,515)	(98)	(1,445)	(3,058)
Changes due to variation in credit risk (net)	1,898	1,426	1,142	4,466
Changes due to modifications without derecognition (net)	27	219	-	246
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the allowance account as a result of delinquent loans written off	-	-	(182)	(182)
Other adjustments	-	11	160	171
Balance at 31 December 2024	**8,028**	**2,029**	**2,540**	**12,597**

Changes in gross exposures and impairment during 2024 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:		32,213	233	**32,446**
To Stage 2:	82,244		331	**82,575**
To Stage 3:	2,763	319		**3,082**
Transfers of provisions:				
To Stage 1:		26	3	**29**
To Stage 2:	1,572		12	**1,584**
To Stage 3:	1,035	42		**1,077**

Details of this heading on the balance sheet and movement in 2023 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	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 derecognitions	(1,111)	(19,707)	(687)	(21,505)
Changes due to variation 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 the allowance account as a result of delinquent loans written off	-	-	(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**

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 other legal contingencies

There are no balances under this heading at 31 December 2024 and 31 December 2023 (Note 3.13).

14.4. Other provisions

In this account the Entity records the various contingencies considered to be probable and they are classified in accordance with three types of risk:

- Market risk, due to the activity carried out by the Entity with respect to investments that will probably give rise to contingencies that must be covered.
- Sundry risks, for which provisions have been recorded covering unresolved issues that the Entity believes, will result in a probable payment.
- Other liabilities, estimating probable payments deriving from the Entity's normal activities.

The changes in this heading on the balance sheet in 2024 and 2023 were as follows:

	Thousands of Euros			
	Market	**Miscellaneous**	**Other liabilities**	**Total**
Opening balances 31 December 2022	**206**	**9,108**	**44,684**	**53,998**
Allocations made 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)**
Opening balances 31 December 2023	**842**	**7,521**	**45,589**	**53,952**
Allocations made during the period (Note 25)	37,964	29,137	113,548	**180,649**
Recovered funds (Note 25)	(1,054)	-	(14,409)	**(15,463)**
Funds used and other movements	(1,820)	(3,458)	(48,823)	**(54,101)**
Closing balances 31 December 2024	**35,932**	**33,200**	**95,907**	**165,039**

Grupo Cooperativo Cajamar has decided the terms of the 2024 Early Retirement Plan (supplementary payments and social security contributions) for active employees born between 1 January 1962 and 31 December 1966, provided they meet certain criteria. The enrolment period for this plan ended on 30 April 2024, with retirements scheduled to begin in July 2024. These early retirements were formalised through mutual termination of employment contracts, on a voluntary basis. To meet the obligations arising from this agreement, the Group allocated a provision of €42,628 thousand, which has been fully utilised following the settlement of the commitments, which were insured with Mapfre España S.A. A similar 2023 Early Retirement Plan was implemented the previous year, for which the Group allocated a provision of €36,512 thousand at 31 December 2023.

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 2024 amounts to €36,078 thousand (€16,744 thousand at 31 December 2023).

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 €8,037 thousand (€6,860 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.

The Spanish Supreme Court, in its ruling dated 23 December 2015, declared the mortgage loan expense clause null and void on the grounds that it was abusive, as it assigned all costs to the consumer. According to the Court, this created a significant contractual imbalance in favour of lenders and to the detriment of consumers. Rendering this clause null and void means it must be removed from the contract, and as established in the Supreme Court ruling of 23 January 2019, national law must be applied to determine the allocation of loan expenses. Additionally, the Court of Justice of the European Union (CJEU), in its ruling of 16 July 2020, confirmed that once the expense clause is deemed abusive, national law may be applied to allocate mortgage establishment and cancellation costs in the absence of an agreement between the parties. In particular, the ruling states that amounts imposed on the consumer under national law, such as the Stamp Duty on Notarial Acts (Impuesto de Actos Jurídicos Documentados – IAJD), may not need to be refunded. Based on these considerations and the evolution of related contingencies, the Group has estimated that the risk exposure for this contingency could reach €38,640 thousand at 31 December 2024.

At 31 December 2023, the Entity has set aside provisions for "Other liabilities" in the amount of €11,844 thousand (€21,576 thousand at 31 December 2022) to cover various legal proceedings

To cover the self-insurance fund, the Entity has recorded a provision of €25,163 thousand for sundry risks at 31 December 2024 (€661 thousand at 31 December 2023).

15.Tax assets and liabilities – Corporate income tax

Details of tax assets and liabilities at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2024	2023	2024	2023
Current taxes	**40,749**	**17,472**	**26,925**	**21,390**
Corporate income tax	40,712	14,262	-	-
VAT/Canary Islands General Indirect Tax (IGIC)	19	3,192	903	12
Personal income tax (IRPF)	-	-	11,904	7,507
Tax on deposits at credit institutions (IDEC)	18	18	13,939	13,676
Other	-	-	179	195
Deferred taxes	**870,008**	**880,472**	**28,888**	**29,562**
For temporary differences:	**676,482**	**677,991**	**28,888**	**29,562**
Goodwill on the acquisition of assets	195	272	-	-
Impairment losses on assets	55,318	56,554	-	-
Pension funds and other insurance	42,750	42,730	-	-
Early retirement and dismissal fund	6,513	6,513	-	-
Impairment losses on loans	462,522	490,616	-	-
Funds and provisions created	42,224	14,097	-	-
Excess amortisation/depreciation charge	1	1,114	-	-
Undervaluations of financial assets at fair value through other comprehensive income	3,971	3,366	-	-
Revaluation of properties	-	-	28,867	29,562
Revaluation of financial assets at fair value through other comprehensive income	-	-	21	-
Actuarial gains and losses	559	300	-	-
Fair value of loans and other	60,706	60,706	-	-
Other	1,723	1,723	-	-
Tax loss carryforwards	**193,526**	**202,481**	-	-
Tax deductions and credits	**-**	**-**	-	-
	910,757	**897,944**	**55,813**	**50,952**

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 any provisions for taxes that are recorded under the heading “Provisions” on the accompanying balance sheets.

Movements in deferred tax assets and liabilities in 2024 and 2023 are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2024	2023	2024	2023
Opening balance	**880,472**	**895,123**	**29,562**	**32,900**
Prior years' adjustments	(638)	(1,945)	(283)	(226)
Corporate income tax for the period/year				
Impairment losses on assets	(453)	(1,041)	-	-
Goodwill	(70)	(69)	-	-
Pension funds and other insurance	20	14	-	-
Impairment losses on financial assets at amortised cost	(18,954)	(5,855)	-	-
Funds and provisions created	28,414	(12)	-	-
Excess amortisation/depreciation charge (Act 16/2012)	(1,068)	(1,069)	-	-
Tax loss carryforwards	(11,361)	(3,555)	-	-
Revaluation of properties	-	-	(412)	(3,111)
Transfers and other				
Fair value of financial assets at fair value through other comprehensive income	605	(44)	21	(1)
Actuarial gains and losses	259	155	-	-
Change in current tax assets and liabilities	(7,218)	(1,230)	-	-
Closing balance	**870,008**	**880,472**	**28,888**	**29,562**

There are no deferred tax assets, unused tax losses or tax credits that have not been recognised at 31 December 2024 and 2023.

The table below reconciles accounting profit and taxable income for 2024 and 2023:

	Thousands of Euros	
	2024	**2023**
Accounting profit/(loss) before tax and mandatory contributions to Social Projects funds	**329,213**	**153,983**
Adjustment to prior years' corporate income tax and other	353	1,720
Aggregate profit/(loss) before tax	**329,566**	**155,703**
Permanent differences:	**(188,929)**	**(81,047)**
Appropriation to Social Projects Fund	(19,407)	(8,188)
Mandatory Reserve Fund	(19,407)	(8,188)
Interest on capital contributions	(97,647)	(52,897)
Other	(52,468)	(11,774)
Adjusted accounting profit/(loss) after permanent differences	**140,637**	**74,656**
Temporary differences:	**86,742**	**(8,320)**
Impairment losses on assets	(1,449)	2,382
Goodwill	(271)	(271)
Impairment losses on loans	(20,055)	(16,879)
Funds and provisions created	111,085	(44)
Excess amortisation/depreciation charge (Act 16/2012)	(4,179)	(4,179)
Revaluation of properties	1,611	10,660
Gains or losses on financial assets at fair value through other comprehensive income and other portfolio valuation adjustments	-	11
Tax base	**227,379**	**66,336**
Gross tax payable (30%-25%)	59,268	15,770
Monetisable tax asset expenses and losses (applied to tax payable)	(3,800)	(15,153)
Impairment losses on financial assets at amortised cost	(3,495)	(14,382)
Pension funds and other insurance	(305)	(771)
Application of the limit on monetisable tax assets	(10,022)	13,602
Tax payable (30%-25%)	45,446	14,219
Gross tax payable	45,446	14,219
Tax credits for tax loss carryforwards	(11,361)	(3,555)
Withholdings and payments on account	(53,315)	(24,822)
Tax payable/(refundable)	**(19,230)**	**(14,158)**

The breakdown of corporate income tax included on the statement of profit or loss for 2024 and 2023 is as follows:

	Thousands of Euros	
	2024	**2023**
Share of adjusted accounting profit after permanent differences (30%-25%)	37,146	17,485
Adjustments to prior year corporate income tax	353	1,720
Corporate income tax	**37,499**	**19,205**

The Entity has applied the tax benefits relating to corporate income tax deductions and credits allowed under applicable legislation.

Irrespective of the corporate income tax taken to the statements of profit or loss for the years ended 31 December 2024 and 31 December 2023, the Entity has recognised the following amounts in equity (deferred taxes) for the following items:

	Thousands of Euros	
	2024	**2023**
Fair value of tangible assets	28,867	29,562
Fair value of financial assets at fair value through other comprehensive income (revaluation)	21	-
Fair value of financial assets at fair value through other comprehensive income (undervaluation)	(3,971)	(3,366)
Fair value of loans and receivables and other (undervaluation)	(60,706)	(60,706)
Actuarial gains and losses	(559)	(300)

The movement in corporate income tax on items that may or may not be reclassified to profit or loss presented on the statement of recognised income and expense was a gain of €844 thousand at 31 December 2024 (a gain of €109 thousand at 31 December 2023) and relates 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 2024 in respect of this ‘asset charge’ amounted to €7,129 thousand (€7,532 thousand at 31 December 2023).

