Auditor's Report on Banco de Crédito Social Cooperativo, S.A. and Subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Banco de Crédito Social Cooperativo, S.A. and subsidiaries for the year ended 31 December 2020)

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

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Shareholders of Banco de Crédito Social Cooperativo, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Banco de Crédito Social Cooperativo, S.A. (the "Bank") and its subsidiaries that, together with the Bank, form the Cooperativo Cajamar Group (hereinafter the "Group"), which comprise the consolidated balance sheet at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of recognised income and expenses, consolidated statement of total changes in equity and consolidated cash flow statement for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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 Consolidated Annual Accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated 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 consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Impairment of loans and advances to customers
See notes 3 and 8.6 to the consolidated annual accounts</th></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group’s portfolio of loans and advances to customers, classified as financial assets at amortised cost, reflects a net balance of Euros 32,435,695 thousand at 31 December 2020, while allowances and provisions recognised at that date for impairment total Euros 977,014 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 Group, 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 Group 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 impairment estimated individually consider forecasts of future business performance and the market value of collateral provided for credit transactions.

In the case of allowances and provisions for impairment 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, present and future information to be considered. The Group regularly conducts recalibrations and tests of its internal models in order to improve their predictive capabilities based on actual historical experience.</td><td>Our audit approach in relation to the Group’s estimate of impairment of loans and advances to customers due to credit risk, classified as financial assets at amortised cost, included an assessment of the relevant controls associated with the processes for estimating impairment, as well as different tests of detail on that estimate, for which we involved 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 Group’s accounting policies with the applicable regulations.

• Evaluating the classification of the portfolio of loans and advances to customers based on their credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions.

• Testing the Group's relevant controls for the monitoring of loans outstanding.

• Evaluating the design and implementation of the relevant controls over the management and measurement of collateral and guarantees.

• Assessing the aspects observed by the Internal Valuation Unit as regards the recalibration and contrast testing of the models for estimating collective allowances and provisions.

• Evaluating the control and management of the data used to estimate credit risk impairment.</td></tr>
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Impairment of loans and advances to customers
See notes 3 and 8.6 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The COVID-19 pandemic is affecting the economy and business activities, leading to a downturn in the macroeconomic situation. To mitigate the impacts of COVID-19, the Spanish government has launched initiatives to support the most affected sectors and borrowers through various measures such as the provision of State-backed credit facilities, the deferral of payments without penalties (moratoriums) and flexible financing and liquidity facilities. All these aspects have an impact on the parameters considered by the Group to quantify the expected losses on financial assets (macroeconomic variables, customer net revenues, value of collateral pledged, probability of default, etc.), thus increasing the uncertainty associated with their estimation. The Group has therefore recognised the adverse effects of COVID-19 on the impairment of financial assets in its consolidated statement of profit or loss at 31 December 2020 by supplementing the expected losses, estimated based on historical credit loss data, with certain additional adjustments deemed necessary to reflect the particular characteristics of borrowers, sectors or portfolios. The consideration of this aspect as a key audit matter is based both on the significance for the Group of the loans and advances to customers portfolio, and thus the significance of any allowances and provisions recognised, and on the relevance, subjectivity and complexity of the process for classifying these financial assets for the purpose of estimating impairment thereon and of the calculation of that impairment, while taking into consideration the additional situation generated by the COVID-19 pandemic.	Our tests of detail on the estimated expected losses essentially included the following: • With regard to the impairment of individually significant transactions, we evaluated the suitability of the discounted cash flows models used by the Group and selected a sample from the population of significant risks with evidence of credit impairment, and we assessed the adequacy of the allowances and provisions recognised. This sample included borrowers from the economic sectors most impacted by COVID-19 and/or those that have received government aid due to the pandemic. • With respect to the allowances and provisions for impairment estimated collectively, we evaluated the methodology used by the Group, assessing the integrity and accuracy of the input balances for the process and evaluating the correct functioning of the calculation engine by repeating the calculation process taking into account the segmentation and assumptions used by the Group. In carrying out our audit procedures, we took into consideration the impacts of COVID-19 and the government aid on the calculation of expected losses. We also assessed and recalculated the estimate of the additional adjustments to the expected losses calculated using historical credit loss data. • We assessed whether the disclosures in the notes to the consolidated annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Impairment of foreclosed real estate assets

See notes 10, 16 and 25 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
Determining impairment losses on foreclosed assets, which are essentially recognised under non-current assets held for sale and other assets within inventories, is a significant estimate in the preparation of the Group's consolidated annual accounts for the year ended 31 December 2020. Foreclosed real estate assets are measured, both at the acquisition date and subsequently, at the lower of the carrying amount of the financial assets relating to the foreclosure and the fair value of the foreclosed real estate assets less the estimated costs to sell. For the purposes of determining the net fair value of these real estate assets, the Group uses its own internal methodology based on the appraisal value, which is adjusted to take into account past experience of the sale of similar assets in terms of price, and the period of time for which each asset is held on the balance sheet, among other factors. The process to estimate the impairment of these assets requires a considerable degree of judgement as it is a significant and complex estimate. We have therefore considered this a key audit matter.	Our audit approach in relation to the estimate of impairment of foreclosed real estate assets includes an assessment of the relevant controls associated with the processes for estimating impairment, as well as different tests of detail on this estimate, which basically included the following: • Evaluating the competence, capacity and objectivity of the experts engaged by the Group for the valuation of the foreclosed real estate assets. • Analysing a sample of appraisals to determine the reasonableness of the procedures and the valuation methodology used by the experts engaged by the Group. To that end, we involved our specialists in real estate asset appraisals. • Evaluating the reasonableness of the key assumptions considered in the internal valuation methodology. • Analysing the reliability of the data sources used and the discounts applied in the internal valuation model. • Recalculating the impairment of foreclosed real estate assets. • We assessed whether the disclosures in the notes to the consolidated annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Recoverability of deferred tax assets See note 15 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020, the Group held deferred tax assets amounting to Euros 1,099,258 thousand, of which the recovery of Euros 471,694 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 for future taxable profits have taken into consideration the economic impact of the COVID-19 pandemic on the business activity of the Group. Due to the significance of the balance of deferred tax assets and the uncertainty associated with the recovery thereof, and given the additional rise in this uncertainty due to the aforementioned situation derived from the COVID-19 pandemic, 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. • Evaluating, with the involvement of our valuation specialists, the methodology and key assumptions considered by the Group to estimate the recovery period for the deferred tax assets. We analysed the main economic, financial and tax assumptions used by the Group to estimate future profits, taking into consideration those assumptions that have been adjusted due to the impacts of COVID-19. • Contrasting the forecast profit used as a basis for recognising the deferred tax assets in prior years against the actual results obtained by the Group. • Analysing the sensitivity of the results obtained by the Group. • We assessed whether the disclosures in the notes to the consolidated annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Provisions for legal contingencies See notes 3.12 and 14 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020, the Group was party to a number of legal proceedings and claims arising in the ordinary course of its business activities. In general terms, determining the expected outcome of these proceedings and assessing their financial effect, and accordingly, the need to recognise a related provision, are matters that entail significant complexity and uncertainty as regards their potential outcome and/or definitive amount, and therefore we have considered this a key audit matter.	Our audit procedures mainly include the following: • Evaluating the control environment and the policies put in place by the Group to identify and classify the legal proceedings and claims, as well as to estimate the related provision. • Procuring and analysing the information prepared by the Group's legal advisors as regards proceedings underway in relation to the provisions recognised. • Evaluating and analysing a sample of proceedings from the legal or regulatory documentation that support the provisions recognised. To that end, we involved our specialists in legal matters. • Analysing the reasonableness of the methodology and of the principal judgements and assumptions considered by the Group as regards the main provisions recognised. To that end, we involved our specialists in legal matters. • Obtaining confirmation from external lawyers to contrast their assessment of the expected outcome of the claims and litigation against the provisions identified by the Group. • We assessed whether the disclosures in the notes to the consolidated annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Recoverability of goodwill
See notes 3.9 and 13 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
Group management tests the goodwill recognised in its consolidated annual accounts for impairment at least annually, or whenever indications of impairment are identified. This test is carried out with the assistance of an external independent expert. Goodwill is associated with several cash-generating units (CGUs). Therefore, the discounted earnings method is used to estimate the recoverable amount of each CGU, based on the profit allocated to the CGUs under the different operating plans of each one. Determining the recoverable amount of each CGU requires a high degree of judgement and estimation, as the process is based on financial projections that consider different assumptions, as well as the use of key business assumptions. Evaluating whether or not impairment exists is subject to judgements and complex estimates, and we have therefore considered this a key audit matter.	Our audit procedures mainly included the following: • Understanding and examining the evaluation process carried out by Group management. • Evaluating the criteria used to define the CGUs associated with the goodwill. • Assessing the methodology used to evaluate the indications of impairment and examining Group management's analyses thereof. • Reviewing the report drawn up by the independent expert which contrasts the methodology, assumptions and data used in determining the recoverable amount of each CGU. • Assessing the capability and independence of the independent expert engaged by the Group. • We assessed whether the disclosures in the notes to the consolidated annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

Risks associated with information technology

Key audit matter	*How the matter was addressed in our audit*
The Group'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 processes and systems involved in generating the financial information, in the following areas: • Understanding the information flows and identifying the key controls that ensure the processing of the 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 these applications and systems. • Testing of the controls over the operation, maintenance and development of applications and systems.

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Other Information: Consolidated Directors' Report

Other information solely comprises the 2020 consolidated directors' report, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the consolidated annual accounts.

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

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have 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 consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated 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 consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Bank's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Bank's Audit Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

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Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 economic decisions of users taken on the basis of these consolidated 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 consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank’s Directors.
- Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

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

From the matters communicated to the Bank's Audit Committee, we determine those that were of most significance in the audit of the consolidated 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Bank's Audit Committee

The opinion expressed in this report is consistent with our additional report to the Bank's Audit Committee dated 11 March 2021.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 7 May 2019 for a period of three years, from the year commenced 1 January 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

11 March 2021

Consolidated Annual Accounts and Consolidated Directors' Report

(Year 2020)

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
Consolidated balance sheets at
31 December 2020 and 2019

Assets

	Notes	Thousands of Euros 2020	Thousands of Euros 2019(*)
Cash, cash balances at central banks and other on demand deposits	7	**2,693,743**	**1,930,275**
Financial assets held for trading	8.2	**2,976**	**3,944**
Derivatives		2,976	3,943
Equity instruments		-	1
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	**437,990**	**358,490**
Equity instruments		4,142	-
Debt securities		116,324	122,420
Loans and advances		317,524	236,070
Customers		317,524	236,070
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	**2,297,766**	**2,550,967**
Equity instruments		117,976	300,660
Debt securities		2,179,790	2,250,307
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum: loaned or delivered as collateral with a sale or pledge right		*1,550,190*	*1,218,487*
Financial assets at amortised cost	8.6	**44,245,963**	**38,573,884**
Debt securities		11,479,957	8,411,933
Loans and advances		32,766,006	30,161,951
Central banks		-	-
Credit institutions		330,311	232,445
Customers		32,435,695	29,929,506
Memorandum: loaned or delivered as collateral with a sale or pledge right		*5,391,985*	*15,289,455*
Derivatives – Hedge accounting	9	**-**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Investments in joint ventures and associates	11	**101,357**	**118,938**
Joint ventures		-	-
Associates		101,357	118,938
Tangible assets	12	**1,046,035**	**1,034,456**
Property, plant and equipment		783,555	779,213
For own use		781,369	776,969
Assigned under operating lease		-	-
Assigned to social projects (savings banks and credit co-operatives)		2,186	2,244
Investment property		262,480	255,243
Of which: assigned under operating lease		-	-
Memorandum: acquired under finance lease		*43,260*	*52,939*
Intangible assets	13	**200,632**	**179,439**
Goodwill		54,741	65,689
Other intangible assets		145,891	113,750
Tax assets	15	**1,151,899**	**1,133,590**
Current tax assets		52,641	59,133
Deferred tax assets		1,099,258	1,074,457
Other assets	16	**1,120,474**	**1,173,171**
Insurance contracts linked to pensions		-	-
Inventories		1,034,527	1,095,476
Other assets		85,947	77,695
Non-current assets and disposal groups of assets classified as held for sale	10	**318,226**	**349,301**
TOTAL ASSETS		**53,617,061**	**47,406,455**

(*)

(*) Figures restated as described in Note 2.5 – Comparability

Liabilities

	Notes	Thousands of Euros 2020	2019
Financial liabilities held for trading	**8.2**	**2,609**	**2,440**
Derivatives		2,609	2,440
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 at amortised cost	**8.7**	**49,516,281**	**43,579,880**
Deposits		47,449,934	40,741,202
Central banks		9,449,530	5,040,280
Credit institutions		863,923	3,533,460
Customers		37,136,481	32,167,462
Debt securities issued		1,658,758	2,409,330
Other financial liabilities		407,589	429,348
Memorandum: subordinated liabilities		*400,621*	*402,547*
Derivatives – Hedge accounting	**9**	**195,974**	**112,743**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Liabilities under insurance and reinsurance contracts		**-**	**-**
Provisions	**14**	**81,545**	**74,916**
Pensions and other post-employment defined benefit obligations		6,943	5,775
Other long-term employee benefits		1,771	2,100
Pending legal issues and tax litigation		28	28
Commitments and guarantees given		10,997	7,330
Other provisions		61,806	59,683
Tax liabilities	**15**	**81,629**	**79,576**
Current tax liabilities		25,742	20,511
Deferred tax liabilities		55,887	59,065
Capital repayable on demand		**-**	**-**
Other liabilities	**16**	**362,240**	**230,729**
Of which: assigned to social projects (savings banks and credit co-operatives)	*17*	*7,099*	*4,800*
Liabilities included in disposal groups of assets classified as held for sale		-	-
TOTAL LIABILITIES		**50,240,278**	**44,080,284**

Equity

	Notes	Thousands of Euros 2020	2019
Equity	**18**	**3,362,657**	**3,304,672**
Capital	**18**	**1,059,028**	**1,059,028**
Paid up capital		1,059,028	1,059,028
Unpaid capital which has been called up		-	-
Memorandum: uncalled capital		-	-
Share premium		**-**	**-**
Equity instruments issued other than capital	**18**	**2,951,866**	**2,865,915**
Equity component of compound financial instruments		-	-
Other equity instruments issued		2,951,866	2,865,915
Other equity		**-**	**-**
Retained earnings	**18**	**219,009**	**184,828**
Revaluation reserves	**18**	**45,395**	**45,395**
Other reserves	**18**	**40,948**	**54,008**
Reserves of entities accounted for using the equity method		53,722	38,433
Other		(12,774)	15,575
(-) Treasury shares	**18**	**(977,349)**	**(977,349)**
Profit or loss attributable to owners of the Parent	**18**	**23,760**	**92,495**
(-) Interim dividends	**18**	**-**	**(19,648)**
Accumulated other comprehensive income	**20**	**14,126**	**21,499**
Items that will not be reclassified to profit or loss		**(11,487)**	**(2,274)**
Actuarial gains or (-) losses on defined benefit pension plans		(6,219)	(6,203)
Non-current assets and disposal groups of assets classified as held for sale		-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income		(5,268)	3,929
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		**25,613**	**23,773**
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		-	(142)
Hedging derivatives. Cash flow hedges [effective portion]		14,912	14,970
Changes in the fair value of debt instruments at fair value through other comprehensive income		3,711	3,267
Hedging instruments [undesignated items]		-	-
Non-current assets and disposal groups of assets classified as held for sale		-	-
Share of other recognised income and expense of investments in joint ventures and associates		6,990	5,678
TOTAL EQUITY		**3,376,783**	**3,326,171**
TOTAL EQUITY AND LIABILITIES		**53,617,061**	**47,406,455**

Memorandum accounts

	Notes	Thousands of Euros 2020	2019
MEMORANDUM: OFF-BALANCE SHEET EXPOSURES			
Loan commitments given	**22**	4,734,941	3,783,951
Financial guarantees given	**22**	283,840	254,321
Other commitments given	**22**	552,970	766,529
TOTAL MEMORANDUM ACCOUNTS		**5,571,751**	**4,804,801**