Monetisable tax assets at 31 December 2024 amounted to €553,313 thousand (€576,283 thousand at 31 December 2023).

The breakdown of tax credits for tax losses , deductions and credits available for offset in future years at 31 December 2024 and 31 December 2023 is as follows:

		Thousands of Euros	
Year generated	**Item**	**2024**	**2023**
2022	Tax credits for tax loss carryforwards	4,598	4,598
2019	Tax credits for tax loss carryforwards	6,553	6,553
2018	Tax credits for tax loss carryforwards	11,072	11,072
2017	Tax credits for tax loss carryforwards	30,206	30,206
2013	Tax credits for tax loss carryforwards	14	14
2012	Tax credits for tax loss carryforwards	141,084	150,038
	Total	**193,527**	**202,481**

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 various possible interpretations of the tax regulations applicable to the transactions carried out by the Entity, the outcome of any future tax audit and investigation procedures by the tax authorities could result in tax liabilities, the amount of which cannot currently be objectively quantified. However, Management believes that the likelihood of significant additional liabilities arising in this regard, beyond those already recorded, is remote.

Tax on net interest income and fees for certain financial institutions

Final Provision Nine of Act 7/2024 of 20 December 2024 introduced the Tax on Net Interest Income and Fees for Certain Financial Institutions (IMIC). This direct and progressive tax applies to the net interest income and fees generated from activities carried out in Spain by credit institutions, financial credit establishments, and branches of foreign credit institutions during the tax periods beginning in 2024, 2025 and 2026.The tax rate is structured into five brackets, applied after deducting €100 million from the taxable base: 1%, 3.5%, 4.8%, 6%, and 7% (the highest rate applies to the portion of the taxable base exceeding €5,000 million).

On 25 December 2024, Royal Decree-Law 9/2024 of 23 December 2024 came into force, modifying the accrual of the tax, establishing that it would be payable on the last day of the month following the end of the tax period for entities that qualify as taxpayers on that date. However, on 22 January 2025, this Royal Decree-Law was repealed by the Spanish Parliament.

Based on these provisions, Cajamar Caja Rural, Sociedad Cooperativa de Crédito, is obliged to pay this tax. It has estimated a tax liability of €14,108 thousand for the first taxable period.

16 Other assets and liabilities

The details of the balance of these headings in the assets and liabilities sections on the accompanying balance sheets at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Other assets:		
Prepayments and accrued income	53,389	30,891
Inventories:	565	-
Amortised cost	1,405	-
Valuation adjustments for impairment	(840)	-
Other:		
Transactions in transit	451	1,327
Other items	46,676	62,100
Total	**101,081**	**94,318**

	Thousands of Euros	
	2024	**2023**
Other liabilities:		
Accruals and deferred income	41,313	70,910
Other:		
Transactions in transit	3,195	9,378
Other items	295,067	460,488
Education and Development Fund	3,244	1,536
Total	**342,819**	**542,312**

The “Inventories” heading comprises assets, including land and other properties, that are held for sale in the normal course of business. Movements in the assets mentioned in the above paragraph on the consolidated balance sheets, without taking into account valuation adjustments, throughout 2024 and 2023, are as follows:

	Thousands of Euros	
Cost	**2024**	**2023**
Opening balance	-	-
Additions	57	-
Transfers (Note 10) (Note 12)	1,348	-
Closing balance	**1,405**	**-**

	Thousands of Euros	
Impairment losses	**2024**	**2023**
Opening balance	-	-
Additions (Note 25)	(89)	-
Disposals (Note 25)	102	-
Transfers, applications and other	(853)	-
Closing balance	**(840)**	**-**

The fair value of the inventories recorded under this heading at 31 December 2024 and 31 December 2023 is at least equal to the carrying amount.

17 Education and Development Fund

The Education and Development Fund is used basically for the following purposes, in accordance with the provisions of the Entities’ By-laws:

- To train and educate partners and employees of the Entity in 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 promote actions that raise 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 different 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 contribute to and collaborate with projects in financial education, rural development, nature conservation, sustainable renewable energy models, social integration, nutrition and health.

- We have contributed to establishing the means to continue to deliver financial services to 116 small towns and villages with fewer than 5,000 inhabitants, preventing them from losing access to this essential service and facilitating financial inclusion. This action, focused mainly on rural areas, helps stabilise local communities, thus reducing depopulation and fostering economic development in these areas.

- 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 Education and Development Fund is managed by each Entity's Governing Board or the persons delegated by them for specific actions, based on the purposes specified in the basic guidelines for the application of the Fund submitted for approval by each Member's annual General Assembly.

The breakdown, by item, of the balances relating to the Group's Education and Development Fund at 31 December 2024 and 31 December 2023 is as follows:

	Thousands of Euros	
	2024	**2023**
Application of the Education and Development Fund (Note 12)		
Property, plant and equipment:	**306**	**314**
Cost	1,442	1,442
Accumulated depreciation	(1,136)	(1,128)
Other receivables	1	-
Total	**307**	**314**
Education and Development Fund:		
Appropriation:	**2,786**	**1,069**
Applied to property, plant and equipment	294	301
Applied to other investments	12	13
Expenses committed during the year	15,631	6,966
Current year maintenance expenses	(13,210)	(6,270)
Amount not committed	59	59
Other liabilities	**456**	**467**
Total	**3,242**	**1,536**

The Education and Development Fund's expenditure and investment budget at 31 December 2024 amounted to €15,631 thousand (€6,966 thousand at 31 December 2023). 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 2024 and 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance	**1,536**	**1,785**
Distribution of prior year surplus, Credit Cooperatives	14,988	6,093
Maintenance expenses for the year	(13,210)	(6,270)
Other	(70)	(72)
Closing balance	**3,244**	**1,536**

18 Equity

18.1 Capital

The movement in these accounts during 2024 and 2023 is as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance:	**3,355,597**	**3,251,583**
Increases	335,140	382,790
Decreases	(250,613)	(278,776)
Closing balance:	**3,440,124**	**3,355,597**

The Entity's minimum capital, under Article 49 of its By-laws, is set at €25,000 thousand.

At 31 December 2024 and 31 December 2023, 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 2024 the largest contribution equalled 0.11% of capital (0.15% at the end of 2023).

Contributions to capital accrue the interest agreed by the General Assembly, which is subject to the limits established by current legislation.

In the first half of 2024, the Entity settled interest of €26,958 thousand accrued on contributions to capital in the second half of 2023 (€11,532 thousand accrued in the second half of 2022 and paid in the first half of 2023), which was applied in full in the allocation of the Entity's profit or loss. During the first half of 2024, it settled €50,281 thousand of interest on contributions accrued in the first half of that year. In addition, at 31 December 2024 €47,366 thousand of interest has accrued, to be settled in the first half of 2025.

18.2 Retained earnings and reserves

The balance of these accounts in “Equity” on the balance sheets at 31 December 2024 and 31 December 2023 is as follows:

	Thousands of Euros	
	2024	**2023**
Mandatory reserve fund	50,100	33,723
Other unrestricted reserves	145,540	94,843
Total Retained earnings	**195,640**	**128,566**
Revaluation reserve, Royal Decree-Law 7/1996	-	180
Revaluation reserves generated by IFRS and Bank of Spain Circular 4/2004	39,408	39,409
Total revaluation reserves	**39,408**	**39,589**
Other reserves	9,825	9,825
Total Other reserves	**9,825**	**9,825**
Total	**244,873**	**177,980**

The movements in the reserve pool in 2024 and 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance	**177,980**	**146,525**
Increase in reserves (allocation of previous year's profit or loss)	66,893	31,420
Other movements	-	1
Profit or loss generated in other reserves through the cancellation of equity instruments	-	34
Closing balance	**244,873**	**177,980**

Mandatory Reserve Fund

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

At 31 December 2024, once the time prescribed by law had passed, the balance of this item, which related exclusively to the “Revaluation reserve, Royal Decree-Law 7/1996” arising from the revaluation by the Group of some items of property, plant and equipment in 1996 and which amounted to €180 thousand, was regularised and transferred in full to the Voluntary Reserve Fund.

Revaluation reserves generated by Banco de España 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).

On 9 July 2024, the new banking package entered into force, consisting of Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 (“CRR III”) and Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 (“CRD VI”), each of which amends its predecessor regulation. The new regulations apply from 1 January 2025 and so have had no effect on the solvency figures reported in these annual accounts.

The eligible capital and capital requirements of Grupo Cooperativo Cajamar at 31 December 2024 break down as follows:

	Thousands of Euros	
	2024	**2023**
Eligible own funds	**4,339,587**	**4,068,402**
CET1 Capital	**3,739,622**	**3,468,433**
Eligible CET1 instruments	4,293,909	3,997,428
Share Capital	*3,622,607*	*3,533,078*
Reserves and other adjustments	*671,302*	*464,350*
Deductions	(554,287)	(528,995)
TIER 2 Capital	**599,965**	**599,969**
Pillar I capital adequacy requirements	**2,161,331**	**2,034,013**
Credit risk	1,979,391	1,860,782
Operating risk	171,484	151,634
CVA	5,249	18,564
Securitisations	5,207	3,033
Capital adequacy ratio	**16.06%**	**16.00%**
CET1 ratio	**13.84%**	**13.64%**

The Group's phased-in Total Capital ratio was 16.06% at 31 December 2024 (16.00% at 31 December 2023) while the phased-in CET1 ratio was 13.84% (13.64% at 31 December 2023), thus meeting the supervisor's requirements at that date. On the other hand, the fully-loaded CET1 ratio stood at 13.84% at 31 December 2024 (13.56% at 31 December 2023) and the fully-loaded Total Capital ratio stood at 16.06% (15.92% at 31 December 2023).