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

Consolidated statements of profit or loss

	Notes	Thousands of Euros 2020	Thousands of Euros 2019(*)
Interest income	26	703,362	704,293
Financial assets at fair value through other comprehensive income		5,256	5,132
Financial assets at amortised cost		627,999	653,419
Other interest income		70,107	45,742
(Interest expenses)	26	(92,718)	(114,497)
(Expenses on share capital repayable on demand)	26	-	-
A) NET INTEREST INCOME		**610,644**	**589,796**
Dividend income	26	8,878	8,705
Profit/(loss) of entities measured using the equity method	26	34,839	38,435
Fee and commission income	26	259,616	275,453
(Fee and commission expenses)	26	(34,632)	(30,193)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	26	136,933	209,430
Financial assets at amortised cost		127,933	205,989
Other financial assets and liabilities		9,000	3,441
Gains or (-) losses on financial assets and liabilities held for trading, net	26	(963)	266
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	26	79,573	85,981
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	26	-	-
Gains or (-) losses from hedge accounting, net	26	(1)	-
Exchange differences [gain or (-) loss], net	29	1,530	3,160
Other operating income	26	35,898	33,242
(Other operating expenses)	26	(79,936)	(66,621)
Of which: mandatory contributions assignedto social projects (savings banks and credit co-operatives)		*(1,353)*	*(3,803)*
B) GROSS INCOME OR LOSS		**1,052,379**	**1,147,654**
(Administrative expenses)	26	(511,049)	(517,272)
(Staff expenses)		(327,368)	(331,706)
(Other administrative expenses)		(183,681)	(185,566)
(Amortisation and depreciation)	26	(63,022)	(56,840)
(Provisions or (-) reversal of provisions)	26	(42,331)	(53,362)
Impairment or (-) reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes	26	(314,195)	(333,633)
Financial assets at fair value through other comprehensive income		3	379
Financial assets at amortised cost		(314,198)	(334,012)
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates		-	-
Impairment or (-) reversal of impairment on non-financial assets	26	(67,262)	(32,947)
Tangible assets		(5,153)	13,581
Intangible assets		(10,948)	(10,976)
Other		(51,161)	(35,552)
Gains or (-) losses on derecognition of non-financial assets, net	26	(14,188)	(27,338)
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	26	(17,247)	(12,850)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**23,085**	**113,412**
Tax expense or (-) income related to profit from continuing operations	15	675	(20,917)
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**23,760**	**92,495**
Profit or (-) loss after tax from discontinued operations		-	-
E) PROFIT FOR THE PERIOD		**23,760**	**92,495**
Attributable to minority interests		-	-
Attributable to the owners of the Parent		23,760	92,495

(*) Figures restated as described in Note 2.5 – Comparability

Consolidated statements of recognised income and expenses

	Thousands of Euros	
	2020	**2019**
Profit/(loss) for the period	**23,760**	**92,495**
Other comprehensive income	**(7,374)**	**30,062**
Items that will not be reclassified to profit or loss	**(9,213)**	**13,673**
Actuarial gains or (-) losses on defined benefit pension plans	(30)	321
Non-current assets and disposal groups held for sale	-	-
Share of other recognised income and expense of investments in joint ventures and associates	-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income	(11,441)	22,270
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 credit risk	-	-
Income tax relating to items that will not be reclassified	2,258	(8,918)
Items that may be reclassified to profit or loss	**1,839**	**16,389**
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	**203**	**61**
Translation gains or (-) losses taken to equity	203	61
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	(58)	2,321
Valuation gains or (-) losses taken to equity	(58)	2,321
Transferred to profit or loss	-	-
Transferred to initial book value of hedged items	-	-
Other reclassifications	-	-
Hedging instruments [undesignated items]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	**731**	**14,891**
Valuation gains or (-) losses taken to equity	731	14,891
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	-	-
Share of other recognised income and expense of investments in joint ventures and associates	**(18,883)**	**7,992**
Income tax relating to items that may be reclassified to profit or (-) loss	**19,846**	**(8,876)**
Total comprehensive income for the year	**16,386**	**122,557**

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

Consolidated statement of total changes in equity for the year ended 31 December 2020

Thousands of Euros

	Equity													
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests / Accumulated other comprehensive income	Minority interests / Other items	Total
Opening balance at 31 december 2019	**1,059,028**	**-**	**2,865,915**	**-**	**184,828**	**45,395**	**54,008**	**(977,349)**	**92,495**	**(19,648)**	**21,499**	**-**	**-**	**3,326,171**
Effects of corrections of errors	-	-	-	-	(20)	-	-	-	-	-	-	-	-	(20)
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2020	**1,059,028**	**-**	**2,865,915**	**-**	**184,808**	**45,395**	**54,008**	**(977,349)**	**92,495**	**(19,648)**	**21,499**	**-**	**-**	**3,326,151**
Total comprehensive income for the year									**23,760**		**(7,373)**	**-**	**-**	**16,387**
Other changes in equity	**-**	**-**	**85,951**	**-**	**34,201**	**-**	**(13,060)**	**-**	**(92,495)**	**19,648**	**-**	**-**	**-**	**34,245**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	85,951	-	-	-	-	-	-	-	-	-	-	85,951
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	-	-	-	-	-	(18,963)	-	-	-	(18,963)
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	-	-	-	-	53,884	-	-	-	(92,495)	38,611	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(19,683)	-	(13,060)	-	-	-	-	-	-	(32,743)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(4,889)	-	-	-	-	-	-	-	-	(4,889)
Closing balance at 31 december 2020	**1,059,028**	**-**	**2,951,866**	**-**	**219,009**	**45,395**	**40,948**	**(977,349)**	**23,760**	**-**	**14,126**	**-**	**-**	**3,376,783**

Consolidated statement of total changes in equity for the year ended 31 December 2019

Thousands of Euros

	Equity													
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests / Accumulated other comprehensive income	Minority interests / Other items	Total
Opening balance at 31 December 2018	**1,059,028**	**-**	**2,694,900**	**-**	**151,056**	**45,395**	**38,560**	**(977,349)**	**82,252**	**(18,083)**	**(8,563)**	**-**	**-**	**3,067,196**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2019	**1,059,028**	**-**	**2,694,900**	**-**	**151,056**	**45,395**	**38,560**	**(977,349)**	**82,252**	**(18,083)**	**(8,563)**	**-**	**-**	**3,067,196**
Total comprehensive income for the year									**92,495**		**30,062**	**-**	**-**	**122,557**
Other changes in equity	**-**	**-**	**171,015**	**-**	**33,772**	**-**	**15,448**	**-**	**(82,252)**	**(1,565)**	**-**	**-**	**-**	**136,418**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	171,015	-	-	-	-	-	-	-	-	-	-	171,015
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	-	-	-	-	-	(37,226)	-	-	-	(37,226)
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	-	-	-	-	46,591	-	(1)	-	(82,252)	35,661	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(12,819)	-	15,449	-	-	-	-	-	-	2,630
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(2,241)	-	-	-	-	-	-	-	-	(2,241)
Closing balance at 31 december 2019	**1,059,028**	**-**	**2,865,915**	**-**	**184,828**	**45,395**	**54,008**	**(977,349)**	**92,495**	**(19,648)**	**21,499**	**-**	**-**	**3,326,171**

Consolidated cash flow statements

	Thousands of Euros	
	2020	**2019(*)**
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**722,728**	**483,260**
(+) Profit for the period	**23,760**	**92,495**
(+) Adjustments for determining cash flows from operating activities	**533,191**	**431,641**
Amortisation	63,022	56,840
Other adjustments	470,169	374,801
(-) Net increase or (-) decrease in operating assets	**5,763,183**	**3,047,757**
Financial assets held for trading	(1)	-
Non-trading financial assets mandatorily at fair value through profit or loss	79,500	88,577
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(249,917)	1,920,108
Financial assets at amortised cost	5,944,033	1,053,142
Other operating assets	(10,433)	(14,070)
(+) Net increase or (-) decrease in operating liabilities	**5,945,801**	**3,017,512**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	5,861,459	3,173,078
Other operating liabilities	84,342	(155,566)
(+) Income tax (paid)/received	**(16,842)**	**(10,631)**
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(43,237)**	**(69,196)**
(-) Payments	**260,858**	**466,266**
Tangible assets	207,513	400,304
Intangible assets	40,238	32,868
Non-current assets and liabilities classified as held for sale	13,107	33,094
Other payments related to investing activities	-	-
(+) Collections	**217,621**	**397,070**
Tangible assets	120,509	297,913
Intangible assets	1,309	526
Investments in joint ventures and associates	69,020	20,887
Non-current assets and liabilities classified as held for sale	26,783	77,744
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**83,836**	**141,994**
(-) Payments	**2,115**	**29,248**
Dividends	-	19,648
Subordinated liabilities	2,100	9,600
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	15	-
(+) Collections	**85,951**	**171,242**
Subordinated liabilities	-	-
Issuance of own equity instruments	85,951	171,015
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	227
D) EFFECT OF EXCHANGE RATES CHANGES	**141**	**43**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**763,468**	**556,101**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**1,930,275**	**1,374,174**
G) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**2,693,743**	**1,930,275**

(*) Figures restated as described in Note 2.5 – Comparability

Contents

1. General information

1.1. Nature of the entity

The Parent of Grupo Cooperativo Cajamar is Banco de Crédito Social Cooperativo, S.A., which is responsible for management and oversight of the Group. It is responsible for laying down the management instructions to be followed by the Group entities and for providing them with support.

Banco de Crédito Social Cooperativo, S.A. is a duly registered private bank governed by the regulations on credit institutions and private banking. On 18 February 2014 it was entered in the Register of Banks and Bankers under code number 0240, with tax ID number A86853140. Its registered office is at Paseo de la Castellana 87, 28046 Madrid (Spain).

Banco de Crédito Social Cooperativo, S.A. was incorporated by the 32 founding shareholders in 2014 under a public deed executed before the Madrid notary Mr. José Enrique Cachón Blanco on 28 January 2014, filed as entry 293 in his records. The deed was also entered as Entry 1, Page M-573805, Folio 131, Volume 31,884 in the Madrid Companies Register on 10 February 2014. The shareholders that granted the deed were given the powers to do so by the Bank of Spain under an authorisation issued on 27 January 2014 by the Directorate General for Financial Regulation and Stability, in the terms laid down in Royal Decree 1245/1995 (repealed on 15 February 2015 by Royal Decree 84/2015, of 13 February 2015, which implements Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions).

In this regard, the Regulatory Agreement, and therefore the incorporation of the new Grupo Cooperativo Cajamar, was executed in a public deed in Madrid on 25 February 2014 before the notary public of said capital city, Mr. José Enrique Cachón Blanco, under number 614 of his record. In this agreement, the signee entities thereof established the regulations governing the consolidable cooperative group of credit institutions, with the Bank forming part of this group as its Parent and as Parent of the Institutional Protection System (IPS). This Group's status as a consolidable 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 Regulatory Agreement was unanimously approved by the General Assembly of the Members of Grupo Cooperativo Cajamar on 12 December 2018.

The Bank commenced operations on 1 July 2014, by virtue of the provisions of its By-laws and Deed of Incorporation, after obtaining the requisite authorisation from the Bank of Spain's Executive Committee.

Its current and prevailing By-laws are the result of: i) the execution in a public deed of corporate resolutions on 28 July 2016 before the notary public of Almería, Mr. Lázaro Salas Gallego, under number 978 of his record, which was duly registered as Entry 84, Page M-573805, Section 8, Folio 162, Book 0, Volume 32,439 of the Madrid Companies Register on 16 August 2016; ii) concerning the capital amount and current content of Article 5 of the By-laws, these derive from the execution in a public deed of corporate resolutions on a capital increase and partial amendment of the By-laws on 1 February 2018 before the notary public of Madrid, Mr. José Enrique Cachón Blanco, under number 606 of his record, which was duly registered as Entry 137, Page M-573805, Section 8, Folio 197, Book 0, Volume 36,267 in the Madrid Companies Register on 15 February 2018; and iii) regarding articles 39, 40, 41, 46, 47, 50, 53, 57 and 58 of the By-laws, the content thereof derive from the execution in a public deed of corporate resolutions on 14 November 2019 before the notary public of Almería, Mr. Lázaro Salas Gallego, under number 1,649 of his record, which was duly registered as Entry 219, Page M-573805 , Section 8, Folio 69, Book 0, Volume 39,288 on the Madrid Companies Register on 19 December 2019.

As Parent, pursuant to the aforementioned Regulatory Agreement of Grupo Cooperativo Cajamar, the Bank performs all the duties assigned to it in the Group and issues mandatory instructions to all group entities. It must act, at all times, in adherence to the principles of independence, impartiality, professionalism and technical rigour.

The Bank is essentially governed by Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions (Spanish Official State Gazette (BOE) 156 of 27 June 2014) and Royal Decree 84/2015, of 13 February 2015, which implements Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions, as well as relevant and supplementary regulations.

At 31 December 2020, the Bank's capital amounted to €1,059,028 thousand, fully subscribed and paid by its 66 shareholders.

Grupo Cooperativo Cajamar

Cooperative groups are incorporated in accordance with Cooperative Act 27/1999, of 26 July 1999, 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 law 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.

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

On the basis of the aforementioned regulations and considerations, the resolution to establish Grupo Cooperativo Cajamar was approved on 25 February 2014 through the signing of the "Grupo Cooperativo Cajamar Regulatory Agreement". Grupo Cooperativo Cajamar has been incorporated for legal purposes as a "cooperative group" in order to strengthen the Members and enable balance sheets to be consolidated and business strategies, management policies and risk control, solvency and liquidity 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 Circular 3/2008 and Circular 2/2016, solvency commitments are established which are reciprocal, direct and unconditional. They are designed to avoid situations of insolvency on the one hand, and to assess the Groups' capital requirements on a common basis and set a solvency objective for the Group that all Members undertake to fulfil, on the other. Additionally, a mandatory capitalisation plan and/or support plans is/are established for Group Members in the event any of them report a shortfall in funds with respect to the agreed objective.

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

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

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

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

The fundamental objectives of the Group are to:

- Contribute towards meeting the financial needs of the Members' partners having the legal form of credit cooperatives, with maximum effectiveness, efficiency and robustness, through improved management and use of centralised services, which enable conversion costs to be reduced and margins improved;

- Define, on a consistent basis, common strategic policies that will guide the actions of the Members, without prejudice to each of their separate legal personalities;

- Act in the market as a reliable operator competing with peers and, with this objective: develop a common brand for the Group with respect to individual brand names; achieve a single rating which recognises the potential of the Group as a financial operator; and achieve a greater presence in the retail and wholesale markets, so that Members may offer new, better and broader services to their partners and customers, and access financing channels;

- Protect the Members' financial stability in order to guarantee their solvency and liquidity without this limiting the obligation that falls to each of them to maintain their own solvency and liquidity, and to comply with the regulations applicable to them;

- Act as sole representative of Members before the regulatory and supervisory bodies and represent and defend, on a coordinated basis, their common interests in any field;

- Establish and coordinate a common internal system of monitoring, audit and control, and diversify the risks inherent in the business of Members; and

- Offer Members' staff a framework for secure, broad and appropriate professional development, based on selection and promotion by merit, by means of comprehensive training aimed at establishing their professional careers.

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

Only Banco de Crédito Social Cooperativo, S.A. and the legally recognised credit 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 system 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 Contract 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 contract 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 damages 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; and
- 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.

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

In this regard, it should be mentioned that Cajamar has delegated powers to the Parent to authorise the redemption of capital contributions in order to safeguard the Group's 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 also responsible for drawing up the consolidated accounts for all Group Members in accordance with applicable legislation and represents the Group in dealings with the competent administrative authorities in each area.

Additionally, the Parent is responsible for the following:

- Drawing up and authorising for issue the consolidated annual accounts and directors' report of the Group as well as preparing the individual accounts for each Member, without prejudice to their having been prepared and approved by the competent governing bodies of each Member.
- Filing the Group's consolidated annual accounts and directors' report, and the auditor's report, with the relevant registries, as required by law.
- Complying with all the reporting obligations affecting all Group Members in accordance with Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions, and Bank of Spain Circular 3/2008, of 22 May 2008, and subsequent modifications, regarding the calculation and control of minimum own funds for credit institutions.
- Preparing the Group's Prudential Relevance Report, in compliance with the reporting requirements established in Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms, or any requirements that might replace them, or any other reports that might be required under the relevant legislation.
- Preparing the Internal Capital Adequacy Assessment 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 contract 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 consolidated annual accounts.
- Approving acceptance of 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.
- Issuing a 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.
- Performing all the powers delegated by the Members.