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. During 2024, these effects have been partially offset by the increase in intangible assets, which are deducted from the CET1 numerator, and the increase in RWAs for credit risk, due to the increase in credit investment, and RWAs for operational risk, due to the increase in income.

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 extending said treatment to 2024.

The Group decided to apply this transitional rule during its period of validity. However, at the end of 2024, the IFRS 9 component eligible as CET1 is 0, so the phased in and fully loaded capital ratios are equivalent.

The capital requirements in 2024 are as follows: 8.50% – CET1 (4.5% – Pillar I, 2.59% – combined capital buffer[1] and 1.41% – Pillar II); 10.47% – Tier 1 Capital (6% – Pillar I, 2.59% – combined capital buffer and 1.88% – Pillar II); and 13.09% – Total Capital (8% – Pillar I, 2.59% – combined capital buffer and 2.5% – Pillar II).

[1] *It includes a capital conservation buffer of 2.50% and a countercyclical buffer of 0.09%. The latter varies depending on the Group's credit exposure in countries where the supervisory authority has a country-specific countercyclical buffer in place.*

The Pillar I, Pillar II and capital conservation buffer requirements in 2023 were as follows: 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 2024 the Group had surplus capital over and above the requirements set 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 8 February 2024 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 final MREL to be met by 1 January 2025 was set at 20.49% (23.08% including the combined 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 2022.

A notable event during the period in relation to equity instruments is the issuance in September 2024 of €500 million of senior preferred debt with a maturity of 5 years to continue to meet MREL, which met with strong demand. As a result, at 31 December 2024 MREL stood at 24.52% as a percentage of TREA and 10.83% as a percentage of LRE. Both ratios are above the target of the final MREL requirement to be met from 1 January 2025 (23.08% as a percentage of TREA and 5.36% as a percentage of LRE).

Lastly, at 31 December 2024 the leverage ratio, both phased-in and fully-loaded, stands at 6.11%, (5.92% phased-in and 5.88% fully-loaded at 31 December 2023). 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).

The movements in 2024 and 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance	**(356)**	**41**
Net changes in actuarial gains or (-) losses on defined benefit pension plans	(776)	(434)
Net changes in the fair value of equity instruments at fair value through other comprehensive income, net	71	37
Closing balance	**(1,061)**	**(356)**

20.2 Items that may be reclassified to profit or loss

Details of this item on the accompanying balance sheets at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Opening balance	**(10,088)**	**(10,204)**
Net changes in debt instruments at fair value through other comprehensive income	(1,824)	115
Closing balance	**(11,912)**	**(10,089)**

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 Bank are immediately available.

Details of “Loan commitments given” at 31 December 2024 and 31 December 2023, grouped by counterparty, are as follows, and including the limits and undrawn amounts thereof:

	Thousands of Euros	
	2024	**2023**
Available in loan commitments	4,151,507	4,248,416
Forward deposits	-	-
	4,151,507	**4,248,416**

The coverage for future payments associated with the financial items is recognised in the account “Provisions for commitments and collateral given – Loan commitments given” on the liability side of the balance sheet and totals €6,183 thousand at 31 December 2024 (€2,841 thousand at 31 December 2023) (Note 14.2).

The average interest rate offered on these commitments is 4.64% at 31 December 2024 (4.92% in 2023).

21.2 Financial guarantees given

The breakdown of financial guarantees given at 31 December 2024 and 31 December 2023, the nominal amounts of which are recorded in memorandum accounts, is set out below:

	Thousands of Euros	
	2024	**2023**
Financial guarantees given other than credit derivatives	**971,398**	**965,435**
Financial collateral	971,398	965,435
Irrevocable contingent letters of credit	-	-
Other financial guarantees	-	-
Credit derivatives	**-**	**-**
Total	**971,398**	**965,435**

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 commission yet to accrue at 31 December 2024 and 31 December 2023 totalled €18,130 thousand and €18,370 thousand, respectively.

The present value of future flows yet to be received for these contracts is €18,524 thousand at 31 December 2024 and €18,607 thousand at 31 December 2023.

The coverage for future payments associated with financial items is recognised in the account "Provisions for commitments and collateral given – Financial guarantees given" on the liability side of the balance sheet and at 31 December 2024 and 31 December 2023 totalled €2,247 thousand and €2,864 thousand, respectively (Note 14.2).

21.3 Other commitments given

Details of other commitments given at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Irrevocable documentary credits	31,983	24,368
Other non-financial guarantees	1,283,884	846,397
Securities subscribed pending disbursement	50	50
Other contingent commitments	73,148	65,521
Total	**1,389,065**	**936,336**

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 totals €4,167 thousand at 31 December 2024 (€3,162 thousand at 31 December 2023) (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 commission yet to accrue at 31 December 2024 amounted to €50,207 thousand (€35,800 thousand at 31 December 2023).

The present value of future flows yet to be received for these contracts is €50,965 thousand at 31 December 2024 and €36,198 thousand at 31 December 2023.

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 Manual* (Note 6).

At 31 December 2024 and 31 December 2023 no transactions had been 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 institution or its Parent		Other related parties	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Selected financial assets	**21,312,221**	**18,110,082**	**3,359,567**	**3,287,729**	**17,834**	**18,857**	**3,659**	**3,755**	**9,901**	**15,990**
Equity instruments	906,190	905,840	1,537,056	1,530,673	16,493	17,318	-	-	869	851
Debt securities	-	-	-	-	-	-	-	-	-	-
Loans and advances	20,406,032	17,204,242	1,822,511	1,757,056	1,341	1,539	3,659	3,755	9,032	15,139
Selected financial liabilities	**1,576,015**	**2,648,146**	**1,820,955**	**1,385,605**	**40,123**	**41,532**	**5,800**	**3,646**	**49,940**	**51,894**
Deposits	1,576,015	2,648,146	1,820,955	1,385,605	40,123	41,532	5,800	3,646	49,940	51,894
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Nominal amount of loan commitments, financial guarantees and other commitments given	**600,115**	**600,010**	**7,880**	**5,750**	**69**	**339**	**153**	**140**	**2,257**	**7,033**
Of which: non-performing	-	-	-	-	-	-	-	-	5	5
Loan commitments, financial guarantees and other commitments received	-	-	-	-	-	-	-	-	-	-
Notional amount of derivatives	1,700,862	1,101,077	-	-	-	-	-	-	-	-
Accumulated impairment and accumulated negative changes in fair value due to credit risk for non-performing exposures	-	-	-	-	-	-	-	-	-	-
Provisions for off-balance sheet exposures	-	-	-	-	-	-	-	-	-	-
	Current period (profit or loss)									
Interest income	704,498	473,552	18,826	1,006	131	95	105	46	207	384
Interest expenses	91,556	37,939	19,521	16,219	476	623	135	71	810	554
Dividend income	50,076	-	353	20,583	-	27	-	-	-	-
Fee and commission income	5,426	3,353	69,983	52,599	429	223	3	1	30	53
Fee and commission expenses	-	-	1	-	6	1	-	-	-	-
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	-	-	-	-	(1)	(6)
Gains or (-) losses on derecognition of non-financial assets	-	-	-	-	-	-	-	-	-	-
Impairment or (-) reversal of impairment of non-performing exposures	-	-	-	-	-	-	-	-	-	-
Provisions or (-) reversal of provisions for non-performing exposures	-	-	-	-	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2024 and 31 December 2023 with parties related to the Entity are as follows:

	Thousands of Euros	
Outstanding balances	**Related parties**	
	2024	**2023**
Loans / Credit:		
Amount	22,242,575	18,981,731
Interest rate	0.00% to 7.25%	0.00% to 7.26%
Collateral	Personal and Mortgage	Personal and Mortgage
Remaining term	0 to 29 years	0 to 30 years
Deposits:		
Amount	3,492,833	4,130,823
Interest rate	0.00% to 3.56%	0.00% to 3.78%
Remaining term	0 to 1 year	0 to 1 year

In 2024, the Entity recorded expenditure of €253,097 thousand in taxable income (€213,450 thousand in 2023) and income of €9,158 thousand for the provision of services to entities included in the IPS (€7,144 thousand at 31 December 2023).

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 2024 and 31 December 2023 is as follows:

	Thousands of Euros				
	2024				
	Fees-Allowances	**Fixed remuneration**	**Social Security expenses**	**Post-employment benefits**	**Other remuneration (*)**
Governing Board	784.72	396.99	36.91	35.18	45.78
Executives	-	206.75	18.12	10.26	28.36
Total	**784.72**	**603.74**	**55.03**	**45.44**	**74.14**
	2023				
	Fees-Allowances	**Fixed remuneration**	**Social Security expenses**	**Post-employment benefits**	**Other remuneration (*)**
Governing Board	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**

(*) Variable remuneration, compensation in kind and justified expenses (kilometres).

The Executives line item at 31 December 2024 includes the remuneration of one executive included in the Bank of Spain's Register of Senior Officers (one person at 31 December 2023) and the Directors line item at 31 December 2024 includes the remuneration of 0 executive directors (2 executive directors at 31 December 2023).

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 2024 and 31 December 2023.

The remuneration accrued to the members of the Governing Board in the form of fees and attendance allowances at 31 December 2024 and 31 December 2023 is as follows:

	Thousands of Euros			
	2024		2023	
	Fees	Attendance allowances	Fees	Attendance allowances
Mr. Bartolome Viudez Zurano	62.28	25.00	49.50	24.00
Mr. Jose Luis Heredia Celdran	62.28	24.00	49.50	24.00
Ms. Maria Luisa Trinidad Garcia	73.00	25.00	66.00	24.00
Mr. Juan Colomina Figueredo (*)	10.35	3.00	27.50	6.50
Mr. Eduardo Baamonde Noche	139.44	11.00	104.50	24.00
Mr. Jesus Martinez De Salinas Alonso	40.92	8.00	27.50	6.50
Ms. Maria Angeles Perez Paracuellos	40.92	8.00	27.50	6.00
Mr. Francisco Lorente Brox (*)	18.63	10.50	49.50	24.00
Mr. Enrique Colilles Cascallar (*)	10.35	3.00	27.50	6.50
Mr. Indalecio Miguel Felices Gonzalez	30.71	3.50	27.50	6.50
Ms. Constanza Isabel Palomino Perez	30.64	5.00	-	-
Mr. Francisco Javier, Rodriguez Jurado	36.78	15.00	-	-
Mr. Francisco Jose, Andujar Lazaro	36.78	15.00	-	-
Ms. Lorena, Lopez Gomez	30.64	5.00	-	-
	623.72	**161.00**	**456.50**	**152.00**

(*) Members of the Governing Council who have left during the 2024 financial year

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 Act 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 have to fulfil 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.