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

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

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

In addition, Cajamar Caja Rural, Sociedad Cooperativa de Crédito has delegated 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). These consolidated annual accounts were authorised for issue on 09 March 2021. The consolidated annual accounts for 2019 were authorised for issue on 10 March 2020 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 partner remuneration for holding an equity stake in another Group entity; (iii) impairment losses on equity stakes in Group entities; (iv) mandatory contributions to the Education and Development Fund; (v) losses from penalties imposed under the penalty system set out in the current agreement; and (vi) losses that entities are required to assume individually to comply with the obligations established by the Parent on the date special powers were delegated or as a result of other Members contributing, for nothing in return, to the own funds of a Member in accordance with the Regulatory Agreement.

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

- Any income that is exempt from corporate income tax and non-deductible expenses vis-à-vis corporate income tax generated in 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's Own Funds: Amount shown under the same heading in the published financial statements of each Member, less the book value 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; or
  - An increase or reduction in the Parent's capital, unless the same is carried out against other equity items.
- A change in the Parent's ownership structure affecting at least one Member.

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

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

- If the accounting effects of an event occur between days 1 and 15 of the month, both inclusive, the recalculated shares will be effective from the first day of said month until year-end or, if applicable, until one of these events reoccurs.
- If the accounting effects of an event occur after day 16 of the month, both inclusive, 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.

Due to unforeseen circumstances, the Parent may 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 statements 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 fall to below its capital as a result of the pooling of accumulated losses on applying the general pooling rules, pooling adjustments for the year must be recalculated to ensure the accumulated losses are allocated as follows:

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

- If the losses to be pooled exceed the total reserves of Members in the pooling scheme, the surplus losses will be allocated as per the percentages applicable under the general pooling rules. This allocation criterion will be applicable for losses exceeding total reserves and until the equity of all Members is used up.
- If any losses remain unallocated, they will be assigned based on the percentage of lowest-ranking debt each entity still has as defined in Act 11/2015, Royal Decree 1012/2015, of 6 November 2015, implementing Act 11/2015, of 18 June 2015, the Cooperatives Act, in Royal Decree-Law 1/2020, of 5 May 2020, 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.

Appendix I to the accompanying consolidated annual accounts shows the pooling shares of each Member at 31 December 2020 and 2019.

At 31 December 2020, the Parent's pooling share is 32.75% (34.83% at the 2019 close).

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 all their liquidity 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 consolidable group of credit institutions with direct, reciprocal 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;
- Takeover of the entity by another Group Member; and
- Any other measures that are feasible and appropriate given the entity's position. Depending on the nature of the action to be taken, the Parent will establish a reasonable criterion for allocation among the other Members.

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

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

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

Mutual guarantee

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

The mutual guarantee implies that the Group must meet, if necessary, all the Members' payment obligations towards 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 special delegation of 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.

The individual balance sheets, statements of profit or loss, statements of recognised income and expenses, statements of changes in equity, and cash flow statements of Banco de Crédito Social Cooperativo, S.A. (also, "BCSC"), as the Group's Parent, for the years ended 31 December 2020 and 2019, prepared in accordance with the accounting standards and policies and valuation standards established in applicable legislation (Note 2.5) are shown hereon.

Individual balance sheets of Banco de Crédito Social Cooperativo, S.A.:

	Thousands of Euros	
	2020	**2019(*)**
Cash, cash balances at central banks and other on demand deposits	**165,616**	**262,247**
Financial assets held for trading	**97,616**	**114,367**
Derivatives	97,616	114,367
Non-trading financial assets mandatorily at fair value through profit or loss	**29,080**	**26,813**
Equity instruments	4,142	-
Debt securities	24,938	26,813
Financial assets designated at fair value through profit or loss	**-**	**-**
Financial assets at fair value through other comprehensive income	**2,127,288**	**2,224,473**
Equity instruments	91,877	128,188
Debt securities	2,035,411	2,096,285
Memorandum: loaned or delivered as collateral with a sale or pledge right	*1,550,190*	*1,218,487*
Financial assets at amortised cost	**16,895,882**	**10,570,141**
Debt securities	10,211,032	5,739,422
Loans and advances	6,684,850	4,830,719
Credit institutions	376,825	234,945
Customers	6,308,025	4,595,774
Memorandum: loaned or delivered as collateral with a sale or pledge right	*5,391,985*	*3,914,376*
Derivatives – Hedge accounting	**-**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**123,616**	**79,008**
Subsidiaries	48,636	4,029
Associates	74,980	74,979
Tangible assets	**26,280**	**24,482**
Property, plant and equipment	26,221	24,482
For own use	26,221	24,482
Investment property	59	-
Memorandum items: acquired under lease	*7,287*	*8,884*
Intangible assets	**139,647**	**106,965**
Other intangible assets	139,647	106,965
Tax assets	**62,365**	**46,166**
Current tax assets	8,205	15,061
Deferred tax assets	54,160	31,105
Other assets	**3,821**	**5,886**
Other assets	3,821	5,886
Non-current assets and disposal groups of assets classified as held for sale	**-**	**-**
TOTAL ASSETS	**19,671,211**	**13,460,548**

(*) Figures restated as described in Note 2.5 – Comparability

	Thousands of Euros	
	2020	2019
Financial liabilities held for trading	**97,406**	**114,056**
Derivatives	97,406	114,056
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost	**18,211,288**	**12,138,395**
Deposits	17,663,307	11,684,296
Central banks	9,449,530	5,040,280
Credit institutions	6,932,415	5,831,149
Customers	1,281,362	812,867
Debt securities issued	400,621	402,547
Other financial liabilities	147,360	51,552
Memorandum: subordinated liabilities	*400,621*	*402,547*
Derivatives – Hedge accounting	**100,107**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Provisions	**161,509**	**115,816**
Pensions and other post-employment defined benefit obligations	3,751	3,031
Commitments and guarantees given	11,163	30,673
Other provisions	146,595	82,112
Tax liabilities	**3,073**	**3,612**
Current tax liabilities	1,104	928
Deferred tax liabilities	1,969	2,684
Capital repayable on demand	**-**	**-**
Other liabilities	**24,374**	**17,168**
Liabilities included in disposal groups of assets classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**18,597,757**	**12,389,047**

	Thousands of Euros	
	2020	2019
Equity	**1,087,783**	**1,080,649**
Capital	**1,059,028**	**1,059,028**
Paid up capital	1,059,028	1,059,028
Share premium	**-**	**-**
Equity instruments issued other than capital	**-**	**-**
Other equity	**-**	**-**
Retained earnings	**19,624**	**16,733**
Revaluation reserves	**-**	**-**
Other reserves	**(8,284)**	**1,997**
(-) Treasury shares	**-**	**-**
Profit/(loss) for the period	**17,415**	**24,071**
(-) Interim dividends	**-**	**(21,181)**
Accumulated other comprehensive income	**(14,329)**	**(9,148)**
Items that will not be reclassified to profit or loss	**(18,924)**	**(12,131)**
Actuarial gains or (-) losses on defined benefit pension plans	(5,294)	(5,216)
Changes in the fair value of equity instruments at fair value through other comprehensive income	(13,630)	(6,915)
Items that may be reclassified to profit or loss	**4,595**	**2,983**
Foreign currency translation	-	(142)
Changes in the fair value of debt instruments at fair value through other comprehensive income	4,595	3,125
TOTAL EQUITY	**1,073,454**	**1,071,501**
TOTAL EQUITY AND LIABILITIES	**19,671,211**	**13,460,548**

Individual statements of profit or loss of Banco de Crédito Social Cooperativo, S.A.:

	Thousands of Euros	
	2020	2019(*)
Interest income	164,351	105,188
Financial assets at fair value through other comprehensive income	606	1,376
Financial assets at amortised cost	119,294	71,978
Other interest income	44,451	31,834
(Interest expenses)	(47,018)	(43,344)
A) NET INTEREST INCOME	**117,333**	**61,844**
Dividend income	58,024	30,650
Fee and commission income	12,669	6,008
(Fee and commission expenses)	(11,395)	(9,253)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	44,452	67,981
Financial assets at amortised cost	38,391	66,051
Other financial assets and liabilities	6,061	1,930
Gains or (-) losses on financial assets and liabilities held for trading, net	(230)	178
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	3,464	2,480
Exchange differences [gain or (-) loss], net	(419)	10
Other operating income	169,244	165,293
(Other operating expenses)	(118,701)	(6,650)
B) GROSS INCOME OR LOSS	**274,441**	**318,541**
(Administrative expenses)	(163,083)	(151,927)
(Staff expenses)	(60,878)	(60,301)
(Other administrative expenses)	(102,205)	(91,626)
(Amortisation)	(14,837)	(14,933)
(Provisions or (-) reversal of provisions)	(47,615)	31,409
Impairment or (-) reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes	(26,152)	10,944
Financial assets at amortised cost	(26,152)	10,944
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	(62)	(140,000)
Gains or (-) losses on derecognition of non-financial assets, net	1,309	(1,041)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**24,001**	**52,993**
Tax expense or (-) income related to profit from continuing operations	(6,586)	(28,922)
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**17,415**	**24,071**
Profit or (-) loss after tax from discontinued operations	-	-
E) PROFIT FOR THE PERIOD	**17,415**	**24,071**

(*) Figures restated as described in Note 2.5 – Comparability

Individual statements of recognised income and expenses of Banco de Crédito Social Cooperativo, S.A.:

	Thousands of Euros	
	2020	**2019**
Profit/(loss) for the period	**17,415**	**24,071**
Other comprehensive income	**(5,182)**	**15,392**
Items that will not be reclassified to profit or loss	**(6,794)**	**12,230**
Actuarial gains or (-) losses on defined benefit pension plans	(111)	270
Changes in the fair value of equity instruments at fair value through other comprehensive income	(8,669)	20,964
Income tax relating to items that will not be reclassified	1,986	(9,004)
Items that may be reclassified to profit or loss	**1,612**	**3,162**
Hedge of net investments in foreign operations [effective portion]	**-**	**-**
Foreign currency translation	**203**	**61**
Translation gains or (-) losses taken to equity	203	61
Cash flow hedges [effective portion]	**-**	**-**
Hedging instruments [undesignated items]	**-**	**-**
Debt instruments at fair value through other comprehensive income	**2,100**	**4,456**
Valuation gains or (-) losses taken to equity	2,100	4,456
Non-current assets and disposal groups held for sale	**-**	**-**
Income tax relating to items that may be reclassified to profit or (-) loss	**(691)**	**(1,355)**
Total comprehensive income for the year	**12,233**	**39,463**

Individual statements of changes in equity of Banco de Crédito Social Cooperativo, S.A.:

	Thousands of Euros											
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	(-) Interim dividends	Accumulated other comprehensive income	Total
Opening balance at 31 december 2019	1,059,028	-	-	-	16,733	-	1,997	-	24,071	(21,181)	(9,148)	1,071,501
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2020	1,059,028	-	-	-	16,733	-	1,997	-	24,071	(21,181)	(9,148)	1,071,501
Total comprehensive income for the year									17,415	-	(5,181)	12,234
Other changes in equity	-	-	-	-	2,890	-	(10,281)	-	(24,071)	21,181	-	(10,281)
Issuance of ordinary shares	-	-			-	-	-					-
Issuance of preference shares	-	-	-		-	-	-					-
Issuance of other equity instruments			-		-	-	-					-
Exercise or expiration of other equity instruments issued			-		-	-	-					-
Conversion of debt to equity	-	-	-	-	-		-	-				-
Capital reduction	-	-	-		-	-	-	-	-			-
Dividends (or remuneration to shareholders)	-	-	-	-	-	-	-	-		-		-
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			-	-	2,890	-	-		(24,071)	21,181	-	-
Equity increase (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share-based payments	-	-	-	-			-	-			-	-
Other increase or (-) decrease in equity			-	-	-	-	(10,281)	-	-	-	-	(10,281)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)					-		-					-
Closing balance at 31 december 2020	1,059,028	-	-	-	19,624	-	(8,284)	-	17,415	-	(14,329)	1,073,454

	Thousands of Euros											
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	(-) Interim dividends	Accumulated other comprehensive income	Total
Opening balance at 31 December 2018	1,059,028	-	-	-	13,849	-	1,012	-	21,947	(19,063)	(24,540)	1,052,234
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2019	1,059,028	-	-	-	13,849	-	1,012	-	21,947	(19,063)	(24,540)	1,052,234
Total comprehensive income for the year									24,071		15,392	39,463
Other changes in equity	-	-	-	-	2,884	-	985	-	(21,947)	(2,118)	-	(20,196)
Issuance of ordinary shares	-	-			-	-	-					-
Issuance of preference shares	-	-	-		-	-	-					-
Issuance of other equity instruments			-		-	-	-					-
Exercise or expiration of other equity instruments issued			-		-	-	-					-
Conversion of debt to equity	-	-	-	-	-	-	-	-				-
Capital reduction	-	-	-	-	-	-	-	-	-			-
Dividends (or remuneration to shareholders)	-	-	-	-	-	-	-	-		(21,181)		(21,181)
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			-	-	2,884	-	-		(21,947)	19,063	-	-
Equity increase (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share-based payments	-	-	-	-			-	-				-
Other increase or (-) decrease in equity			-	-	-	-	985	-	-	-	-	985
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)					-		-					-
Closing balance at 31 december 2019	1,059,028	-	-	-	16,733	-	1,997	-	24,071	(21,181)	(9,148)	1,071,501

Individual cash flow statements of Banco de Crédito Social Cooperativo, S.A.:

	Thousands of Euros	
	2020	2019(*)
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**(1,918)**	**231,405**
(+) Profit for the period	**17,415**	**24,071**
(+) Adjustments for determining cash flows from operating activities	**208,786**	**139,795**
Amortisation	14,837	14,933
Other adjustments	193,950	124,862
(-) Net increase or (-) decrease in operating assets	**6,247,344**	**3,455,518**
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	2,267	3,226
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(97,410)	1,758,768
Financial assets at amortised cost	6,352,802	1,687,377
Other operating assets	(10,314)	6,147
(+) Net increase or (-) decrease in operating liabilities	**6,049,229**	**3,545,011**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	6,048,358	3,549,513
Other operating liabilities	871	(4,502)
(+) Income tax (paid)/received	(30,005)	(21,954)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(92,677)**	**(195,382)**
(-) Payments	**93,986**	**195,382**
Tangible assets	7,635	18,419
Intangible assets	41,683	34,023
Investments in subsidiaries, joint ventures and associates	44,668	142,940
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
(+) Collections	**1,309**	**-**
Tangible assets	-	-
Intangible assets	1,309	-
Non-current assets and liabilities classified as held for sale	-	-
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(2,178)**	**(30,889)**
(-) Payments	**2,178**	**31,078**
Dividends	-	21,181
Subordinated liabilities	2,100	9,897
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	78	-
(+) Collections	**-**	**189**
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	189
D) EFFECT OF EXCHANGE RATES CHANGES	**142**	**42**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(96,631)**	**5,176**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**262,247**	**257,071**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	**165,616**	**262,247**

(*) Figures restated as described in Note 2.5 – Comparability

Appendix IV details the main headings of the individual balance sheets and statements of profit or loss of the entities making up Grupo Cooperativo Cajamar at 31 December 2020 and 31 December 2019, prepared in accordance with the accounting standards laid down in the IFRS and Bank of Spain Circular 4/2017.

1.2. Corporate purpose

The Group's corporate purpose is to engage in all kinds of activities, operations and services in the banking business in general, which are in accordance with applicable law, including the provision of investment services and ancillary services, in the terms laid down in securities market regulations. Its corporate purpose includes the following activities:

- Carry out operations of all kinds related to securities and documentary credit, notwithstanding the provisions of legislation governing securities markets and collective investment.

- Carry out credit and surety operations, for both lending and funding purposes, of any class, on its own behalf or for third parties.
- Acquire or transfer for its own account or on commission, shares, bonds and other public or private, national or foreign securities, banknotes and coins of all countries and make public offerings for the acquisition and sale of securities.
- Receive and place on deposit or in administration, cash, securities and all kinds of shares. The Bank shall not be deemed to be authorised to dispose of the deposits over which it has custody in any manner.
- Carry out all kinds of operations with current accounts, term deposits or any other kind of account.
- Accept and grant administrations, representations, delegations, commissions, agencies or other actions in the interests of those who use the Bank's services.
- Perform all other activities that private banks are allowed to engage in under applicable legislation.

The activities that make up its corporate purpose may be performed wholly or partly indirectly, in any form permitted by law and, in particular, through the ownership of shares or interests in companies whose objects are identical or analogous, accessory or complementary to such activities.