At 31 December 2024 and 31 December 2023 there is no outstanding nominal amount of mortgage covered bonds or mortgage bonds issued by the Entity (Note 8.7.4).

24.1 Information on the mortgage market

The qualitative and quantitative information at 31 December 2024 and 31 December 2023 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 2024					
	Gross Debt	Initial impairment (I)	Gross carrying amount	Subsequent impairment (II)	Sum impairment (I+II)	Net carrying amount
Real estate assets from financing provided to construction and real estate development companies	**29,215**	**(16,728)**	**12,486**	**(6,172)**	**(22,900)**	**6,314**
Completed buildings and other constructions	*3,315*	*(1,179)*	*2,136*	*(565)*	*(1,744)*	*1,571*
Housing	1,299	(438)	860	(251)	(689)	609
Other	2,016	(741)	1,276	(314)	(1,055)	962
Buildings and other constructions under construction	*4,804*	*(1,736)*	*3,067*	*(1,839)*	*(3,575)*	*1,228*
Housing	4,804	(1,736)	3,067	(1,839)	(3,575)	1,228
Other	-	-	-	-	-	-
Land	*21,096*	*(13,813)*	*7,283*	*(3,768)*	*(17,581)*	*3,515*
Consolidated urban land	4,211	(1,897)	2,314	(1,083)	(2,980)	1,231
Other land	16,885	(11,916)	4,969	(2,685)	(14,601)	2,284
Real estate assets from mortgage financing to acquire homes	**49,830**	**(18,025)**	**31,782**	**(16,928)**	**(34,953)**	**14,854**
Other real estate assets foreclosed or received in payment of debt	**36,891**	**(15,046)**	**21,980**	**(10,195)**	**(25,241)**	**11,785**
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**	**(322,364)**	**(322,364)**	**1,554,397**
Financing provided to entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,928,820**	**(154,617)**	**(154,617)**	**1,774,203**
Total assets received in payment of debt	**115,936**	**(49,799)**	**66,248**	**(33,295)**	**(83,094)**	**32,953**

(*) Includes real estate investments with a gross debt of €13,181 thousand, accumulated impairment of €8,276 thousand and a net book value of €4,907 thousand.

	Thousands of Euros (*)					
	31 December 2023					
	Gross Debt	Initial impairment (I)	Gross carrying amount	Subsequent impairment (II)	Sum impairment (I+II)	Net carrying amount
Real estate assets from financing provided for real estate construction and property development	**30,508**	**(17,671)**	**12,837**	**(6,061)**	**(23,732)**	**6,776**
Completed buildings and other constructions	*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 constructions 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 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 book value of €7,905 thousand euros.

At 31 December 2024 and 31 December 2023, 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 2024					
	Gross Debt	Initial impairment (I)	Gross carrying amount	Subsequent impairment (II)	Sum impairment (I+II)	Net carrying amount
Real estate assets arising from finance provided to construction and real estate development companies	**29,215**	**(16,728)**	**12,486**	**(6,172)**	**(22,900)**	**6,314**
Completed buildings and other constructions	*3,315*	*(1,179)*	*2,136*	*(565)*	*(1,744)*	*1,571*
Housing	1,299	(438)	860	(251)	(689)	609
Other	2,016	(741)	1,276	(314)	(1,055)	962
Buildings and other constructions under construction	*4,804*	*(1,736)*	*3,067*	*(1,839)*	*(3,575)*	*1,228*
Housing	4,804	(1,736)	3,067	(1,839)	(3,575)	1,228
Other	-	-	-	-	-	-
Land	*21,096*	*(13,813)*	*7,283*	*(3,768)*	*(17,581)*	*3,515*
Consolidated urban land	4,211	(1,897)	2,314	(1,083)	(2,980)	1,231
Other land	16,885	(11,916)	4,969	(2,685)	(14,601)	2,284
Real estate assets arising from mortgage financing to acquire homes	**49,162**	**(17,801)**	**31,361**	**(16,739)**	**(34,540)**	**14,622**
Other real estate assets foreclosed or received in payment of debt	**35,836**	**(14,760)**	**21,211**	**(10,044)**	**(24,804)**	**11,167**
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**	**(322,364)**	**(322,364)**	**1,554,397**
Financing provided to entities holding real estate assets foreclosed or received in payment of debt	**-**	**-**	**1,928,820**	**(154,617)**	**(154,617)**	**1,774,203**
Total assets acquired in payment of debt	**114,213**	**(49,289)**	**65,058**	**(32,955)**	**(82,244)**	**32,103**

	Thousands of Euros					
	31 December 2023					
	Gross Debt	Initial impairment (I)	Gross carrying amount	Subsequent impairment (II)	Sum 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 constructions	*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 constructions 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**

The Entity has policies and strategies in place to recover the liquidity of these kinds of assets, which are detailed 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 property development as well as the corresponding impairment allowances at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros					
	Gross amount		**Excess above the value of collateral**		**Specific allowance**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Financing for real estate construction and property development (including land)(businesses in Spain)	**202,697**	**252,476**	**39,962**	**44,271**	**(13,738)**	**(22,797)**
Of which: Non-performing	*17,505*	*28,915*	*6,560*	*11,265*	*(12,048)*	*(17,664)*
Memorandum items:						
Write-off assets	130,041	147,784				

	Thousands of Euros	
	2024	**2023**
Loans and advances to customers excluding general governments (business in Spain) (carrying amount)	25,309,877	25,309,380
Total assets (total businesses) (carrying amount)	54,106,876	51,253,276
Impairment and provisions for performing exposures (total businesses)	(316,943)	(428,942)

The gross amount, without deducting impairment allowances, of the transactions classified according to the associated collateral securing the financing of real estate construction and property development at 31 December 2024 and 31 December 2023 breaks down as follows:

	Thousands of Euros	
	2024	**2023**
Without real estate collateral	**18,461**	**15,052**
With real estate collateral (broken down by type of asset received as collateral)	**184,236**	**237,424**
Completed buildings	*110,399*	*135,390*
Housing	92,088	113,089
Other	18,311	22,301
Buildings under construction	*35,169*	*57,120*
Housing	35,092	57,061
Other	77	59
Land	*38,667*	*44,914*
Consolidated urban land	21,345	22,671
Other land	17,323	22,243
Total	**202,697**	**252,476**

Details of retail loans for home purchases at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros			
	2024		2023	
	Gross carrying amount	Of which: Non-performing	Gross carrying amount	Of which: Non-performing
Lending for housing purchases	**10,952,053**	**86,205**	**10,847,740**	**109,986**
Without real estate collateral	159,968	2,515	111,374	2,507
With real estate collateral	10,792,085	83,690	10,736,366	107,479

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros					
	2024					
	Loan-to-value ratio based on the latest appraisal (a)					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80%< LTV <= 100%	LTV> 100%	Total
Gross carrying amount	**2,825,068**	**3,254,254**	**3,696,888**	**772,198**	**243,676**	**10,792,085**
Of which: Non-performing	*16,763*	*22,352*	*23,211*	*8,697*	*12,667*	*83,690*

	Thousands of Euros					
	2023					
	Loan-to-value ratio based on the latest appraisal (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*

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 2024 the coverage ratio for the retail and medium- and long-term loan portfolio reached 163.72% (compared to 148.90% at 31 December 2023), while 163.29% (148.80% at year- end 2023) of funding needs were covered through stable funding sources.

On the other hand, the Entity holds liquid assets (eligible for financing transactions with the European Central Bank) in a total nominal amount of €5,310 million (€7,615 million at 31 December 2023) and has collateralised bond issuance capacity (mortgage and public sector bonds) of €5,102 million (€2,780 million at 31 December 2023).

In 2024, Cajamar issued two mortgage bonds for €600 million and €750 million, the first fully placed on the market and the second fully retained to strengthen the collateral in the Bank of Spain facility.

Completing Cajamar's activity in the wholesale markets was the early redemption of two fully retained issues of mortgage bonds in the nominal amounts of €750 million and €1 billion.

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 value of €500 million, which had been partially repurchased for €62 million.

Details of funding needs and strategies at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros			Thousands of Euros	
	2024	**2023**		**2024**	**2023**
Stable financing needs			**Stable sources of financing**		
Customer credit	27,075,875	26,007,077	Customers covered 100% by Deposit Guarantee Fund	25,640,672	24,159,638
Loans to joint ventures, associates and other related parties	10,373	16,679	Customers not covered 100% by Deposit Guarantee Fund	19,368,826	16,877,422
Securitised loans	2,158,144	3,165,647			
Impairment allowances of financial assets	(599,892)	(680,309)			
Total customer credit	**28,644,500**	**28,509,094**	**Total retail customer deposits**	**45,009,498**	**41,037,060**
Assets acquired in payment of debt	**66,248**	**88,179**			
Investments in joint ventures and associates	**2,459,710**	**2,453,802**	Mortgage and covered bonds	1,700,000	1,100,000
			Public sector bonds	-	-
			Senior debt	-	-
			State-guaranteed issues	-	-
			Subordinated, preference and convertible issues	-	-
			Other medium and long-term financial instruments	-	-
			Securitisations sold to third parties	295,677	444,019
			Other financing maturing in more than one year	-	-
			Commercial paper	-	-
			Long-term wholesale financing	**1,995,677**	**1,544,019**
			Equity	**3,894,047**	**3,623,783**
Total financing needs	**31,170,458**	**31,051,075**	**Total stable sources of financing**	**50,899,222**	**46,204,862**

Details of the retail customer deposits guaranteed and not guaranteed by the Deposit Guarantee Fund in 2024 and 2023 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 2024 are as follows:

	Thousands of Euros			
	2025	**2026**	**2027**	**>2027**
Issuances:				
Mortgage and covered bonds(*)	-	-	-	1,700,000
Public sector bonds	-	-	-	-
Senior debt	-	-	-	-
State-guaranteed issues	-	-	-	-
Subordinated, preference and convertible issues	-	-	-	-
Securitisations sold to third parties(**)	23,980	45,251	43,945	182,501
Other medium and long-term financial instruments	-	-	-	-
Other financing maturing in more than one year	-	-	-	-
Commercial paper	-	-	-	-
Total wholesale issuance maturities	**23,980**	**45,251**	**43,945**	**1,882,501**

(*) 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 2023 were 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, preference 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 in 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.

Liquid assets and available issuance capacity at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Liquid assets		
Eligible assets (nominal amount)	5,310,206	7,614,800
Eligible assets (market value and ECB haircut)	4,438,535	6,315,111
Of which:		
debt with general governments	-	*472,813*
Pledged assets (market value and ECB haircut)	2,906,153	2,655,484
Unpledged assets (market value and ECB haircut)	1,532,382	3,659,627
Issuance capacity:		
Mortgage bonds	2,534,731	1,374,532
Public sector bonds	2,567,724	1,405,226
Available issues backed by the State government	-	-
Total issuance capacity	**5,102,455**	**2,779,758**

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:

- The debtor's equity and financial position has been redressed and that it is expected it will not experience further financial difficulties;
- At least a year has elapsed since the refinancing or restructuring;
- The debtor has fully repaid the accrued instalments of principal and interest, thereby reducing the renegotiated principal; and
- 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 2024 and 31 December 2023, 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 2024	Unsecured		Secured				
					Maximum amount of 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	4	1,978	-	-	-	-	(490)
Other financial corporations and sole proprietorships (financial business activity)	30	1,065	3	198	135	-	(224)
Non-financial corporations and sole proprietorships (non-financial business activity)	6,201	320,969	1,248	281,111	255,150	6,888	(126,662)
Of which: financing for real estate construction and property development (including land)	*3*	*45*	*52*	*26,967*	*24,401*	-	*(10,470)*
Other households	1,971	13,185	1,895	175,441	167,937	932	(24,562)
Total	**8,206**	**337,196**	**3,146**	**456,750**	**423,221**	**7,820**	**(151,939)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

	of which: Non-Performing						
	Unsecured		Secured				
					Maximum amount of 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)	7	353	3	198	135	-	(187)
Non-financial corporations and sole proprietorships (non-financial business activity)	2,085	115,506	438	75,041	63,050	1,847	(100,184)
Of which: financing for real estate construction and property development (including land)	-	-	*27*	*15,363*	*13,029*	-	*(10,154)*
Other households	979	5,897	545	35,566	32,057	2	(17,083)
Total	**3,073**	**122,246**	**986**	**110,805**	**95,242**	**1,850**	**(117,944)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

31 December 2023

Thousands of Euros

	TOTAL						
	Unsecured		Secured				
					Maximum amount of 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 property 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						
	Unsecured		Secured				
					Maximum amount of 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 property 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	-	-	-	-	-	-	-

Details of transactions classified as non-performing, after being refinanced or restructured, at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
General governments	490	490
Financial intermediaries	-	-
Other legal persons and sole proprietorships	153,557	157,328
Of which: Financing for real estate construction and property development	*13,036*	*20,053*
Other natural persons	35,350	53,296
Total	**189,397**	**211,114**

25. Breakdown of the statement of profit or loss

The most significant headings on the accompanying statements of profit or loss at 31 December 2024 and 31 December 2023 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	
	2024	**2023**
Interest income		
Cash equivalents at central banks	15,944	12,962
Cash equivalents at credit institutions	697,339	474,734
Other loans and advances	1,133,653	925,654
Debt securities (Note 8.2.2) (Note 8.3.2) (Note 8.5.1) (Note 8.6.4)	211	982
Non-performing transactions	13,839	10,586
Hedging derivatives	804	693
Other assets:		
Yields on pension plan assets (Note 14.1)	*1,114*	*1,019*
Interest income on liabilities	*15*	*-*
Other	*3,667*	*2,132*
Total	**1,866,586**	**1,428,762**
Interest expenses		
Demand deposits at credit institutions	(138,841)	(68,640)
Customer deposits	(489,495)	(290,359)
Other deposits	(9,833)	(13,571)
Debt securities issued (Note 8.7.4)	(56,684)	(33,806)
Hedging derivatives	(7,424)	330
Other liabilities:		
Pension fund interest expenses (Note 14.1)	*(1,214)*	*(1,103)*
Asset interest expenses	*(10,390)*	*(8,133)*
Financial costs of liabilities associated with operating lease	*(1,104)*	*(1,036)*
Other	*(242)*	*(310)*
Total	**(715,227)**	**(416,628)**

- **Dividend income**

Details of this heading on the statements of profit or loss at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Investment in subsidiaries, joint ventures and associates (Note 11)	50,428	20,610
Equity instruments (Note 8.5.2)	289	180
Total	**50,717**	**20,790**

- The headings **"Fee and commission income"** and **"Fee and commission expenses"** on the accompanying statement of profit or loss show the amount of all fees and commission received and paid by the Entity accrued during the year, except for those that form part of the effective interest rate for financial instruments. The criteria followed in recognising these items in profit or loss are explained in Note 3.17.

  The details of products generating fee and commission income or expenses at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
Fee and commission income	**2024**	**2023**
Securities:	**1,927**	**1,779**
Issuances	5	-
Transfer orders (Note 28)	1,921	1,779
Asset management	**4,112**	**2,716**
Custody [by type of customer]:	**948**	**1,052**
Other (Note 28)	948	1,052
Payment services	**185,142**	**177,382**
Current accounts	75,740	66,590
Credit cards	30,324	28,571
Debit cards and other card payments	48,461	48,815
Transfers and other payment orders	10,735	10,224
Other fee and commission income in relation to payment services	19,882	23,182
Customer funds distributed but not managed [by type of product] (Note 28):	**94,988**	**74,107**
Collective investment	29,879	26,023
Insurance products	65,109	48,084
Loan commitments given	**9,978**	**9,885**
Financial guarantees given	**12,326**	**11,505**
Foreign currency	**451**	**619**
Other fee and commission income	**7,681**	**6,763**
Total	**317,552**	**285,808**
Fee and commission expenses		
Securities	(3,261)	(2,953)
Clearing and settlement	-	-
Asset management	(108)	(108)
Custody	-	-
Payment services	(16,905)	(16,457)
Of which: Debit and credit cards and other cards	*(16,865)*	*(16,408)*
Loan administration activities	-	-
Loan commitments received	-	-
Financial guarantees received	(5,114)	(6,545)
Distribution of products by external providers	(3,067)	(1,620)
Other fee and commission expenses	(646)	(6,817)
Total	**(29,101)**	**(34,500)**

- **Gains and losses on assets and liabilities**

Details of this heading on the statements of profit or loss at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**(25,348)**	**(10,034)**
Financial assets at amortised cost	(25,348)	(10,027)
Financial liabilities at amortised cost	-	(7)
Gains or losses on financial assets and liabilities held for trading, net	**-**	**3**
Other gains or (-) losses	-	3
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**7,277**	**8,537**
Other gains or (-) losses	7,277	8,537
Total	**(18,071)**	**(1,494)**

- **Other operating income**

Details of this heading on the statements of profit or loss at 31 December 2024 and 31 December 2023 are as follows:

	Thousands of Euros	
	2024	**2023**
Changes in fair value of tangible assets measured using the fair value model	-	-
Investment property (Note 12)	6,867	6,918
Operating leases that are not investment property	-	-
Other:		
Insurance company indemnity	-	949
Other items:		
Other recurring income	*8,241*	*11,695*
Other non-recurring income	*1,233*	*1,333*
Income from insurance and reinsurance contracts issued	-	-
Total	**16,341**	**20,895**

- **Other operating expenses**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2024	**2023**
Mandatory contributions to social projects and funds (Note 17)	(19,407)	(8,188)
Investment property (Note 12)	(1,163)	(1,261)
Operating leases that are not investment property	-	-
Contribution to the Deposit Guarantee Fund (Note 3.18)	(91)	(45,008)
Contribution to the Single Resolution Fund (Note 3.29)	-	(7,820)
Other:		
Change in inventories – Cost of sales	-	-
Change in inventories – Property overheads	-	-
Other items	*(214,080)*	*(255,484)*
Expenses from insurance and reinsurance contracts issued	-	-
Total	**(234,741)**	**(317,761)**

- **Staff expenses**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2024	**2023**
Salaries and bonuses to current personnel	(171,608)	(142,223)
Social security contributions	(58,150)	(55,902)
Appropriations to defined benefit plans (Note 14)	(870)	(855)
Appropriations to defined contribution plans (Note 14)	(9,129)	(8,763)
Severance indemnities	(551)	(613)
Training expenses	(12)	(306)
Share-based payments	-	-
Other staff expenses	(22,305)	(21,521)
Total	**(262,625)**	**(230,183)**

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:

	2024		**2023**	
	Male	**Female**	**Male**	**Female**
Executives	3	-	4	-
Department heads and graduates	1,613	1,517	1,623	1,437
Administrative officers	203	406	238	516
Administrative assistants	88	132	66	105
Sundry positions	-	1	-	1
Total	**1,907**	**2,056**	**1,931**	**2,059**

At 31 December 2024 and 2023 the number of employees, broken down by professional category, is as follows:

	2024		**2023**	
	Male	**Female**	**Male**	**Female**
Executives	2	-	4	-
Department heads and graduates	1,615	1,592	1,621	1,468
Administrative officers	173	319	226	467
Administrative assistants	94	143	83	120
Sundry positions	-	1	-	-
Total	**1,884**	**2,055**	**1,934**	**2,055**