When administrative authorisation or public registration is required for the provision of investment services and ancillary services, such activities may not commence until all administrative requirements have been fulfilled under applicable regulations.

The Credit Cooperatives participating in Grupo Cooperativo have the corporate purpose to serve the financial needs of their partners and third parties, performing the activities of a credit institution. To this end they may carry out any lending or deposit-taking activity, provide banking or quasi-banking services, and perform any investment services or ancillary services that credit institutions are authorised to perform in securities market legislation, prioritising the financial demands of partners. They may lend to non-partners up to the limit legally applicable limits.

1.3. Registered Office

The registered office of Grupo Cooperativo's Parent is at Paseo de la Castellana 87, 28046 Madrid, Spain, and it may establish branches, agencies and representative offices anywhere in Spanish territory and abroad, in accordance with applicable legislation.

The Parent has various work and operating centres although at present there are no branches open to the public or its clientèle in general. It carries out its activities within the framework of Grupo Cooperativo Cajamar, of which it is the Parent. However, the other Group entities operate a network of branches across the country, as explained in Appendix II to these consolidated annual accounts.

1.4. Legal matters

As the Group is a financial institution, it is subject to certain legislation that regulates, among other things, the following:

- 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 2020. (Note 7).
- For the Parent, dividend payments and shareholder remuneration in general are subject to the legislation governing credit institutions having the status of private banks.

- For the Group's Credit Cooperatives, distributing at least 20% of the available surplus obtained during the year to the Mandatory Reserve Fund, that serves the purpose of consolidating and guaranteeing Grupo Cooperativo, and 10% to the Education and Development Fund (Note 3.13).
- Keeping a minimum level of capital and reserves (Notes 3.15 and 19).
- Making an annual contribution to the Deposit Guarantee Fund to provide a further guarantee, in addition to the Group's own funds, to its creditors and customers (Note 3.17).
- Contributing to the National Resolution Fund and Single Resolution Fund (Note 3.28).

The credit institutions pertaining to Grupo Cooperativo Cajamar are members of the Credit Cooperative Deposit Guarantee Fund, which provides up to €100 thousand in guarantees to each depositor (Note 3.17).

Grupo Cooperativo Cajamar is subject to the following general legislation, among other regulations, governing credit institutions:

- Bank of Spain Circular 3/2008, of 22 May 2008, and subsequent amendments, regarding the calculation and control of minimum capital on a consolidated basis for credit institutions, as defined in Act 36/2007, of 16 November 2007, which amends Act 13/1985, of 25 May 1985, on investment ratios, equity and reporting obligations for financial intermediaries, and subsequent amendments stipulated in Bank of Spain Circular 9/2010, of 22 December 2010. This circular gives rise to the adaptation of Spanish legislation governing credit institutions to EU Directives 2006/48/EC and 2006/49/EC issued by the European Parliament, all in their current versions.

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

- Bank of Spain Circular 4/2013, of 27 September 2013, amending Circular 3/2008, of 22 May 2008, on the assessment and monitoring of minimum capital requirements of credit institutions in respect of the definition of small and medium sized companies.

- Bank of Spain Circular 2/2014, of 31 January 2014, on the execution of several regulatory options for credit institutions contained in Regulation (EU) No. 575/2013, of 26 June 2013, of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, which amends Regulation (EU) No. 648/2012.

- Bank of Spain Circular 3/2014, of 30 July 2014, to credit institutions and authorised appraisal companies and services, whereby measures were established to promote the independence of valuation activities by amending Circulars 7/2010, 3/1998 and 4/2004, and regulatory options were exercised in relation to the deduction of intangible assets through the amendment of Circular 2/2014.

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

- Bank of Spain Circular 8/2015, of 18 December 2015, for credit institutions and branches that are members of the Deposit Guarantee Fund for Credit Institutions, on information to determine the calculation bases of contributions to the Deposit Guarantee Fund for Credit Institutions.

- Bank of Spain Circular 2/2016, of 2 February 2016, for credit institutions, on supervision and solvency, completing the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No. 575/2013.

- Bank of Spain Circular 4/2017, of 27 November 2017, on credit institutions' public and confidential reporting rules and financial statement formats, the preamble to which indicates that the content of the International Financial Reporting Standards adopted by the European Union has been respected.

- Bank of Spain Circular 1/2018, of 27 November 2018, amending Circular 5/2016, of 27 May 2016, on the calculation method to ensure contributions of members of the Deposit Guarantee Fund for Credit Institutions are commensurate with their risk profile.

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

- Bank of Spain Circular 2/2019, of 29 March 2019, on requirements for fee and commission information documents and statements and comparison websites for payment accounts, and amending Bank of Spain Circular 5/2012, of 27 June 2012, for credit Institutions and payment service providers, on transparency in banking services and responsibility in the granting of loans.

- Bank of Spain Circular 3/2019, of 22 October 2019, exercising the powers conferred by way of Regulation (EU) No. 575/2013 to define the materiality threshold of a credit obligation past due.

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

- Royal Decree-Law 2/2012, of 3 February 2012, on the strengthening of the financial system.

- Act 8/2012, of 30 October 2012, on the strengthening of the financial system and selling of real estate assets of the financial system.

- Royal Decree 84/2015, of 13 February 2015, implementing Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions.

- Royal Decree 1012/2015, of 6 November 2015, implementing Act 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment firms, which amended Royal Decree 2606/1996, of 20 December 1996, on deposit guarantee funds for credit institutions.

- Royal Decree-Law 11/2017, of 23 June 2017, on urgent financial measures.

- Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions (published in Official State Gazette 156 on 27 June 2014).

- Act 27/2014, of 27 November 2014, on corporate income tax (Spanish Official State Gazette (BOE) of 28 November 2014).

- Act 31/2014, of 3 December 2014, amending the Corporate Enterprises Act to improve corporate governance (Spanish Official State Gazette (BOE) of 4 December 2014).

- Act 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment firms.

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

- European Parliament and Council Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012.

- Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010.

- Regulation (EU) No. 1376/2014 of the European Central Bank, of 10 December 2014, amending Regulation (EC) No. 1745/2003 on the application of minimum reserves (ECB/2003/9) (ECB/2014/52).

- European Parliament and Council Directive 2013/36 of 26 June 2013 relating to access to the business of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

- Ruling of 29 January 2016 of the Spanish Institute of Accountants and Auditors (ICAC), on information to be included in the notes to annual accounts in connection with the average payment period to suppliers in commercial transactions.

- Act 5/2019, of 15 March 2019, regulating property loan agreements.

- International Financial Reporting Standards (IFRS) adopted by the European Union.

Furthermore, certain royal decrees were enacted due to the Covid-19 pandemic in 2020, which applied to the Group during the year. These introduced special measures in the different areas of the economy hit by the declared pandemic and affecting the financial sector among others. These measures include extraordinary and urgent financial measures applicable to this sector. The most notable of the royal decrees are:

- Real Decree-Law 8/2020, of 17 March 2020, setting out extraordinary urgent measures to tackle the economic and social impact of Covid-19.

- Royal Decree-Law 11/2020, of 31 March 2020, introducing additional urgent measures to tackle the economic and social impact of Covid-19.

- Royal Decree 19/2020, of 26 May 2020, introducing additional urgent farming, scientific, economic, employment and social security and tax measures to mitigate the impacts of Covid-19.

- Royal Decree 25/2020, of 3 July 2020, setting out urgent measures to expedite economic and labour market recovery.

- Royal Decree-Law 34/2020, of 17 November 2020, setting out urgent measures to protect the solvency of businesses and the energy sector, and in the area of taxation.

Cajamar Caja Rural, Sociedad Cooperativa de Crédito and the other Member Rural Savings Banks are also basically regulated by Act 13/1989, of 26 May 1989, on credit cooperatives and by its enabling regulations published in Royal Decree 84/1993, of 22 January 1993. They are also subject to the general regulations covering credit institutions and, furthermore, by general legislation governing cooperatives. They have adapted their by-laws to meet the provisions of Act 13/1989, 26 May 1989, on credit cooperatives, which was published in the Official State Gazette on 31 May 1989, and Act 27/1999, of 16 July 1999, on cooperatives, published in the Official State Gazette on 17 July 1999. Their by-laws, relating to the calculation and appropriation of results, establish the following distribution of any available surpluses: 10% to the Education and Development Fund; 20% to the Mandatory Reserve Fund for Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana; and 50% for the Group's other Credit Cooperatives; and the remaining 70% as determined at the General Assembly of Partners of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana; and 40% for the other Credit Cooperatives, based on a proposal from the Governing Board.

The Group's 2020 consolidated annual accounts were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS), and taking into consideration Bank of Spain Circular 4/2017, of 27 November 2017, on credit institutions' public and confidential financial information rules and formats, and subsequent amendments thereto. The circular and the amendments thereto adapt and implement the EU-IFRS for the sector comprising Spanish credit institutions.

The Group's consolidated annual accounts were prepared in accordance with all applicable mandatory accounting principles and standards and measurement criteria to give, in all respects, a fair view of the consolidated equity and financial situation of the Group at 31 December 2020 and of its consolidated results and cash flows during the year then ended.

The main changes to the IFRS applied and/or pending application are set out hereon:

a) ***Standards and interpretations issued by the International Accounting Standards Board (IASB) coming into force in 2020***

The following amendments to IFRS or interpretations of IFRS (IFRIC) adopted by the European Union that are of mandatory application took effect on 1 January 2020 but have not had a material impact on the Group:

- **Amendments to the Conceptual Framework of IFRS (IAS 1, 8, 34, 37 and 38; IFRS 2, 3 and 6; IFRIC 12, 19, 20 and 22; and SIC 32)**

  The revision of the conceptual framework includes revised definitions of assets and liabilities, and new guidance for their measurement, derecognition, presentation and disclosure.

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

  Makes amendments to bring the definition of "material" into line with that given in the conceptual framework. Materiality is defined in the following terms: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

- **Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform**

  Amendments to IFRS 7, IFRS 9 and IAS 39 related with the current reform of reference rates as per the content of Commission Regulation (EU) 2020/34 of 15 January 2020 regarding accounting hedges and disclosures thereon as per the content of IFRS 7.

- **Amendment to IFRS 3 "Business combinations"**

  In accordance with Commission Regulation (EU) 2020/551 of 21 April 2020 changing the definition of a business and introducing clarifications of the definition of assets and liabilities in a business combination.

- **IFRS 16: Covid-19-Related Rent Concessions Amendment**

  The IASB has issued a limited-scope amendment to IFRS 16 "Leases" allowing lessees to account for rent concessions as if they were not lease modifications, if the rent concessions are a direct consequence of Covid-19 and meet certain conditions. The accounting thereof will depend on the details of the rent concession.

  This new standard has not required any changes to the consolidated annual accounts.

b) Standards and interpretations issued by the International Accounting Standards Board ASB) that will come into force in 2021

In 2021 the following amendments to International Financial Reporting Standards (IFRS), or interpretations of IFRS (IFRIC), will take effect:

- **Commission Regulation (EU) 2021/25 as regards IAS 39 and IFRS 4, 7, 9 and 16 (Interest rate benchmark reform: Phase 2)**

  The amendments provide for a specific accounting treatment to spread value changes of financial instruments or lease contracts due to the replacement of the interest rate benchmark over time, which prevents a sudden impact on profit or loss, and prevent unnecessary discontinuations of hedging relationships as a consequence of the replacement of the interest rate benchmark.

- **Commission Regulation (EU) 2020/2097 as regards IFRS 4**

  The amendment to IFRS 4 establishes an optional deferral of the temporary exemption from applying IFRS 9 for entities that predominantly undertake insurance activities until 1 January 2023, aligning the effective date of IFRS 9 with the entry into force of IFRS 17 "Insurance Contracts". This amendment will take effect on 1 January 2021.

c) Standards, amendments and interpretations of existing standards that have not been adopted by the European Union at the date these annual accounts were authorised for issue

At 31 December 2020 the following standards and interpretations that could be applicable to the Group had been published by the IASB and/or IFRS Interpretations Committee but were not yet in force, either because their effective date is after the date of the consolidated annual accounts or because they have not yet been approved by the European Union. The Group evaluated the impact of their application and has decided not to execute the option of early application, if possible, due to the immateriality thereof.

- **Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor and its Associate or Joint Venture"**

  There is currently no specific date these amendments will take effect.

- **Onerous contracts. Amendments to IAS 37**

  Will be applicable for annual periods beginning on or after 1 January 2022.

- **Annual Improvements to IFRS. 2018-2020 Cycle**

  Will be applicable for annual periods beginning on or after 1 January 2022.

- **Amendments to IAS 16**

  Will be applicable for annual periods beginning on or after 1 January 2022.

- **Reference to the conceptual framework. Amendments to IFRS 3**

  Will be applicable for annual periods beginning on or after 1 January 2022.

- **IFRS 17: Insurance policies**

  Will be applicable for annual periods beginning on or after 1 January 2023.

- **Classification of current and non-current liabilities. Amendments to IAS 1**

  Will be applicable for annual periods beginning on or after 1 January 2023.

d) Standards, amendments and interpretations of existing standards that have been adopted by the European Union at the date these annual accounts were authorised for issue

IFRS 16 on the treatment of leases came into force on 1 January 2019. This standard was published in January 2016 and replaces IAS 17. Application of this new standard aims to ensure certain types of finance are recognised in the financial statements, to enhance the comparability of financial statements, and to improve disclosures on the commitments assumed in certain asset lease agreements.

The main changes concern the distinction established in the former IAS 17 on the recognition of "Finance leases", in which leased assets were recognised both under assets and under liabilities as an obligation to pay future lease payments; and "Operating leases", in which lessees simply recognised lease payments as an expense and no asset or liability was generated.

In contrast to the former standard, IFRS 16 requires that a lessee post almost all lease agreements 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 distinction between finance and operating leases is therefore no longer made. The only exceptions allowed under this standard are short-term leases of underlying assets of low value, the payments of which will continue to be expensed directly against profit or loss. A short-term lease is one with a term of or less than 12 months, while low-value underlying assets include IT equipment and small items of office furniture.

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

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

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

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

- The amount of the initial measurement of the lease liability;

- Any lease payments made at or before the commencement date, less any lease incentives received; and

- An estimate of any initial direct costs, and costs of dismantling, restoring or removing the underlying asset to the condition required by the terms and conditions of the lease.

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

In accordance with the approaches allowed in IFRS 16 to transition from IAS 17 to this new standard, the Group applied the new standard from the obligatory adoption date of 1 January 2019 using the modified-retrospective-transition approach and did not restate the comparative figures for the year prior to initial adoption. Right-of-use assets for property leases were measured on transition as if the new rules had always been applied; in this case, the option used was that on applying the standard, the assets equalled the liabilities generated.

Application of IFRS 16 in Grupo Cooperativo Cajamar primarily affected the accounting treatment of operating leases, as it is applied for the first time. The following practical criteria allowed for in the standard were used:

- Use of different discount rates for each type of lease agreement with the same estimated average maturity dates.

- For property leases, an average maturity period of eight years was used; the residual maturity stipulated for each agreement was used in all other cases.

- All expenses related to variable lease payments and not solely relating to lease payments were excluded in the measurement of lease liabilities.

- Agreements maturing in less than a year or whose underlying assets were not directly identified were excluded.

- Some agreements not treated as leases under IAS 17 were included where the Group identified the existence of lease components subject to IFRS 16.

In light of the above, at 1 January 2019, the Group recognised rights-of-use assets for leases and associated payment obligations of €59,056 thousand (Note 12). During 2019, various assets and liabilities deriving from lease agreements were recognised and/or derecognised. At 31 December 2019, rights-of-use assets for leases totalled €52,727 thousand (Note 12), while related liabilities amounted to €53,800 thousand (Note 8.7.5).

Depending on the nature of the new right-of-use asset recognised under the new standard, the Group uses 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 will 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 will be made. The Group does not lease any intangible assets. The effect of applying this standard on the Group’s fully-loaded CET 1 ratio was not material (Note 19).

Moreover, the following standards and interpretations issued by the IASB entered into force in 2019, not having a significant on the Group:

- IFRS 9 (Amendment) “Prepayment Features with Negative Compensation”.

- IFRIC 23 “Uncertainty over Income Tax Treatments”:

- IAS 28 (Amendment) “Long-term Interests in Associates and Joint Ventures”.

- IAS 19 (Amendment) “Plan Amendment, Curtailment or Settlement”.