The average number of persons employed at 31 December 2024 and 31 December 2023 with a degree of disability of 33% or more (or equivalent grading), by professional category, is as follows:

	2024		2023	
	Male	Female	Male	Female
Executives	-	-	-	-
Department heads and graduates	29	26	25	23
Administrative officers	4	14	6	18
Administrative assistants	-	1	-	1
Sundry positions	-	-	-	-
Total	**33**	**41**	**31**	**42**

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 2024 and 31 December 2023:

	Thousands of Euros	
	2024	2023
Loans and advances	2,008	6,672
Other remuneration in kind	1,176	945
Total remuneration in kind	**3,184**	**7,617**

- ### Other administrative expenses

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2024	2023
Property, fixtures and materials	(16,286)	(16,779)
Information technology (IT)	(6,203)	(5,822)
Communications	(6,260)	(5,777)
Advertising and publicity	(87)	(96)
Court costs and lawyers' fees	(1,097)	(1,222)
Technical reports	(1,209)	(986)
Security and cash transit services	(3,709)	(3,904)
Insurance and self-insurance premiums	(541)	(529)
Governance and control bodies	(574)	(369)
Entertainment and staff travel expenses	(1,847)	(1,553)
Membership fees	(4)	(4)
Share of head office expenses passed on to foreign branches	-	-
Subcontracted administrative services	(291,263)	(222,080)
Contributions and taxes:		
Property	(2,285)	(2,584)
Other	(13,154)	(12,589)
Donations to foundations	-	-
Other expenses	(8,523)	(8,910)
Total	**(353,042)**	**(283,204)**

- **Amortisation and depreciation**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2024	**2023**
Property, plant and equipment		
For own use (Note 12)		
Computer hardware and related fixtures	(6,578)	(6,751)
Furniture, vehicles and other fixtures	(18,245)	(18,903)
Buildings	(6,680)	(7,300)
Other tangible assets	(182)	(181)
Capitalised rights of use in leases (Note 12)	**(7,733)**	**(7,257)**
Investment property (Note 12)		
Furniture, vehicles and other fixtures	(230)	(233)
Buildings	(1,456)	(1,465)
Other intangible assets	**(1,234)**	**(691)**
Total	**(42,338)**	**(42,781)**

- **Provisions or reversal of provisions (net)**

Details of this heading on the accompanying statements of profit or loss are as follows:

	Thousands of Euros	
	2024	**2023**
Pensions and other post-employment defined benefit obligations (Note 14.1)	**16**	**(173)**
Other long-term employee benefits (Note 14.1)	**(1)**	**(20)**
Pending legal issues and tax litigation	**-**	**-**
Commitments and guarantees given	**(3,729)**	**17,093**
Loan commitments given	(3,342)	18,209
Financial guarantees given	618	(299)
Other commitments given	(1,005)	(817)
Other contingent risks	(1,005)	(817)
Other provisions (Note 14.4)	**(165,186)**	**(66,682)**
Total	**(168,900)**	**(49,782)**

- **Impairment or reversal of impairment of 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	
	2024	**2023**
Financial assets not measured at fair value through profit or loss	**(115,948)**	**(188,470)**
Debt securities (Note 8.5.1) (Note 8.6.4)	(4,800)	-
Loans and advances (Note 8.6.3)	(111,148)	(188,470)
Investments in subsidiaries, joint ventures and associates (Note 11)	**4,736**	**(17,452)**
Subsidiaries	6,383	(16,334)
Associates	(1,647)	(1,118)
Total	**(111,212)**	**(205,922)**
Non-financial assets	**162**	**(1,493)**
Property, plant and equipment	27	27
Investment property (Note 12)	122	(1,520)
Other (Note 16)	13	-
Total	**162**	**(1,493)**

- **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	
	2024	**2023**
Gains on disposals		
Property, plant and equipment (Note 12)	610	9,565
Investment property (Note 12)	97	453
Total	**707**	**10,018**
Losses on disposals		
Property, plant and equipment (Note 12)	(1,946)	(11,176)
Investment property (Note 12)	(899)	(1,195)
Total	**(2,845)**	**(12,371)**
Total gains or losses	**(2,138)**	**(2,353)**

- **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	
	2024	**2023**
Gains on disposals		
Investment property	41	90
Property, plant and equipment foreclosed	655	2,527
Total	**696**	**2,617**
Losses on disposals		
Property, plant and equipment	(60)	(16)
Investment property	(526)	(468)
Property, plant and equipment foreclosed	(2,828)	(10,036)
Total	**(3,414)**	**(10,520)**
Impairment losses on non-current assets held for sale (Note 10)	**(3,305)**	**(17,641)**
Total gains or losses	**(6,023)**	**(25,544)**

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 type of customer is similar throughout Spain. Therefore the Entity considers that there is a single geographical segment for the entire operation.

27. Information regarding the deferrals of payment 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, with respect to the Entity’s commercial transactions, at 31 December 2024 and 31 December 2023 are as follows:

	Days	
	2024	**2023**
Average period of payment to suppliers	9.36	12.67
Ratio of transactions paid	9.37	12.67
Ratio of transactions pending payment	-	-

	Thousands of Euros							
	2024				**2023**			
	Amount	**%**	**No. Invoices**	**%**	**Amount**	**%**	**No. Invoices**	**%**
Total payments made	374,605		58,880		369,570		85,789	
Of which: Paid in a period less than the established maximum	*363,847*	*97.13 %*	*54,042*	*91.78 %*	*349,915*	*94.68 %*	*71,916*	*83.83 %*
Total payments pending	247				3			

28. Other information

Investment services

The 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:

	Thousands of Euros	
2024	**Customer funds**	**Fees and commission**
Brokerage services (products marketed by the Group) (Note 25)		
Collective investment	6,552,875	29,879
Insurance products	1,416,071	65,109
Total	**7,968,946**	**94,988**
Deposit of securities owned by third parties (Note 25)		
Debt securities and equity instruments	2,156,905	2,875
Other financial instruments entrusted by third parties	10	-
Customer portfolios managed on a discretionary basis	575,531	4,112
Total	**2,732,446**	**6,987**

	Thousands of Euros	
2023	**Customer funds**	**Fees and commission**
Brokerage services (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**

Exchange risk

The following table summarises the Entity's exposure to exchange rate risk:

	Thousands of Euros	
Assets	**2024**	**2023**
Cash, cash balances at central banks and other demand deposits	9,987	6,199
Financial assets at amortised cost	71,918	49,369
Other assets	192	124
Total	**82,097**	**55,692**

	Thousands of Euros	
Liabilities	**2024**	**2023**
Financial liabilities at amortised cost	86,220	79,588
Other liabilities	1	-
Total	**86,221**	**79,588**
Net Position	**(4,124)**	**(23,896)**

The net amount of exchange differences recognised on the statement of profit or loss totalled €1,861 thousand at 31 December 2024 (€1,185 thousand at 31 December 2023).

At 31 December 2024 and 31 December 2023 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 2024 and 31 December 2023 are as follows:

2024	Thousands of Euros			
Entity	**Audit fees**	**Audited-related fees**	**Other services**	**Total**
KPMG	253	55	-	308

2023	Thousands of Euros			
Entity	**Audit fees**	**Audited-related fees**	**Other services**	**Total**
KPMG	249	31	-	280

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 Article 18 of Act 33/2003, of 3 November 2003, on public institution finances, the balances and deposits of the Entity that qualify as abandoned under said article amounted to €31 thousand at 31 December 2024; this amount may vary between the reporting date and the date the financial statements are definitively presented to the competent authority (no amount at 31 December 2023).

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 25,972 proceedings were initiated in 2024, including 262 cases opened with the Bank of Spain Institutions' Conduct Department and 10 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 2024 were: 94% in favour of the entities; 2% in favour of the claimant; and in 4% of cases the Customer Service Department issued no decision on the 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
Loans and advances	79.0%
Deposit transactions and payment accounts	10.0%
Payment instruments and services	5.0%
Other banking products/services	1.0%
Miscellaneous	5.0%

Finally, looking at the reasons for claims – also as per the Bank of Spain's classification:

Reason	Percentage
Commission and fees	80.0%
Information and documentation	3.0%
Processing	1.0%
Disagreement	8.0%
Interest	2.0%
Contractual modifications and resolutions	1.0%
Fraud	3.0%
Miscellaneous	2.0%

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

Aside from the matters disclosed in the preceding paragraphs, from 31 December 2024 until 3 March 2025, 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 2024

Company	Domicile	Business	% direct holding	Thousands of Euros				
				Net book value	Capital	Reserves	Profit/(loss)	Other equity
Group companies								
Banco de Crédito Social Cooperativo, S.A. (a)	Paseo de la Castellana, 87. Madrid.	Cooperative banking	84.91%	906,190	1,059,028	36,889	77,710	(53,389)
Alquileres Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	100.00%	610	1,235	(388)	9	14
Cajamar Mediación Operador de Banca Seguros Vinculado, S.L.U. (a)	C/ Ciudad Financiera, 1, Almería.	Insurance brokerage.	100.00%	60	60	229	1,276	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	C/ Ciudad Financiera, 1, Almería.	Real estate development	100.00%	1,529,651	60	1,641,531	-	(111,940)
Inmuebles Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	100.00%	6,706	16,250	(8,120)	(50)	(1,389)
				2,443,217	**1,076,633**	**1,670,141**	**78,945**	**(166,704)**
Associates								
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Real estate marketing.	20.00%	1	3	868	(51)	(258)
Murcia Emprende S.C.R., S.A. (b)	C/ Alfaro, 1. Murcia.	Venture capital investing	22.06%	688	2,557	949	(242)	(249)
Parque Científico-Tecnológico de Almería, S.A. (c)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	Retail space management	30.18%	9,140	37,066	(596)	(1,597)	(4,594)
Promontoria Jaguar, S.A. (a)	C/ Serrano, 26. Madrid	Holding company activities	20.00%	6,664	60	4	(4,580)	38,129
				16,493	**39,685**	**1,225**	**(6,470)**	**33,028**