- Annual Improvements to IFRS. Cycle 2015-2017. The main amendments concerned: IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes”, and IAS 23 “Borrowing Costs”.

1.5. Contracts in force between the Parent and Group entities

At 31 December 2020 Banco de Crédito Social Cooperativo, S.A. (“BCC”) was party to a number of contracts with Group entities signed during the year, as described below:

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

  On 1 September 2016, the Parent formalised an agency agreement with Cajamar Caja Rural, Sociedad Cooperativa de Crédito, which will remain in force as long as the latter retains its stake in the capital of the former. 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) concluded between BCC and the Group entities; (ii) its purpose is the provision by BCC to said entities of multidisciplinary management support services for their businesses: financial, IT, information, HR and other ancillary internal audit services, as well as risk management, accounting, legal and tax advisory and strategic planning services.

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

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

- Trademark license 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 license for the exploitation of the distinctive signs owned by it described in the contract.

- Trademark sub-license contract: (i) between BCC and the entities that comprise Grupo Cooperativo (with the exception of Cajamar) and (ii) the purpose of which is the granting, by BCC in favour of the rest of the entities, of an exclusive sublicense 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) the purpose of which is to regulate the provision, by BCC Gestión Integral de Infraestructuras, A.I.E to BCC, of the services identified in the same and related to the following areas: infrastructure and security services, works services, technical office services, general and facilities maintenance services, operating asset services, R&D and innovation, efficiency management, central procurement services and logistics centre services.

- Service-level agreement with Eurovía Informática: (i) between BCC Eurovía Informática AIE and BCC (ii) the purpose of which is the provision by Eurovía Informática to BCC of services related 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 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 company and BCC, the purpose of which is (i) the provision to all Grupo Cooperativo Cajamar Entities of 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) the performance of certain associated transactions forming part of BCC's structure, transferring them to BCC Operaciones y Servicios Administrativos, S.L.

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

1.6. Other service-level and management contracts

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

  At the end of 2020 the Group was party to a contract that was entered into in 2014 (based on and due to the sale of the business consisting of the management of real estate assets, mortgage loans, non-mortgage loans and securitised loans of the Group) for the provision of management services for these assets (the SLA). The sale of this business has not been treated as a discontinued operation given its immaterial nature within the Group's overall business.

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

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

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

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

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

  On 6 November 2015, Banco de Crédito Social Cooperativo, S.A., in its capacity as Parent of Grupo Cooperativo Cajamar, and Trea Asset Management S.G.I.I.C., S.A. entered into an exclusive fifteen-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.

1.7. One-off operations completed in 2020 and 2019

- ***Portfolio sale – Debt securities***

  In 2020, the Group sold fixed-income securities with a nominal value of €2,600 million, posting an unrestricted gain of €129 million.

- ***Issuance of mortgage covered securities***

  In 2020, two issues of mortgage covered securities were placed with a nominal value of €1,000 million and €750 million, respectively. Both were retained and assigned to replenish collateral in the asset pledge facility with the Bank of Spain.

- ***Business agreement between the partners of Giesmed Parking, S.L.***

  In December 2019, the Group entity Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Eryte SPV 09, S.L. formalised a business agreement to sell certain real estate assets acquired in lieu of payment of debts by Grupo Cooperativo Cajamar. The business will be managed by Giesmed Parking, S.L., which is owned by both companies. At 31 December 2019, Eryte SPV 09, S.L. held 80% of this company's capital acquired from the Group.

- ***Sale of loan and foreclosed asset portfolios***

  In 2019 the Group sold a portfolio of residential real estate assets (dwellings, car parks and store rooms) to Norcia Inversiones, S.L., Ronsho Properties, S.L. and Nyesa Valores Corporación, S.A. for a total sum of €40,054 thousand (Note 10).

1.8. Impact of the Covid-19 pandemic and management thereof

In March 2020, the World Health Organization declared an international public health emergency due to Covid-19. This pandemic has had a major impact on the global economy and, consequently, on the Group's financial results and operations in 2020.

A state of alarm was declared in Spain, with restrictions on movement, the economy being locked down, and people being confined to their homes between mid-March and the end of June. Measures were then gradually introduced to restart the economy and return to normal life. The deepening of the health crisis in the summer led to a second state of alarm being declared on 25 October 2020, which is expected to end on 9 May 2021.

The financial system has played a key role in this health crisis, remaining fully operational during the state of alarm and providing finance to help customers suffering the economic fallout of the pandemic survive the squeeze on their income.

The authorities' calls for banks to continue lending to businesses and individuals in extremely adverse circumstances were answered by the sector through specific products to provide the flexibility solvent customers needed at the time. From an operational perspective, banks were classified as an essential service and kept their customer service networks open throughout, ensuring financial services could be seamlessly provided even during the periods of tightest lockdown. The use of remote channels has also helped fill the gap caused by the restrictions on movement, accompanied by efforts to bolster protection against cyberattacks.

With the economy paralysed and in the face of such exceptional circumstances as those in 2020, the Spanish government's economic policy has focused on protecting jobs, helping the most vulnerable and protecting the productive fabric of the country, seeking a return to normality as quickly as possible. A raft of urgent measures has therefore been rolled out to assist the economic recovery.

In March 2020, the IASB published a document clarifying, without introducing any amendments, the accounting principles for the recognition of expected credit losses under IFRS 9 during the period of greatest economic uncertainty sparked by the Covid-19 pandemic. The IASB emphasised that IFRS 9 should not be applied automatically when determining if there has been a significant increase in risk and that the assumptions and hypotheses used in previous periods may not be valid in the current context. It also acknowledged that in these circumstances, it may be difficult to incorporate in a reasonable and justifiable manner the specific effects of Covid-19 and associated government support measures in the models used. It therefore expected banks to consider adjusting the results produced by the measurement models. Moreover, the IASB has encouraged banks to consider the statements also issued by prudential regulators and supervisors and the securities market on the application of IFRS 9 during the Covid-19 pandemic, such as the European Banking Authority (EBA), the European Central Bank (ECB) and the European Securities Market Authority (ESMA).

Following on from this, as well as the accounting principles set forth in the EU-IFRS, specific accounting principles regarding the treatment of customers affected by Covid-19 have also been applied. These principles have been prepared following EBA and Bank of Spain statements.

Of course, Grupo Cooperativo Cajamar has offered its customers a range of solutions similar to others in the market, in order to continue fulfilling its function as a financier of the real economy, and flexible repayment terms to customers facing temporary hardship due to the pandemic. Control mechanisms have also been bolstered to ensure these measures are prudent from a credit risk perspective. The most significant aspects in this regard are summarised below:

- **Repayment holidays**:

  - **Legal moratoria**, regulated by Royal Decrees 8/2020 and 11/2020, for individuals and self-employed professionals meeting the exemption criteria stipulated in this legislation.

  - **Sector moratoria**, for individuals and self-employed professionals regulated by the Spanish Banking Association (AEB) offering a six or twelve-month principal repayment holiday for loans secured by personal guarantees or mortgage collateral, respectively. These repayment holidays are aligned with the guidelines of the EBA.

  - **Bilateral moratoria** comprising other repayment holidays not fulfilling the criteria to be classed as legal or sector moratoria.

At 31 December 2020 the Group has outstanding loans in connection with which repayment holidays have been granted. Details of the gross book value (including valuation adjustments) of these loans, associated accumulated impairment, and counterparties and accounting classification thereof are provided below:

	Thousands of Euros														
	Gross book value							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross book value
		Performing			Non-performing				Performing			Non-performing			
			Of which: Exposures with restructuring or refinancing measures	Of which: Instruments with a significant increase in credit risk since initial recognition but not credit impaired (Phase 2)		Of which: Exposures with restructuring or refinancing measures	Of which: Payment unlikely but not past due or past due <=90 days			Of which: Exposures with restructuring or refinancing measures	Of which: Instruments with a significant increase in credit risk since initial recognition but not credit impaired (Phase 2)		Of which: Exposures with restructuring or refinancing measures	Of which: Payment unlikely but not past due or past due <=90 days	Reclassifications to non-performing exposures
Loans and advances subject of repayment holidays as per ABE criteria	**581,969**	**577,142**	**15,260**	**238,773**	**4,827**	**1,516**	**1,620**	**(12,630)**	**(11,449)**	**(1,304)**	**(10,216)**	**(1,181)**	**(420)**	**(262)**	**4,768**
Of which: Households	469,440	464,863	14,858	193,972	4,577	1,516	1,620	(10,199)	(9,101)	(1,287)	(8,082)	(1,098)	(420)	(262)	4,517
Of which: Collateralised by residential immovable property	435,565	431,075	13,564	179,312	4,490	1,493	1,574	(9,212)	(8,133)	(1,141)	(7,259)	(1,079)	(415)	(254)	4,307
Of which: Non-financial corporations	112,529	112,278	402	44,801	251	-	-	(2,431)	(2,347)	(17)	(2,134)	(84)	-	-	251
Of which: Small and medium-sized entities (SMEs)	97,251	97,000	402	44,801	251	-	-	(2,413)	(2,329)	(17)	(2,134)	(84)	-	-	251
Of which: Collateralised by commercial immovable property	85,836	85,836	402	24,229	-	-	-	(847)	(847)	(17)	(799)	-	-	-	-

The loans in connection with which repayment holidays have been granted, by counterparty, and the residual maturity thereof at 31 December 2020 are as follows:

	Number of debtors	Thousands of Euros – Gross book value	Of which: Subject of mandatory repayment holiday	Of which: Past due - grace period expired	Residual value of amount subject of repayment holiday: <= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which a repayment holiday has been offered	**11,628**	**1,038,190**							
Loans and advances subject of repayment holidays as per ABE criteria (granted)	**11,091**	**985,625**	**898,908**	**403,657**	**154,158**	**339,230**	**88,550**	**31**	**-**
Of which: Households		857,377	796,477	387,937	149,055	307,535	12,819	31	-
Of which: Collateralised by residential immovable property		777,362	727,828	341,797	137,431	286,115	12,019	-	-
Of which: Non-financial corporations		128,248	102,431	15,719	5,103	31,695	75,731	-	-
Of which: Small and medium-sized entities (SMEs)		112,971	87,153	15,719	5,103	26,773	65,376	-	-
Of which: Collateralised by immovable property		99,273	73,455	13,437	188	31,252	54,395	-	-

- **<u>Loans granted that are secured by guarantees from the Spanish Official Credit Institute (ICO)</u>**, Royal Decree-Law 8/2020, of 17 March 2020, approved a state guarantee facility of up to €100,000 million to help protect jobs and alleviate the economic effects of the health crisis. The guarantees are available to secure loans from financial institutions to facilitate access to credit and liquidity for businesses and self-employed professionals, mitigating the economic and social impact of Covid-19.

  At 31 December 2020 loans and advances secured by public guarantees broken down by counterparty are as follows:

	Thousands of Euros – Gross book value	Of which: Restructured or refinanced	Maximum amount of the guarantee that can be considered – Public guarantees received in connection with the Covid-19 crisis	Gross book value – Reclassifications to non-performing exposures
New loans and advances subject to state guarantee schemes	**1,811,851**	**831**	**1,471,876**	**2,308**
Of which: Households	163,241	-	-	72
Of which: Collateralised by residential immovable property	50	-	-	-
Of which: Non-financial corporations	1,624,480	703	1,325,935	2,236
Of which: Small and medium-sized entities (SMEs)	1,272,232	-	-	2,236
Of which: Collateralised by immovable property	818	-	-	-

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

- **Refinancing Policy**

The policy to identify refinanced transactions has been implemented in accordance with applicable rules and regulations, and therefore all restructured credit has been identified as per prevailing legislation.

The **EBA/GL/2020/02 guidelines**, of 2 April 2020, on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis set out EBA's stance on financial oversight practices and application of European Union law in a specific sphere. The guidelines are addressed to competent authorities, and so merely serve as a guide and for credit institutions and an interpretative criterion. In the guidelines, the EBA states that the moratoria for borrowers with liquidity shortages may benefit from a certain degree of flexibility when applying the law, whereby the moratoria are not classified as refinancing or restructuring. In any event and as an additional control measure, a raft of products and circuits was introduced during the pandemic to ensure that the offering of state-backed products or moratoria in no way improves the accounting classification of any customers from that given when the state of alarm was declared in Spain.

- **Updating of macroeconomic forecasts**

The risk parameters used to estimate allowances are determined by the prevailing macroeconomic situation and then projected based on different macroeconomic scenarios. The Bank of Spain's latest macroeconomic projections have been included in the latest changes to these estimates, and they are given significant weight.

The process is as follows: First, the Group's risk assessment system takes the results of the scoring for loan approvals and monitoring (those internally known as baseline models) and then calibrates them to obtain values for the probability of default (PD) over a 12-month horizon. Estimates of severity (loss given default, LGD) and credit conversion factors (CCF) are also obtained in this calibration process. These baseline models and the calibration process have not been altered in response to the Covid-19 crisis.

Next, the values of the risk parameters must be adjusted according to the current point in the economic cycle and projections for them obtained. The Covid-19 crisis has required significant changes to how this marking to the economic cycle is performed. On the one hand, the projection models have been updated as part of the annual maintenance process, but also the scenarios considered and method for factoring these have changed significantly. In this regard, it has been decided not to just use the scenarios drawn up in house and therefore the ones defined by the Bank of Spain have been added and also given significant weight. A method is then used to produce projections factoring in part of the effect of the Covid-19 crisis long term, avoiding excessive pro-cyclicality and considering the state support provided during the crisis. This involves combining the available scenarios into one smooth scenario, where the impact of the current situation and that expected over the next three years are ironed out to create less volatility, especially during the first few months when there could be extreme peaks and troughs and abrupt variations in several macroeconomic factors. The projection models are used along with a combined scenario to obtain smooth projections of the risk parameters.

- **<u>Mechanisms for detecting significant increase in risk</u>**

Another aspect to be highlighted is that the mechanisms for detecting a significant increase in risk have been enhanced. The Group had the following mechanisms in place before the pandemic:

1. Objective evidence of impairment according to days past due. Such that all transactions more than 30 days past due are classified as performing exposures under special watch (S2).
2. An early warning system integrated into the management system.
3. A mechanism for detecting a significant increase in risk according to the PD of the transaction.
4. A procedure for identifying restructured credit (as explained beforehand).
5. A case-by-case procedure for expert review by the General Control Division.

During the pandemic, these mechanisms have not only not been relaxed but have been reinforced. Of note:

- Regarding the mechanism for detecting a significant increase in risk according to the PD of the transaction:

  It is worth mentioning that based on the Group's understanding of the aforesaid EBA guidelines and the various rules issued by other regulators such as the Bank of Spain and the IASB, and a peer review of comparables applying the same criterion, a flexibility measure was adopted to suspend application of this criterion for loans subject to legal or sector moratoria or backed by ICO guarantees.

  These mechanisms have been supplemented by a tool for case-by-case, pin-point, expert assessment of the entire loan book to identify customers that pose a greater risk in the current climate. This exercise was conducted for the first time using June 2020 data and is reperformed quarterly. The importance of this exercise lies in that, on the one hand, it can be used to identify customers most exposed to the pandemic, including those not appearing to be in difficulty thanks to the temporary relief measures taken but who, once the measures are lifted and given the nature of their business models or financial position, may become delinquent. As well as using available information, risk managers and expert analysts have also been called upon for the largest exposures to evaluate each customer's vulnerability to Covid-19 as per strict risk criteria. The methodology is tweaked based on past experience and the results obtained. It is a live tool that is permanently in use and evolves as the results thereof are verified. As a result of this exercise, all transactions identified as posing a significantly increased risk were classified as special-watch performing (S2) at the December close. This resulted in an increase in Stage 2 exposures of €742.48 million.

- **<u>Recognition of an additional provision</u>**

Due to the uncertainty deriving from the crisis caused by the pandemic, the Group decided to conduct an exercise to estimate further expected losses on top of the estimates obtained using models with past data. The Group has therefore recognised expected losses of €75 million because of the potential impact to borrowers in the sectors hardest hit by the crisis.

- **<u>Other effects of the Covid-19 pandemic:</u>**

  - **Payment of dividends and variable remuneration**

    As their direct supervisor, the European Central Bank recommended to financial institutions on 27 March 2020 that they do not pay out or assume any irrevocable commitments to pay out dividends against 2019 and 2020 results until at least 30 September 2021.

The European Central Bank also informed financial institutions to show considerable restraint regarding the payment of variable remuneration to their staff over the same period.

Given this, the Group has therefore not distributed an interim dividend and does not expect to pay out a dividend against 2020 earnings (Note 18.1.6). It has also not paid variable remuneration to its staff.

- **Liquidity and market risk**

  The impact of the crisis has had a negligible effect on the value of the Group's loan books because the bulk of them are recognised at amortised cost (82.7% of the Group's loan books).

  The central banks have taken steps to combat the poor performance of the financial markets, contributing liquidity to the system and allowing institutions to temporarily operate with lower than stipulated LCRs.

  However, the changes introduced by the ECB as part of the monetary policy to tackle the health crisis have had a material impact on liquidity because valuation haircuts have been applied to the portfolio of discountable assets and the volume of available paper has been increased as credit rating requirements have been lowered.

  The ECB has rolled out a raft of changes to monetary policy to ensure it continues to have an impact in the current economic and financial environment caused by Covid-19. The following measures are of note given their relative impact on the Group:

  - *Decision (EU) 2020/506 of the European Central Bank*, of 7 April 2020, on the implementation of the Eurosystem monetary policy. Includes:

    - Reduces the minimum threshold for the size of credit claims to €0.

    - New valuation haircuts for theoretically valued assets (ABS, covered bonds and plain vanilla bonds of credit institutions).

    - New valuation haircuts for own-use covered bonds.

    - New valuation haircuts for assets in categories I to IV and with credit ratings 1, 2 and 3.

  - *Guideline (EU) 2020/515 of the European Central Bank*, of 7 April 2020, on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral. This guideline enables:

    - Marketable debt instruments issued by the central government of the Hellenic Republic that do not satisfy the Eurosystem's credit quality requirements are to be accepted as collateral for Eurosystem credit operations, with a series of specific valuation haircuts established for them.

    - New valuation haircuts for asset-backed securities not reaching the minimum credit rating stipulated in the permanent monetary policy framework.

  - *Guideline (EU) 2020/634 of the European Central Bank*, of 7 May 2020, on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral. The stipulates of this guideline include:

    - Bonds other than asset-backed securities issued on or before 7 April 2020 that on that date had a sufficient credit rating (step 3) shall constitute eligible collateral for Eurosystem credit operations provided that, at all times, they have a minimum credit quality of step 5, and continue to comply with all other eligibility criteria applicable to marketable assets established by the Eurosystem.

- Asset-backed securities with at least two credit ratings high enough for them to constitute eligible collateral before 7 April 2020 shall be considered valid provided they have at least two credit ratings that comply with, as a minimum, credit quality step 4 in the Eurosystem's harmonised rating scale, and continue to comply with all other eligibility criteria.

- The valuation haircuts to be applied to the different types of assets that are eligible under the new conditions, as well as changes to the valuation haircuts to be applied to theoretically valued assets and own-use covered bonds, are defined.

- **Impact on capital – solvency**

  Supported by the Basel Committee on Banking Supervision, the ECB has authorised the use of anticyclical and capital conservation buffers – designed precisely for stress periods – enabling financial institutions to better absorb losses and increase lending to households and businesses.

  The Group has not requested permission to do this, and retains the capital buffers described in Note 19.

<u>Management of and steps taken by Grupo Cooperativo Cajamar in response to the Covid-19 pandemic:</u>

- **Customer-focused initiatives and support measures**

  The Group has taken several steps to provide the same level of support to its customers, ensure their safety and provide them with financial backing at such a delicate time.

  From a customer service angle, the Group has boosted use of online and mobile banking, extended access to its remote managers (Connect with my manager" service) to all customers, and increased the number of transactions that can be performed without having to visit a branch (online service).

  In order to protect customers, the Group has also encouraged the use of cashless payments through customer messages, higher contactless payment limits without having to enter PIN, charge-free cards, and the option of paying bills in instalments and lower POS charges, among others.

  Lastly, in order to provide its customers with financial support, the Group has voluntarily paid pensions and unemployment benefit early, provided access to finance chargeable to furlough benefits, and provided access to state support such as repayment holidays and state-backed loans for self-employed professionals and businesses, as explained beforehand. The support has also included special finance for the agri-food sectors affected by the crisis and offering more flexible lending conditions for trade finance and tax payments, among others.

  Measures have also been adopted to enhance safety in offices and branches by restricting the number of customers and staff on site and ensuring social distancing, reinforcing cleaning services, and altering opening times to continue operations while reducing exposure. The Group has also ensured service continuity by adapting operations across its branch network as the situation has evolved.

  Irrespective of the extraordinary situation in 2020, the Group has continued its expansion strategy, opening branches in areas where it has less presence.

- **Prevention of risks to customers and staff**

  In response to the pandemic, Grupo Cooperativo Cajamar has prioritised the health and safety of its customers and staff. The Group therefore followed all the recommendations and other instructions of official bodies and implemented and still has in place all the preventive measures needed to reduce the risk of and/or avoid customers and staff from being exposed to Covid-19. General and organisational measures were mainly taken to guarantee their protection and/or reduce the likelihood of infection.

  All staff have been informed of the changes referring to the main steps being taken by the Group to avoid and/or minimise exposure to Covid-19, ensuring the health and safety of all customers, suppliers and staff.

  The Group set up two web pages on its Intranet dedicated exclusively to Covid-19 to better manage all new information and changes in working practices:

  - HR Portal: providing the latest specific information and documentation on advice to avoid infection and what to do in case of contagion and the use of preventive measures.

  - General Business Solutions Portal with communiques, circulars, product marketing guidelines, support products, technology risks, timetable changes, etc.

  The key organisational actions and measures Grupo Cooperativo Cajamar has been rolling out to protect people from the risk of exposure to Covid-19 have mainly been as follows:

  - **Remote working**

    Remote working has been introduced as much as possible depending on the needs and resources required to continue providing certain face-to-face services. This option has also been put in place for especially vulnerable groups (pregnant staff, employees with specific ailments that put them at extra risk if they contract Covid-19).

  - **Suspension of face-to-face meetings, training courses, etc.**

    Due to the spread of the pandemic, all face-to-face meetings and training courses were suspended at the beginning of March, with an increased use of video conferencing to avoid unnecessary business trips and visits to the workplace.

  - **Customer service protocol and branch operations protocol in response to declaration of State of Alarm**

    Grupo Cooperativo Cajamar drew up a customer service protocol, sending to customers by email and text message all information on the prevention measures taken in light of the health alert. The main measures were:

    - One-in, one-out branch service to avoid agglomerations of people;
    - Limited access for customers to avoid waiting in work centres;
    - Cuts and/or changes to branch opening times; and
    - Strengthening of self-service, call centre and online banking channels.

  - **Personnel protection measures**

    The Group has ensured the well-being of its staff working at branches. The measures taken include the provision of:

    - Individual protective screens for all customer-facing employees;
    - Hand sanitiser;
    - Disposable gloves;
    - Face masks;
    - Face visors;
    - Covid-19 tests as part of programme to detect possible cases; and

- Employee Emotional Support programme: helpline providing psychological support for staff to help them resolve any psychological and emotional problems they may have at home or work as efficiently as possible.

- **Cybersecurity**

  The Covid-19 crisis has resulted in technology risks and a need for cyber resilience which we need to tackle to avoid threats and attacks by cybercriminals.

  The Group has taken various measures in response to the heightened technology risk that have mitigated this risk, boosted the resilience of infrastructure, and improved the effectiveness and efficiency of security controls. The steps taken have also raised the level of protection for remote working.

  All the steps taken in recent months are increasing the Group's operational resilience, and have helped identify new improvement points to strengthen and ensure business continuity in the case of an incident in house or at one of our stakeholders. These include:

  - Increasing the level of protection for Internet-connected services.
  - Enhancing business continuity testing in a number of plausible scenarios related with the pandemic, to test the capabilities to provide critical services in the event of disruption of the Group's services and those of its suppliers.
  - Boosting the mechanisms to respond to and recover from incidents that may disrupt critical operations related with cyber threats.

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

2.1. True and fair view

The consolidated annual accounts have been prepared in accordance with the accounting records of each of the companies and credit institutions making up the Cooperative Group. They include all adjustments and reclassifications necessary to uniformly apply the accounting and presentation criteria, and they are presented in accordance with: International Financial Reporting Standards (IFRS) adopted by the European Union, taking into account Bank of Spain Circular 4/2017, of 27 November 2017 and subsequent amendments thereto; the Spanish Code of Commerce; Royal Decree-Law 1/2010, of 2 July, approving the revised Corporate Enterprises Act, repealing the Spanish Public Limited Companies Act and the Spanish Limited Liabilities Companies Act; Royal Decree 6/2010 on measures to encourage economic recovery and employment, with respect to the legal regime applicable to Institutional Protection Systems (SIP); and other applicable Spanish legislation, such that they give a fair view of the Group's equity, financial situation and results at 31 December 2020, and the consolidated results of its operations and consolidated cash flows generated during the financial year then ended.

The accompanying 2020 consolidated annual accounts authorised for issue by the Board of Directors will be submitted for the approval of the General Assembly, which is expected to be obtained without any modification being necessary.

The Group's consolidated annual accounts for 2019 were approved by the shareholders at the General Meeting held on 9 June 2020.

When preparing the consolidated 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 consolidated 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 consolidated annual accounts has been prepared with the consideration that the Group will continue as a going concern in the future and therefore the accounting policies have not been applied with the objective of determining the value of equity for the purposes of its full or partial transfer or any hypothetical liquidation.

2.3. Accrual basis of accounting

These consolidated 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 consolidated balance sheet at their net amount.

2.5. Comparability

The Board of Directors of Banco de Crédito Social Cooperativo, S.A. presents, for comparative purposes, for each of the figures in the present annual accounts, in addition to the figures for 2020 those relating to 2019.

Some amounts for 2019 were reclassified in the accompanying consolidated annual accounts to make them comparable with the amounts for the present year and to facilitate their comparison. The following reclassifications were made:

- €358,490 thousand was reclassified from "Financial assets designated at fair value through profit or loss" to "Non-trading financial assets mandatorily at fair value through profit or loss" on the consolidated balance sheet, €122,420 thousand of which corresponding to debt securities and €236,070 thousand to loans and advances.
- €85,981 thousand was reclassified from "Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net" to "Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net" on the consolidated statement of profit or loss.
- €88,577 thousand has been reclassified from "Financial assets designated at fair value through profit or loss" to "Non-trading financial assets mandatorily at fair value through profit or loss" under the "Increase or (-) decrease in operating assets" section of "Cash flows from operating activities" on the consolidated cash flow statement.

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

The preparation of these consolidated annual accounts requires the Group's Board of Directors to use judgements and estimates based on assumptions that affect the application of the accounting policies and standards and the 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, 8.4.1, 8.4.2, 8.5.1, 8.5.2, 8.6.1, 8.6.2.3 and 8.6.4) as well as the fair value of goodwill (Note 13).
- The assumptions used in the actuarial calculations to evaluate the liabilities and commitments for post-employment compensation (Note 3.20).

- Impairment losses and the useful life of tangible and intangible assets including the recoverability of goodwill (Notes 3.7, 3.8, 3.9, 3.10, 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 3.27).
- Losses on future obligations deriving from contingent risks (Note 3.3 and 3.12).
- The reversal period for temporary differences and the recoverability of tax credits for tax loss carryforwards (Notes 3.18).
- The fair value of certain guarantees linked to the collection of assets.
- Provisions for liabilities classed as probable due to the possibility of meeting 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 IAS 8, recognising the effects of any such change in estimate on the corresponding consolidated statement of profit or loss for the years in question.

The declaration of the Covid-19 outbreak as a pandemic and the consequences on health and economic and social order have raised uncertainty and the complexity of these estimates. However, the Group has factored the effects of Covid-19 into the judgments and estimates made.

2.7. *Consolidation principles*

These consolidated annual accounts have been prepared using the full, proportional and equity methods of consolidation as stipulated in the aforementioned legislation, including the following companies at 31 December 2020 and 31 December 2019:

Company	Domicile	2020 % shareholding Direct	2020 % shareholding Indirect (a)	2019 % shareholding Direct	2019 % shareholding Indirect (a)
Group companies					
Cajamar Caja Rural, S.C.C.	Plaza de Juan del Águila Molina, 5. Almería.	-	-	-	-
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	-	-	-	-
Caixa Rural Vila-Real, S.C.C.	Plaza Mayor, 10. Villarreal. Castellón.	-	-	-	-
Caja Rural de Torrent, S.C.C.	Avda. Al Vedat, 3. Torrent. Valencia.	-	-	-	-
Caixa Rural Altea, S.C.C.V.	Pasaje Llaurador, 1. Altea. Alicante.	-	-	-	-
Caixa Rural de Callosa de Sarria, C.C.V.	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	-	-	-	-
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	C/ Cova Santa, 11. La Vilavella. Castellón.	-	-	-	-
Caja Rural de Alginet, S.C.C.V.	C/ Valencia, 13. Alginet. Valencia.	-	-	-	-
Caja Rural de Cheste, S.C.C.	Plaza Doctor Cajal, 2. Cheste. Valencia.	-	-	-	-
Caja Rural de Villar, C.C.V.	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	-	-	-	-
Caja Rural la Junquera de Chilches, C.C.V.	Plaza España, 6, Chilches. Castellón.	-	-	-	-
Caja Rural San Isidro de Vilafamés, C.C.V.	Avda. Barcelo, 6. Vilafames. Castellón.	-	-	-	-
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	-	-	-	-
Caja Rural San Jose de Burriana, C.C.V.	Plaza el Pla, 1. Burriana. Castellón.	-	-	-	-
Caja Rural San José de Nules, S.C.C.V.	C/ Mayor, 66. Nules. Castellón.	-	-	-	-
Caja Rural San Roque de Almenara, S.C.C.V.	C/ Doctor Berenguer, 4. Almenara. Castellón.	-	-	-	-
Caja de Crédito de Petrel, Caja Rural, C.C.V.	C/ San Bartolomé, 2. Petrer. Alicante.	-	-	-	-
Caixa Rural de Turís, C.C.V.	Plaza de la Constitución, 2. Turis. Valencia.	-	-	-	-
Alquileres Alameda 34, S.L. (b)	Paseo Alameda, 34. Valencia.	-	100.00%	-	99.29%
BCC Eurovía Informática, A.I.E.	Avda. De la Innovación, 1 (PITA). Almería.	99.00%	1.00%	99.00%	1.00%
BCC Gestión Integral de Infraestructuras, A.I.E.	Avenida Nuestra Señora de Montserrat, número 11, Almería.	98.00%	2.00%	98.00%	2.00%
BCC Operaciones y Servicios Administrativos, S.L.U. (c)	Plaza 3 de abril, 2, Almería.	-	100.00%	-	100.00%
BCC Recursos Humanos y Contact Center, S.L.U. (c)	Avda. De la Innovación, 1 (PITA). Almería.	-	100.00%	-	100.00%
Cajamar Mediación Op. Banca Seg. Vinculado, S.L.U. (b)	Plaza de Juan del Águila Molina, 5. Almería.	-	100.00%	-	100.00%
Cimenta2 Gestión e Inversiones, S.A.U. (b)	Plaza de Juan del Águila Molina, 5. Almería.	-	100.00%	-	100.00%
Cimentados3, S.A.U.	Plaza de Juan del Águila Molina, 5. Almería.	100.00%	-	100.00%	-
Cimenta Desarrollos Inmobiliarios, S.A.U.	Plaza de Juan del Águila Molina, 5. Almería.	100.00%	-	-	100.00%
Inmuebles Alameda 34, S.L. (b)	Paseo Alameda, 34. Valencia.	-	100.00%	-	99.62%
Sunaria Capital, S.L.U.	Plaza de Juan del Águila Molina, 5. Almería.	100.00%	-	100.00%	-
Associates					
Agrocolor, S.L. (b)	Carretera de Ronda, 11-BJ. Almería.	-	32.37%	-	32.37%
Balsa de Insa, S.L.(d)	C/ de la Lluna, 3. Castellón.	-	24.50%	-	24.50%
Biocolor, S.L. (c)	Carretera de Ronda , 11, 1º. Almería.	-	22.19%	-	22.19%
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	Plaza de Juan del Águila Molina, 5. Almería.	49.99%	-	49.99%	-
Cajamar Vida, S.A. de Seguros y Reaseguros	Plaza de Juan del Águila Molina, 5. Almería.	49.99%	-	49.99%	-
GCC Consumo Establecimiento Financiero de Crédito, S.A.	Calle Retama nº 3. Madrid.	49.00%	-	49.00%	-
Giesmed Parking, S.L. (b)	Calle Almagro, 3, 5º izquierda. Madrid.	-	20.00%	-	20.00%
Habitat Utiel, S.L. (e)	C/ Pascual y Genil, 17. Valencia	-	25.00%	-	25.00%
Murcia emprende S.C.R., S.A. (b)	C/ Alfaro, 1. Murcia.	-	22.06%	-	22.06%
Parque Científicio-Tecnológico de Almería, S.A. (b)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	-	30.13%	-	30.13%
Proyecta Ingenio, S.L. (c)	C/ Jesus Durbán Remón, 2, 1º. Almería.	-	24.90%	-	24.90%
Renovables la Unión, S.C.P. (f)	C/ Mar,22. Valencia.	-	40.00%	-	40.00%

(a) Application of control by Banco de Crédito Social Cooperativo, S.A. as the parent of the Group.
(b) Indirect interest through Cajamar Caja Rural, S.C.C.
(c) Indirect interest through Sunaria Capital, S.L.U.
(d) Indirect interest through Caja Rural Vila-Real, S.C.C.
(e) Indirect interest through Cimenta2 Gestión e Inversiones, S.A.U.
(f) Indirect interest through Caja Rural Sant Vicent Ferrer de la Vall D´Uixo, S.C.C.V.