(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 2023

Company	Domicile	Business	% direct holding	Net book value	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

Appendix II Details of branches by geographical area

Province		Nº branches 2024	Nº branches 2023
ANDALUSIA		218	228
	Almería	89	97
	Cádiz	10	10
	Córdoba	8	8
	Granada	17	19
	Huelva	5	5
	Jaén	7	7
	Málaga	72	72
	Sevilla	10	10
ARAGON		7	7
	Huesca	3	3
	Zaragoza	3	3
	Teruel	1	1
ASTURIAS		3	3
BALEARIC ISLANDS		19	19
CANARY ISLANDS		38	40
	Las Palmas	25	26
	Santa Cruz de Tenerife	13	14
CANTABRIA		2	2
CASTILE-LA MANCHA		15	15
	Albacete	6	6
	Ciudad Real	4	4
	Cuenca	3	3
	Guadalajara	1	1
	Toledo	1	1
CASTIL AND LEON		60	60
	Avila	4	4
	Burgos	3	3
	León	10	10
	Palencia	10	10
	Salamanca	2	2
	Segovia	2	2
	Soria	1	1
	Valladolid	25	25
	Zamora	3	3
CATALONIA		34	34
	Barcelona	24	24
	Gerona	3	3
	Lérida	2	2
	Tarragona	5	5
VALENCIA		190	201
	Alicante	49	49
	Castellón	35	35
	Valencia	106	117
EXTREMADURA		4	4
	Badajoz	3	3
	Cáceres	1	1
GALICIA		7	7
	A Coruña	3	3
	Ourense	1	1
	Pontevedra	2	2
	Lugo	1	1
LA RIOJA		2	2
MADRID		35	35
MURCIA		109	111
NAVARRE		4	4
BASQUE COUNTRY		2	2
	Álava	1	1
	Vizcaya	1	1
CEUTA		1	1
MELILLA		1	1
		751	**776**

CAJAMAR CAJA RURAL
SOCIEDAD COOPERATIVA DE CRÉDITO

Directors' Report
(Year 2024)

Macroeconomic environment

- The Bank of Spain's **growth forecast for 2025** has risen to 2.5%, with activity supported mainly by domestic demand, particularly private consumption. The slowdown compared to the previous year will be marked in public consumption, while gross capital formation will be more vigorous. Growth is expected to moderate during the year due to the effects of the floods in and around Valencia, and changes in United States tariffs.

- Spanish GDP grew by 3.2% in volume in 2024, compared to 2.7% in 2023. This is an improvement on the forecasts issued in the third quarter, thanks to job creation during September and October. This improvement was achieved despite a slowing of the world economy (though not as sharp as expected), ongoing geopolitical risks, high interest rates and inflation, which, though moderating, remains high.

- The year-on-year rate of change in the CPI at December 2024 is 2.8% (3.1% in December 2023), down 0.4% compared to the previous month and down 0.3% year-on-year. This variation is driven mainly by the fall in food and non-alcoholic beverages, and in household consumption. These declines outweigh the momentum in the housing sector. Meanwhile, the harmonised index of consumer prices (HICP) in November 2024 was 2.4% (nine-tenths of a percent lower than in December 2023).

- At the end of 2024, **average employment, as measured by Social Security affiliation**, was 21,337,962, an increase of 501,952. Once again, the increase is driven by wage earners (as opposed to the self-employed).

- The **unemployment rate** continued to decline, reaching 10.61 % (11.80% in 2023), the lowest year-end figure since 2007. Similarly, the downward trend in the number of **unemployed** continued, bringing the total at year-end to 2,595,500.

- After peaking in March 2024, when it reached 3.76%, **12-month Euribor** gradually declined, ending the year at 2.46%. **3-month Euribor** showed a similar trend, peaking in January 2024 at 3.97% and dropping to 2.71% at the end of December (3.90% in 2023).

- At its December meeting, after nine months in which interest rates remained unchanged, the **ECB** reduced official rates by 25 basis points. Thus, at the end of 2024 all three key interest rates were reduced: the deposit facility rate to 3.00%, the main refinancing operations rate to 3.15%, and the marginal lending facility rate to 3.40%.

- The **Ibex-35** ended the year at 11,595 points, up 15% compared to 2023. Among the main European markets, the performance of the Ibex-35 was second only to that of the German DAX. The main US indices also performed well during the year, with the S&P 500 up 23.4%, the Nasdaq 100 up 28.7% and the Dow Jones up 12.6%.

- The **non-performing loans ratio** of credit institutions and specialised credit institutions stood at 3.38% in November 2024, an improvement on year-end 2023 (3.54%). However, non-performing assets have fallen to €40,291 million, from €41,868 million at the end of 2023.

- The **banking sector** ended 2024 with excellent results. The main profit driver was the interest rate hikes by the ECB, which allowed banks to improve their interest margins. The uptick in results raised 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 uncertainty over the eventual impact of geopolitical conflicts, the aftermath of the Valencia floods and the future direction of ECB monetary policy.

Business performance

- In an economic context marked by a slowing of the world economy, albeit less intense than expected, and by the latent risks of geopolitical instability, high interest rates and persistent inflation, the Bank increased its turnover, reduced its NPL ratio and boosted its profitability ratios.

- 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 3.6 million customers, an increase of 2.4% 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 84.9% of the share capital, and contributing 93.9% of the Group's points of sale and 85.5% of its on-balance sheet retail business.

- The **balance sheet** total at 31 December 2024 was €54,107 million, representing an annual change of 5.6%.

- The good performance of on-balance-sheet retail funds resulted in total **on-balance-sheet retail business** of €74,254 million, an annual increase of 5.7%.

- **On-balance-sheet retail funds** grew by €3,972 million (9.7%) in 2024, to €45,009 million, driven by **demand deposits** (9.0%) and **term deposits** (13.2%).

- On the other hand, **off-balance-sheet funds** reached €10,701 million (17.0% more than in 2023), mainly due to the increase in investment funds as an attractive and profitable alternative in a year marked by the rise in stock exchanges and pension plans.

- Thus, at year-end the Entity's **customer funds under management** were up 11.0% compared to the previous year, at €55,711 million.

- As part of the Group's asset and liability management, Cajamar Caja Rural issued €600 million of mortgage bonds and €500 million of senior preferred debt during the year.

- The contraction in credit throughout the sector as a result of the increase in the cost of financing caused by the rise in interest rates, together with the decrease in non-performing assets, has brought **gross loans and advances to customers** to €29,244 million, representing growth of 0.2%.

- In a context of rising borrowing costs and persistent negative lending growth throughout the sector, the Entity is committed to financing profitable projects that support economic and business activity, especially in our strategic segments, in particular the agri-food sector, in which the latest available market share is 15.2%. **Performing loans and advances to customers** reached €28,622 million, having grown by 0.2% in 2024 compared to the previous year.

- This year once again substantial progress was made in the management of non-performing assets, with the volume of **non-performing loans** down 1.1% or €7 million, at €623 million, bringing the **NPL ratio** down to 1.99% (2.04% in 2023), remaining below the industry average.

- With a **loan loss allowance** at year-end of €600 million, the **NPL coverage ratio** stands at 96.4% (108.1% in 2023).

- 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 Fitch Ratings, S&P and DBRS upgraded their ratings and assessed the Group's outlook as "stable" or even "positive". Firstly, on 1 July 2024 Fitch Ratings gave long-term debt a rating of 'BBB-' and short-term debt a rating of 'F3'. Then, on 28 November 2024, S&P upgraded long-term debt from 'BB+' to 'BBB-' and short-term debt to 'A-3'. Lastly, on 13 November 2024, DBRS maintained Grupo Cajamar's 'BBB-' rating for long-term debt and 'R-2 (middle)' for short-term debt.

Branches and staff

- The Entity has a sales network of 751 **branches** throughout Spain, staffed by an **average workforce** of 3,963 employees, who deliver specialised professional service to its partners and customers.

Capital

- The Entity is trusted by 3,582,259 **customers**, 2.4% more than the previous year, of which 1,647,123 are **partners**, up 3.4%, with **capital** of €3,440 million, following annual growth of 2.5%.

Risk management

- A detailed analysis of the situation at year-end and of the management during 2024 of the different types of risk to which the Bank is exposed (credit, market, liquidity, interest rate, operational and currency risk) is provided in Note 6, Risk Management Policies and Objectives to the 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 financial institutions' results, driven by recurring income from the banking activity.

- At the end of 2024, **net interest income** was up 13.8% year-on-year, at €1,151 million, thanks to the improvement in customer margin resulting from the rise in interest rates and the Entity's sound commercial management.

- **Net fee and commission income and exchange gains** amounted to €290 million (up 15.0% compared to 2023), mainly due to growth in off-balance-sheet products, such as investment funds, insurance and pension plans, as well as payment services.

- In 2024 the Entity received **dividends** totalling €51 million from the year's allocation of the profits of Banco de Crédito Social Cooperativo, S.A.

- **Gross income**, after the pooling of results and after deducting gains and losses on the management and sale of assets during the year, was €1,256 million, an increase of 27.2% compared to 2023, driven by buoyant core banking income in the form of net interest income and net fee and commission income.

- The growth in income resulted in increased business **profitability**, with a gross return on average total assets of more than 2.0%.

- With operating expenses increasing by less than income, the **cost-income ratio** reached 52.4%, a 4.0 p.p. improvement on 12 months earlier, while administrative expenses were kept strictly under control, with more resources being allocated to technological and digital developments that will improve and streamline all the branch network's commercial and operational management processes and thus enhance branch profitability, productivity and customer service.

- Despite being a sound institution with a high level of non-performing loan coverage, the Entity 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 €116 million to **impairment losses on financial assets**.

- The Entity has also allocated €169 million to **provisions**, compared to €50 million the previous year, including the provisions for the voluntary early retirement plan implemented by the Group during the year.