Changes in equity investments during 2020 affecting the scope of consolidation are as follows:

Acquisitions or increases in interests in subsidiaries, joint ventures and/or in associates at 31/12/2020

Name of the acquired or merged entity (or business arm)	Category	Transaction date	Cost (net) of combination (a) + (b) (thousands of euros): Amount (net) paid for acquisition + other costs directly attributable to the combination (a)	Cost (net) of combination (a) + (b) (thousands of euros): Fair value of equity instruments issued to acquire the entity (b)	% voting rights acquired	% total voting rights in entity after the acquisition
Alquileres Alameda 34, S.L.U. (1)	Subsidiary	2/6/2020	10	-	0.71%	100.00%
Inmuebles Alameda 34, S.L.U. (1)	Subsidiary	2/6/2020	58	-	0.32%	99.94%
Inmuebles Alameda 34, S.L.U. (1)	Subsidiary	10/1/2020	10	-	0.06%	100.00%

Decrease in interests in subsidiaries, joint ventures and/or investments in associates and similar at 31/12/2020

Name of the entity (or business arm) disposed of, spun off or derecognised	Category	Transaction date	% of voting rights disposed of or derecognised	% total voting rights in entity after the alienation	Gain/(loss) generated (thousands of euros)

(1) Indirect increases in interest due to additional acquisition on purchase of company.

In 2020 the equity stake in Cimenta Desarrollos Inmobiliarios, S.A.U. was reclassified from being indirect to direct after additional shares in this company were purchased.

In 2019, the Group participated in the incorporation of Cimenta Desarrollos Inmobiliarios, S.A.U. Giesmed Parking, S.L. was also reclassified from being a subsidiary to being an associate as a result of its partial divestment. Hotel Envía Golf, S.L.U. was also divested as a result of it being wound up.

Information on subsidiaries, jointly-controlled entities and associates is attached in Appendix I.

Subsidiaries

Subsidiaries are those over which the Group has control and that comprise a decision-making unit. It is presumed that a decision-making unit exists when the Parent possesses 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.

At the time a subsidiary is acquired, the assets, liabilities and contingent liabilities are calculated at fair value at the acquisition date. The positive differences between the acquisition cost and the fair values of the net identifiable assets are recognised in the account “Goodwill” under the heading “Intangible assets” on the consolidated balance sheet. Negative differences are taken to results at the acquisition date.

The financial statements for the “subsidiaries” are consolidated with those of the Bank using the full consolidation method and therefore all the significant balances and transactions between the consolidated entities have been eliminated during the consolidation process. The equity and results of subsidiaries relating to minority interests are recognised under the Group’s equity and the results are recorded under the headings “Minority interests” and “Profit or loss for the year attributable to minority interests”, respectively on the consolidated balance sheet and consolidated statement of profit or loss, respectively (Notes 11, 21 and 26).

Results generated by companies acquired by the Group during the year are consolidated taking into account only the amounts for the period running from the acquisition date to the year-end. Results generated by companies sold during the year are consolidated taking into account only the amounts for the period running from the beginning of the year to the date of sale.

Subsidiaries are also considered to be those credit institutions that have joined Grupo Cooperativo Cajamar (Note 1.1), which are consolidated using the full consolidation method and their assets and liabilities are integrated into the Group’s equity.

Jointly-controlled entities

“Jointly-controlled entities” are considered to be those that are not subsidiaries but are jointly controlled by two or more companies, including the Bank or another Group entity.

The annual accounts of those investees classified as “jointly-controlled entities” are consolidated with those of the Bank using the proportional method such that the inclusion of balances and subsequent eliminations take place only in the proportion to which the Bank holds a stake in the capital of those companies.

Associates

“Associates” are considered to be those in which the Bank, individually or together with the remaining Group entities, has a significant influence and which are not a subsidiary or jointly-controlled entity. To determine the existence of a significant influence the Bank 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 Bank and the investees, and the exchange of senior management personnel and supply of essential technical information.

There may be companies in which the Parent holds an interest of less than 20%, which are classified under the heading “Shareholdings” due to the existence of significant influence; there is also a series of companies classified as “Shareholdings” measured using the equity method even though a 50% stake is held due to the fact that the requirements for considering that joint management exists are not met.

In the consolidated annual accounts, associates are measured at cost at the acquisition date and subsequently using the equity method as defined in IAS 28, i.e. based on the percentage of equity that the Group’s shareholding represents in the associate’s capital, taking into consideration dividends received and other equity eliminations. At the time of acquisition, the cost of the shareholding is assigned to its assets, liabilities and contingent liabilities, taking into consideration their fair values. The positive differences between the cost of acquisition and the aforementioned fair value (Goodwill – Notes 3.9 and 12), are recorded under the heading “Shareholdings” in the account “Associates” on the consolidated balance sheet as an increase in the stake held.

The results generated by transactions between the associate and the Group entities are eliminated based on the percentage of equity that the Group’s shareholding represents in the associate’s capital.

The results obtained during the year by the associate, after the elimination referred to in the preceding section, increase or decrease, as appropriate, the value of the shareholding on the consolidated financial statements. The amount of these results is recorded under the heading “Profit/(loss) of entities measured using the equity method” on the consolidated statement of profit or loss (Note 26).

Changes in the valuation adjustments of the associate, subsequent to the acquisition date, are recorded as an increase or decrease in the value of the shareholding. The amount of these changes is recorded under the heading “Accumulated other comprehensive income in consolidated equity (Items that may be reclassified to profit or loss)” (Note 8.5.3).

Consolidable structured entities

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

This type of entity is intended to provide customers with access to certain investment, to transfer risks and for other purposes. The Group holds stakes in this type of entity through the “Asset securitisation funds” in which it is the originator. These funds are consolidated when analysis shows the Group controls them. The following circumstances are considered to determine whether control is held:

- The entity’s purpose is to cover the Group’s specific needs;
- The Group has sufficient decision-making powers to obtain the majority of the entity’s rewards or, alternatively, the entity runs on “autopilot” to the Group’s benefit;
- The Group obtains most of the entity’s rewards and therefore, is exposed to its risks;
- The Group retains for itself the majority of the typical or residual risks and rewards of the entity or its assets.

For practically all the “Asset securitisation funds”, the Group has subordinated finance, inverse positions in equity tranches, credit enhancements through derivative instruments or liquidity facilities. It was therefore decided that loans assigned to the aforesaid funds cannot be written off the Group entities’ balance sheets, while the units issued by the securitisation funds are recognised as liabilities on both the Group entities’ balance sheets and the Group's consolidated balance sheet.

2.8. Other general principles and environmental information

The consolidated annual accounts have been prepared on an historical cost basis, adjusted for the revaluation, where appropriate, of land and buildings (carried out during first-time application of IFRS), available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value.

Given the main activity in which the Group entities and Parent are involved, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to the Group's equity, financial situation and results. Therefore, no specific environmentally-related disclosures are included in the notes to the accompanying consolidated annual accounts.

2.9. Agency contracts

In accordance with the provisions of Royal Decree 84/2015, of 13 February 2015, implementing Act 10/2014, of 26 June 2014, Appendix III lists the financial agents with which the Group operated at 31 December 2020 to attract customers or market and sell transactions and services.

3. Accounting policies and criteria applied

3.1. Financial instruments

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

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

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

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

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

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

Financial instruments are recognised on the consolidated 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; financial assets traded on Spanish secondary security markets, if equity instruments, will be recognised at the contract 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 consolidated balance sheet when there is a legally enforceable right that provide 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, debt securities, equity instruments acquired, except for those in subsidiaries, jointly-controlled entities or associates, and trading and hedging derivatives.

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

Business model and characteristics of contractual cash flows for managing financial assets

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

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

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

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

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

Classification of financial assets

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

- "Financial assets at amortised cost":

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

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

  - Investments in debt securities that are traded on an active market with fixed maturity dates and cash flows for a fixed or determinable amount, and for which the Group initially had, and continues to have, both the intention and demonstrated financial capacity to hold them until maturity.

  - "Loans and advances": includes financial assets that are not traded in an active market and are not required to be measured at fair value, whose cash flows are of a fixed or determinable amount, and in which all the disbursement made by the Group is expected to be recovered, excluding reasons imputable to the debtor's solvency. This category includes both the investments arising out of typical lending activity, including the cash amounts drawn down yet to be repaid by customers on loans or the 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 designated at fair value through other comprehensive income":

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

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

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

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

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

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

  - "Other financial assets designated at fair value through profit or loss": these being financial assets designated as such at initial recognition, whose fair value may be reliably estimated. This designation may be made for: (i) hybrid financial assets whose embedded derivatives cannot be reliably measured separately, and must be separated; (ii) hybrid financial assets as a whole, designated as such at initial recognition, unless the embedded derivatives do not significantly change the cash flows that would otherwise have been generated by the instrument or when the hybrid instrument is first examined it is evident that separation of the embedded derivatives is prohibited; (iii) the financial assets for which more relevant information is obtained because this information eliminates or significantly reduces inconsistency in the recognition or measurement (also called 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 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 consolidated 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 transactions 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 duly informed 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 3.27 and 8.1).

- In other cases, the difference is treated as a fair-value adjustment and 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 taken to consolidated profit or loss through the effective interest rate method of the difference between the initial amount and repayment value at maturity 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 interest 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.

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

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

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

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

Derecognition of financial assets

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

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

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

Impairment losses on financial assets

The book value of financial assets is adjusted by the Group against profit or loss when there is objective evidence that there are impairment losses. This is the case where:

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

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

  The 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 book value. Those at fair value through other comprehensive income are recognised against "Accumulated other comprehensive income" in equity on the consolidated balance sheet. On the other hand, impairment allowances for exposures that give rise to credit risk other than debt instruments, such as loan commitments, financial guarantees and other commitments given, are recognised as a provision under liabilities on the consolidated balance sheet. Subsequent reversals of previously recognised impairment allowances are taken immediately to income on the consolidated statements of profit or loss for the period.

  In accordance with the criteria established in Annex IX 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 (phase 1): all transactions whose credit risk has not increased significantly since initial recognition. Impairment allowances are equal to expected loan losses over 12 months. Interest income from these transactions is calculated by applying the effective interest rate to the transaction's gross book value.

  - Performing exposures under special watch (phase 2): those transactions in the performing exposure category but which require special supervision are identified. Performing exposures under special watch comprise all transactions that, while not meeting the criteria for individual classification as non-performing or write-off, present weaknesses that may lead to the occurrence of losses exceeding those on other similar transactions classified as performing exposures. Impairment allowances are equal to expected loan losses over the transaction term. Interest income from these transactions is calculated by applying the effective interest rate to the transaction's gross book value.

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

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

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

– Tightening of operating margins or available recurring income.

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

- Doubtful exposures (phase 3): those transactions that are impaired, i.e. there has been a default event. Impairment allowances are equal to expected loan losses over the transaction term. 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 doubtful.

  The doubtful exposure group is also split into two categories:

  - Doubtful 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 being written off. This category will also include guarantees given if the guaranteed party has fallen into 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.

    Doubtful transactions due to arrears in which simultaneously there are other circumstances for classifying them as doubtful shall be classed as doubtful due to arrears.

  - Doubtful exposures for reasons other than borrower arrears: includes debt instruments, whether past due or not, which are not classifiable as write-off or doubtful 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 doubtful due to borrower arrears whose payment by the entity is likely but whose recovery is doubtful and which do not present any amount more than 90 days past due.

    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 doubtful risk category. As a general rule, refinancing, refinanced or restructured transactions that are based on an inadequate payment plan or which include contractual clauses that delay the repayment of the transaction through regular instalments are classified as doubtful risk for reasons other than arrears.

- Write-offs: 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 writing-off of the full gross carrying amount of the transaction and its total derecognition from assets.

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

  - Specific credit loss allowances for financial assets, estimated on an individual basis: the cumulative amount of allowances recognised for non-performing assets individually estimated.
  - Specific credit loss allowances for financial assets estimated on a collective basis: the cumulative amount of allowances recognised for debt instruments classified as doubtful 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 watch.

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

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

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 financial assets that were purchased with or that originated with credit impairment, discounted at the effective interest rate adjusted to reflect credit quality.

   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:

- Expected credit losses during the life of the transaction: these are expected credit losses resulting from all the possible default events during the expected life of the transaction.

- Expected credit losses at twelve months: these are the part of the credit losses expected during the life of the transaction corresponding to the expected credit losses resulting from any default events during the twelve months following the reference date.

The Group calculates impairment losses 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. Consequently, impairment losses from transactions are equal to:

- Expected credit losses at 12 months, when there has been no material increase in the risk of a default event since initial recognition.
- Expected credit losses during the life of the transaction, when there has been a material increase in the risk of a default event since initial recognition.
- Expected losses, when there has been a default event in the transaction.

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

When estimating the present value of future cash flows, the Group uses the transaction's original effective interest rate as the discount rate or, in the case of financial assets purchased with or that originated with credit impairment, it uses the effective interest rate adjusted to reflect credit quality 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 loss or gain due to a change in the profit or loss of 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 consolidated 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 book value 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 global 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 an instrument's fair value falls significantly or below its carrying amount over a prolonged period of time. Objective evidence of impairment will also exist when the issuer has filed or is likely to file for insolvency.

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

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

The Group recognises impairment allowances immediately as an expense on the consolidated 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 consolidated statements of profit or loss for the period.

b) Financial liabilities

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, or a contract that can or must be settled using the same equity instruments.

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

Classification of financial liabilities

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

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

- “Financial liabilities designated at fair value through profit or loss”: are financial liabilities designated as such at initial recognition, whose fair value may be reliably estimated. This designation may be made for: (i) hybrid financial liabilities, 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 inconsistency in the recognition or measurement (also called accounting mismatch) that would arise on the measurement of the assets or liabilities, or by the recognition of gains or losses, using different criteria; (iv) financial liabilities for which more information is obtained due to the fact that there is a group of financial liabilities, or financial assets and liabilities, that are managed and their performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy and information regarding that group is also provided on a fair value basis to key management personnel.

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

Measurement of financial liabilities

At initial recognition on the consolidated 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 comply with the conditions to write the asset off the assignor’s balance sheet, since the assignor retains control over the financial assets and the risks and rewards are not substantially transferred or retained.

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

Derecognition of financial liabilities

Financial liabilities are written off the Group's consolidated balance sheet when they have been extinguished or are acquired. The difference between the book value of the extinguished financial liability and the compensation provided is recognised immediately on the consolidated 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 a cancellation 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 when the discount consists of the original effective interest rate, differs by at least 10% of the present discounted 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 a cancellation, the costs or commissions incurred will be recognised as part of the result deriving from cancellation. If the aforementioned exchange or modification is not recognised as a cancellation, the costs and commissions will be adjusted by the book value 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 consolidated 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 consolidated statements 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 generated from the subsequent recovery thereof. When determining the gains and losses on disposal, the amortised cost is identified specifically for the financial asset in question, except for groups of identical financial assets, in which case the average weighted cost is used.