- Lastly, after deducting any gains or losses on the management and sale of non-financial assets and the provision for taxation, the **profit for the year**, after tax, was €272 million, 115.1% more than the previous year (€146 million). It will be used to strengthen the Entity's capital, contribute to the cooperative education and development fund and remunerate the capital of our partners.

Solvency

- At the end of 2024, the Group's phased-in **total capital ratio** stands at 16.06% (16.06% fully loaded) and the **phased-in CET1 ratio** at 13.84% (13.84% fully loaded), easily meeting the requirements set in the supervisory review and evaluation process (SREP).

- **Eligible capital** increased by 6.7% during the year to €4,340 million, mainly due to the growth in cooperative capital and profit generation, demonstrating the quality of the Group's capital.

- The MREL-TREA is 24.5% (MREL-LRE 10.8%), above the final requirement of MREL-TREA 23.08% (MREL-LRE 5.36%) to be met from 1 January 2025.

Technology projects, digital transformation, marketing policy and R&D.

In the field of Digital Business, the range of products and services available through online channels has been expanded, while work has continued on existing projects to improve remote channels and customer service and make the services provided more efficient.

New remote banking services

- **"Grupo Cajamar" app.** During the year 15 upgrades were released with the following improvements:
  - Financing of outstanding transactions.
  - Bizum C2R MRT, SCA exemptions.
  - Bizum ID.
  - Bizum MIT pilot.
  - Registration of minors and specific functionality for this group (limit setting by parents, account management, etc.).
  - Improvements to the fraud monitoring and management tool.
  - Improvements to the Know Your Customer forms.

- **Online application for financial products.** Expanded range of products available for online application.
  - Applications for the following products can be submitted via the App:
    - Account 360.
    - 'Hola' deposit.
    - Credit card.
    - Improvements to corporate e-shopping card applications.
    - Auto insurance.
  - Electronic banking now includes options to apply for:
    - Self-employed account.
    - Account 360.
    - 'Hola' deposit.
    - Auto insurance.
    - Applications for consumer credit card.

- **New services.** The following services were introduced in 2024:
  - Online registration of high and medium-high risk customers.
  - Property sales website.

- **Electronic banking.** The new features and improvements introduced during the year are:
  - Transaction financing: Deferred payments.
  - Modification of account beneficiaries (add company, children, etc.).
  - Transparency Act. Editing of customizable texts of revolving credit cards.
  - Registration of minors and specific functionality for this group (limit setting by parents, account management, etc.).
  - Post-sales insurance service directly via support tickets.

- **ATMs.** 2024 saw a number of improvements and developments in the ATM channel, enhancing the user experience and optimising the services offered. The most noteworthy developments are listed below:

- Defer credit card bill payment.
- Simplified authentication at ATMs.
- Document download in Transaction Query section.
- Modification of primary address.
- Enable cheque deposit for passbook transactions.
- Monitoring of counterfeit banknote handling procedure.

Remote digital service and account management

- **Conecta portal**: addition of Carbon footprint and Edit contact preferences and Availability sections, and inclusion of the customer's NBA.

- **Video call:** Pilot of appointment management functionality for remote account managers.

- **Chatbot:** Customer service pilot.

- **Customer file in CRM**. Improvement in visualisation and **inclusion of customer relationships with companies, family units and main business indicators**.

- **Actual sales in CRM**. Reconciliation of managed opportunities with actual production, allowing better analysis of marketing management.

- **Improvement of marketing criteria for prioritisation of remote management sales tasks**.

- **Improvement in allocation of customers to remote managers through customer and product geolocation**.

- **New Cimenta2 customer care service.** Launch of a new customer service for real estate, in Spanish and English.

Open banking

- Completion of the development of the **Reverse Factoring API** for customers.
- Development of an **account ownership verification API** based on the list of names of account holders returned by the entities in the PSD2 APIs that we have already integrated.
- Implementation of the Next Best Action approach to marketing operations.
- Implementation of a stable event identification system in our "Electronic Journal" and inclusion of new event indicators in the final CRM tools.

Business Analytics and Marketing Policy

The initiatives carried out during 2024 include the following:

- Various marketing analytics models have been automatically and systematically deployed in Production, including: demand/term deposit acquisition, cards for self-employed customers, tax payments, vehicle leasing to non-customers, natural language processing (NLP) applied to texts in bank transfers and internal transfers, and carbon footprint calculation.

  Also, calculation of new indicators, metrics and alerts, including: stability/acquisition/flight of funds, pre-approved credit flag.

  All this new data was also made available to the final CRM tools.

- Customer segmentation aimed at improving Electronic Banking scoring has been automatically and systematically implemented in Production.

- **Adaptation of the discretionary portfolio management service to the Sustainable Finance Disclosure Regulation**. The discretionary portfolio management service has been adapted to include model portfolios tailored to customers' sustainability preferences.

- **Document signing control**. Control of signing of all contractual documents in relation to investment products and services has been improved.

- **Implementation of improvements:** in Appropriateness and Suitability tests and in discretionary advisory and portfolio management service alerts.

- **Improvements in Cajamar Consumo pre-approved lending process:** implementation of a faster, more efficient process in the branch network for sales of life insurance and payment protection products in the online loan pre-approval process.

- **Mortgage marketing simulator**: a new tool that allows branches to estimate the loan a customer will need in order to buy a home and thus pre-approve the loan at the time of marketing.

- **New cross-selling packs**: these provide the customer with greater versatility when purchasing cross-sell products.

- **New reverse factoring product**: makes the application process faster and more intuitive, including a self-service supplier portal.

- **Pension deposit**: a new deposit product specifically for the segment of senior customers, with cross-sell products tailored to their life stage.

- **Expansion of the range of insurance products**: auto insurance and new payment method (Insurance Club) in the online channel; home insurance extension with an uninhabitability guarantee; and adjustments to the underwriting limits for the linked life risk insurance coverage amounts.

- **Operational improvements to the insurance sales environment**: related to insurance product after-sales management (supplements, claims).

- **Improvements to the insurance process for mortgaged properties**: automation of insurance procedures and standardisation of insured property addresses.

Sustainability Report – Statement of Non-Financial Information

For the consolidated statement of non-financial information and sustainability information, please refer to the annual accounts of Grupo Cooperativo Cajamar, of which the Entity is a member and whose consolidated annual accounts will be filed at the Madrid Companies Register. In this regard, in compliance with the provisions of Directive (EU) 2022/2464 of 14 December 2022 on corporate sustainability reporting (CSRD), except for the information contained in Appendix III, which is provided expressly to comply with Act 11/2018, Grupo Cooperativo Cajamar has prepared a statement of non-financial information that is included, as stipulated in Article 44 of the Spanish Commercial Code, in the Group's Consolidated Directors' Report, which sets out the non-financial information in the manner specified in the aforementioned regulations.

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 on its balance sheets in 2024 or 2023.

Events after the reporting period

Aside from the matters disclosed in the notes to the annual accounts, from 31 December 2024 until 3 March 2025, the date on which these annual accounts were authorised for issue by the Entity's Governing Board, there were no significant events that require disclosure 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.

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 both the cooperative and agri-food sectors in Spain, driving economic development and social progress in the areas in which it operates.
- Achieve sustained, 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.
- Strengthen its capital base.
- Maintain a comfortable liquidity position by efficiently managing its assets and liabilities.
- Maintain the now standard levels of non-performing assets through proactive arrears management and other management measures.

Alternative performance measures glossary

In its directors' reports, in the quarterly earnings presentations it publishes on its website and in issue prospectuses and 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	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.
5	Off-balance-sheet funds	Investment funds + pension plans + savings insurance + fixed-income and equity securities 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.
6	On-balance sheet customer funds	Demand 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.
7	NPL coverage ratio (%)	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.
8	NPL ratio (%)	(Non-performing loans + Non-performing contingent exposures) / (Gross loans and advances to customers + Contingent liabilities).	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 Governing Board 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 Governing Board's 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 generally accepted accounting principles.

Senior Management, for its part, is responsible for designing and implementing the ICFRS through the General Finance Division, taking all the necessary steps to maintain the correct functioning of the ICFRS.

1.2. Departments responsible for ICFRS design and maintenance.

The Governing Board, 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 an 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 and 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 consistency 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:

- Guarantee the security and efficiency of the financial information storage systems and the applications used to generate and edit the information.

- Formalise agreements to outsource the above-mentioned systems and applications, overseeing 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.

Additionally, the Group offers a whistleblowing channel as 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 within the organisation.

Reports received through the whistleblowing channel are handled through an application that is accessible via the BCC website or the website any of the Group entities, ensuring confidentiality and anonymity. The Regulatory Compliance Department is responsible for managing reports received and must treat them impartially and objectively.

The General Human Resources Division is responsible for:

- Determining and verifying that the resource structure is sufficient for effective implementation of the ICFRS.
- 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 Control 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, and ICFRS-related reports and manuals are recorded. Depending on their 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, the 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 judgements, estimates, valuations and projections in respect of goodwill, the useful lives of tangible and intangible assets, the valuation of certain financial assets, impairment losses on tangible and intangible assets, the valuation 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 judgements, 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 estimates 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 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 Department is responsible for informing the affected departments of changes to 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 into the Investee Management System (AMS), 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 action plans.

In December 2022, the Audit Committee approved the three-year Audit Plan for the period 2023-2025. As regards supervision of the ICFRS, the Audit Plan includes audits of the relevant areas and processes of the Group throughout the three-year period.

The assessment carried out in 2024 included a review of the process of identification of material financial reporting risks and a review of key ICFRS controls, verifying that they have functioned 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 specify 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, except for 7 that are not applicable, the Group fully adheres to 51 and partially adheres to 6.

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 appointments 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 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 practical 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 2024, female directors constituted 29% of the Board, although achieving a 40% share is subject to filling a number of vacancies 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 committees of the BCC Board of Directors' Sustainability Committee, which will play an oversight role, and the Risk Committee, which is responsible for identifying and assessing risks in the indicated areas.

As regards composition, a majority of the members of the Sustainability Committee are non-executive directors (with an equal number of independent and proprietary directors), while all the members of the Risk Committee are non-executive directors (with a majority of independent directors).