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

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

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

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

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

  - Other amounts related with changes in the fair value of financial liabilities are recognised on the consolidated statements 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 consolidated statement of profit or loss in accordance with the effective interest rate method.
- Dividends accrued are recognised on the consolidated statements of profit or loss where applicable.
- Exchange differences are recognised on the consolidated statements of profit or loss for monetary financial assets, and through other comprehensive income for non-monetary financial assets.
- Impairment losses on debt instruments or gains on the recovery thereof are recognised on the consolidated statements of profit or loss.
- Other changes in value are recognised through 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 accumulated or loss in equity is reclassified to profit or loss for the period. When an **equity instrument** at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss in accumulated other comprehensive income is not reclassified to profit or loss, rather to a reserves account.
- The criteria for reclassification between financial instrument portfolios described in Note 3.1.d to the accompanying consolidated 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 consolidated statements 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 are added to the carrying amount of the instruments until they are received.

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

d) Reclassification between financial instrument portfolios

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

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

- The fair value of a debt instrument at the reclassification date must be estimated when 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 carrying amount.
- The fair value of a debt instrument at the reclassification date is estimated when reclassifying it from the amortised cost portfolio to the fair value through other comprehensive income portfolio. Any gain or loss arising from the difference between the previous amortised cost and fair value is taken to other comprehensive income. The effective interest rate and estimate of expected credit losses are not adjusted as a result of the reclassification.
- If a debt instrument is reclassified from the fair value through other comprehensive income portfolio to the amortised cost portfolio, the financial asset is reclassified at its fair value on the reclassification date. Any gain or loss accumulated at the reclassification date under accumulated other comprehensive income in equity is cancelled by the balancing entry comprising the asset's carrying amount at the reclassification date. The debt instrument is measured on the reclassification date as if it had always been at amortised cost. The effective interest rate and estimate of expected credit losses are not adjusted as a result of the reclassification.
- If a debt instrument is reclassified from the fair value through profit or loss portfolio to the fair value through other comprehensive income portfolio, the financial asset continues to be measured at fair value, without any modifications to the accounting of any previously recognised changes in value.
- If a debt instrument is reclassified from the fair value through other comprehensive income portfolio to the fair value through profit or loss portfolio, the financial asset continues to be measured at its fair value. Any gain or loss accumulated beforehand under "Accumulated other comprehensive income" in equity is transferred to profit or loss for the period on the reclassification date.
- No financial liabilities will be reclassified.

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

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

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

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

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

3.2. Capital

Banco de Crédito Social Cooperativo, S.A.'s shares are represented by indivisible registered share certificates, which may be single or multiple. Shareholders are entitled to receive, free of charge, both single and multiple share certificates. If a multiple certificate is delivered, shareholders are entitled to request, after annulling those they submit for this purpose, the issuance of as many single certificates as the shares they hold or one or more multiple certificates representing a number of shares which is different from that of the certificates the annulment of which is requested.

The Bank shall keep a duly legalised ledger of registered shares for the purposes stipulated by law.

Partly paid up shares, if any, must be paid in full when so required by the Board of Directors, pursuant to Article 8 of the Bank's By-laws. The form and other details of payment are as provided in the resolution to increase capital, which may provide that the payments can be made through monetary and non-monetary contributions.

The shares are transferable by all lawful means. Transfers of the Company's shares are governed by the following terms and conditions contained in Article 13 of its By-laws.

Banco de Crédito Social Cooperativo, S.A. may issue:

- Non-voting shares for a nominal amount not exceeding half of the capital. Non-voting shares shall confer upon their holders the rights established in the issue resolution, in accordance with current legislation.
- Redeemable shares for a nominal amount not exceeding one quarter of capital. Redeemable shares shall confer upon their holders the rights established in the issue resolution, in accordance with current legislation and by means of the requisite amendment to the By-laws.
- Shares that confer a privilege over ordinary shares in the legally established terms, in compliance with the formalities prescribed for the amendment of the By-laws.

Contributions to the capital of the Credit Cooperatives comprising the Group are recognised as equity when there is an unconditional right to waive reimbursement or there is any legal or by-law prohibitions against making the contribution. 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 compensation obligation, even if subject to the condition of the cooperative obtaining a surplus, are treated as financial liabilities. Compensation for contributions is recorded as a finance cost for the year if they relate to contributions 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 Parent and those of the credit institutions making up the Group are consistent with the recommendations of Spanish and international watchdogs concerning solvency and capital, such that the reimbursement of capital contributions requires in all cases the prior and favourable resolution of the Governing Board (Note 18.1.3).

A previous amendment to the by-laws, which remains in effect, as validated by the General Assembly on 28 March 2006, established the optional nature of remuneration for capital, the General Assembly being responsible for determining remuneration each year; enforcement of the resolution may be delegated to the Governing Board, subject to the limits and in the terms deemed fit.

Consequently, the reimbursement of capital contributions requires prior, specific approval from the Governing Board and shareholder returns are established annually by the General Assembly on a non-mandatory basis.

In any event, Bank of Spain Circular 3/2008, of 22 May 2008, and subsequent modifications, regarding the calculation and control of minimum equity for credit institutions, stipulates that contributions to the capital of credit cooperatives, independent of their accounting classification as a financial liability or as equity, will be part of Tier 1 capital until 31 December 2012, and after that date, and in accordance with the amendments included in Bank of Spain Circular 4/2011, only contributions recognised as equity will be considered as capital. As indicated above, all the Group's capital contributions meet the requirements to be computed as Tier 1 capital at both 31 December 2020 and 31 December 2019.

Capital contributions of other credit institutions included in Grupo Cooperativo are classified under "Other equity items" in equity.

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 as payment for debts**

Debt instrument portfolios (loans, advances that are not 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. 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 attributed 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 comparative risk; and (ii) whether or not there has been a default event. The combination of both items determines the classification in different categories or phases:

Classification categories:

- Phase 1 or performing: There has been no significant increase in risk or a default event.

- Phase 2 or performing under special watch: There has been a significant increase in default risk compared to the starting point, although there are no doubts about the credit being fully repaid.
- Phase 3 or doubtful: When there has been a default event and therefore there are doubts about repayment.
- Write-off: Where case-by-case analysis suggests that full or partial recovery of the credit is remote.

Automated processes – also known as triggers – or case-by-case analyses are used to determine if there has been a significant increase in risk or a default event.

Automatic classification criteria:

- Phase 2: Exposures fulfilling one of the following are classified in this category:

  - Exposures of borrowers declared insolvent and in compliance with the creditors' agreement that have no other borrowings with amounts more than 30 days past due and where the borrower has repaid at least 25% of the principal of the exposure affected by the insolvency proceedings in the Group or if two years have elapsed since the order approving the creditors' agreement was filed in the Companies Register.

  - Exposures included in the stock of exposures included in a special debt sustainability agreement in light of repayment difficulties (restructured transactions). These exposures are classified in Phase 2 for a probation or expiry period so that they must meet all the following requirements to be no longer considered as restructured and see their classification improve:
    - Following a review of the borrower's financial and equity position it has been concluded that it is not foreseeable that the borrower will encounter financial difficulties.
    - That a minimum of 24 months has elapsed since the later of the date of entry into the restructuring or the date the exposure was classified in Phase 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.

  - Significant indications suggesting possible payment difficulties such as an increase in the borrower's overall debt or a narrowing of operating margins or recurring income.

  - The variation in probability of default measured by comparing the current probability of default using internal monitoring models with the probability of default when the transaction is formalised. The minimum variation needed has been calculated so that the default rates observed after a sufficiently long period are statistically different, incorporating forward-looking information through scenario projection models.

  - For mortgage loans where the LTV ratio is over 80 points lower than the previous LTV ratio after the appraisal value of the collateral has been revised.

  - If the transaction has amounts over 30 days past due.

- Phase 3: Objective evidence of impairment includes:

  - **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 Phase 3, unless the borrower has other transactions with amounts over 90 days past due.

    - 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 borrower arrears:**

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

    - Transactions for which there are reasonable doubts about their repayment, 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.

    - 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 as in Phase 3 at the time of restructuring or that comprise a second or subsequent refinancing. Restructuring with amounts more than 30 days past due are also included.

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

    - That a year has elapsed since the refinancing or restructuring.

    - That payments of principal and interest have led to the repayment of an amount equal to the past-due exposure at the latter of the time of restructuring or the date on which the exposure was classified as doubtful.

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

    - That transactions of borrowers that have been declared insolvent not complying with the criteria to be classified in Phase 2.

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

  - Transactions of borrowers declared insolvent for which the liquidation phase has been declared.

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

  - Transactions with a provision of 100% for over two years.

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

Specific treatment for Covid-19 transactions

In response to the health crisis caused by the Covid-19 outbreak and following the regulatory recommendations published in this regard, special mention should be given to the accounting treatment of the transactions of customers who have requested some form of relief because of the pandemic. This relief comprises:

- Legal moratoria: facilities regulated by state legislation aimed at granting borrowers repayment holidays due to the paralysis of the economy following the declaration of the state of alarm in March 2020 and subsequent legislation extending this relief.
- Sector moratoria: facilities granted to customers as stipulated in the EBA/GL/2020/02 guidelines and regulated by the AEB.
- State backed loans (ICO or mutual guarantee society at an autonomous community level) to alleviate difficulties among customers due to the pandemic.

The criteria set forth in the EBA's guidelines (EBA/GL/2020/02, subsequently amended by EBA/GL/2020/08 and EBA/GL/2020/15) are applied for transactions with these characteristics. The main practical consequences of applying these criteria are set out below:

- The arrangements described at the start of this section (legal and sector moratoria and ICO guarantees) have not been treated as restructured credit.
- Legal moratoria: in these cases, the classification of each transaction when a repayment holiday is requested is frozen and kept the same over the three months the measure lasts. Once the legal moratorium ends, the transaction returns to being classified in the same way as any transaction.
- Sector moratoria and ICO guarantees; in these cases, on being formalised, a transaction is classified as being in the phase the operation was assigned when the state of alarm was declared in Spain. This avoids the accounting classification of any customers being improved due to them being awarded a sector moratorium or ICO guarantee. In practice, this raises two issues:
    - There is a subset of these transactions that, despite fulfilling the criteria to be in Phase 1 (as they do not meet the criteria to be in Phase 2 or Phase 3 described in this Note 3.3), have been "forced" to remain in Phase 2 or 3.
    - This "forcing" of transactions into Phase 2 or Phase 3 will be lifted as the payment record evolves. As a general rule, for transactions where a repayment holiday has been granted, at least three months must have elapsed from the date the payment holiday ended for this "forcing" to be lifted.

Case-by-case classification criteria:

Certain borrowers deemed to be significant given their exposure to default and borrowers that are not associated with a similar exposure group which could be classified using automated procedures are classified on a case-by-case basis. A team of expert analysts analyse the various triggers indicating a significant increase in risk or the existence of 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 for losses due to credit risk 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 depends on a transaction's classification, therefore expected losses at 12 months are calculated for Phase 1, expected losses during the life of the transaction for Phase 2, and cash flows expected to be recovered for Phase 3.

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

Estimation of specific allowance (expert analysis):

For transactions classified in Phase 2 or Phase 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 Phase 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 countries;
- 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 salaries, provided the paying entity is a government agency and the salary or pension is direct credited to the Group, and advances other than loans.

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

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

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

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

Estimate of collective allowances

This is used for transactions that cannot be evaluated using specific estimates. It is based on models developed internally to estimate the allowances needed as per the Group's existing portfolio, taking into account past experience and a range of possible scenarios: baseline, worst-case and best-case. 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 include those defined in-house by the Group (baseline, best-case and worst-case scenarios) and those published by the Bank of Spain. Due to the Covid-19 crisis, in 2020 the regulatory authorities indicated that projection methodologies had to be adapted to avoid excessive pro-cyclicality of the estimates, spreading the effect of the crisis over a longer time horizon. This has been achieved by adapting the original scenarios to smooth out part of the expected variability in the macroeconomic environment but leaving the same final situation for 2023 mentioned beforehand unchanged. The various scenarios are combined using weighting that factors in the greater or lesser likelihood of occurrence of the situation forecast in each scenario. The weights are determined by the General Financial Controller's Division.

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

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

The raft of publications by the regulatory authorities related with the Covid-19 crisis have also been considered in the estimates.

- Baseline scenario: Following the slump in GDP in 2020 because of the economic crisis sparked by the pandemic, it is envisaged that the economy will return to a growth path from 2021 thanks to all demand-side components, with public-sector consumption contributing the least. The expected recovery will gather pace from 2022, primarily fuelled by private-sector consumption, investment in capital goods, and tourism. However, GDP will not regain all the ground lost since the start of the crisis until 2023. Inflation is expected to rise slightly over the projection period.
- Worst-case scenario: In this scenario, with less availability of vaccines and/or less effective vaccines, the economic recovery is slower, with lower GDP and a steadier drop in the unemployment rate. Interest rates remain in negative territory over the whole projection period, even the ten-year bond yield. House prices rise in 2022 and 2023, but slower than in the baseline scenario.
- Best-case scenario: The year-on-year change in GDP for 2021 reaches close to the Spanish government's official forecasts. The unemployment rate in this scenario is slightly lower than in the baseline scenario, while interest rates rise more quickly but remain in negative territory (except the ten-year bond yield that enters positive territory from 2022).

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

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

Where:

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

It is worth noting that the contractual repayment schedule for each transaction is also used to calculate expected losses over the whole transaction term for exposures classified in Phase 2. Estimates of prepayment rates for different products and segments based on observed historical data are utilised.

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. Testing in 2020 showed that the classification of and allowances for credit risk were appropriate to the portfolio's risk profile.

- **Accrual of interest on transactions classified as doubtful exposures**

The Group calculates the interest accrued on transactions classified as doubtful exposures, taking it to the consolidated statements 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 risks, irrespective of the customer, are analysed to determine the credit risk deriving from 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 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 are estimated in addition to the allowances for credit risk, whereby any risk not covered by the amount recoverable through the collection of effective collateral or allowances for insolvency risk is covered by the allowances for country risk. The latter is obtained by applying the percentages of coverage stipulated in Bank of Spain Circular 4/2017 for the appropriate group for the country in question and based on the credit risk classification.

- **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 guarantees whose effectiveness depends substantially upon the credit quality of the debtor shall be deemed valid.

Effective guarantees are therefore considered to be pledges or mortgages on:

- Buildings and finished constructions, split between:
  - Homes
  - Offices, retail units and multi-use facilities
  - Other buildings, such as single use premises and hotels
- Urban land and building land
- Rural properties, split 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 land several liability falls on the guarantor.

These guarantees 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 phase 2 or 3 and assets foreclosed or received in lieu of payment of debts.
- Every three years for high-value assets in transactions classified in Phase 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 for losses due to credit risk, Internal methodologies have been developed to calculate amounts to be recovered through real estate collateral that adjust appraisal values using discounts factoring in potential losses in value until they are executed and the foreclosed properties sold, and any costs of executing the guarantees and selling the properties.

- **Foreclosed real estate assets or those received as payment for debts**

  The Group recognises assets received in lieu of payment of debt at the lower of the book value of the financial assets applied, i.e. their amortised cost less estimated impairment, and their fair value at the time of foreclosure or receipt of the asset, less estimated selling costs. The net amount of both items is considered to be the initial cost of the asset received.

  Real estate assets that are foreclosed or received in lieu of payment of debt are measured at the time of foreclosure based on the market value obtained through complete individual appraisals.

  The Group calculates the difference between the book value of the foreclosed asset and its fair value, less selling costs, when determining the amount of impairment at a date after foreclosure or receipt in lieu of payment. This condition does not apply in cases where expert analysis shows that a larger allowance is needed than that calculated using the general criterion.

  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 consolidated statement of profit or loss, calculated individually for those that continue to be held after the deadline initially established for their sale.

  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.

3.4. Hedge accounting

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

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

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

The conditions under which a financial derivative may be regarded as a hedging derivative 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 foreseeable commitments and transactions (cash flow hedges); or (iii) the net investment risk in a foreign operation (hedging of net investment in foreign operations).

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

The Group ensures the prospective and retrospective effectiveness of its hedges by performing the relevant effectiveness test using the regression effectiveness test. 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 aimed 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 financial assets and liabilities exposed to this risk. In the latter case, the set of financial assets or liabilities to be hedged must share a common type of risk, this requirement being understood to be fulfilled when the sensitivity of the individual elements hedged to interest rate changes is similar.

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

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

  The gain or loss that arises from the fair value measurement of hedging instruments as well as that attributable to the hedged risk is immediately recognised on the consolidated 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 book value is adjusted by the amount of the gain or loss recognised on the consolidated 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 consolidated 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 hedge instrument (on the effective portion of the hedge) is recognised temporarily under "Accumulated other comprehensive income" in consolidated equity. The value of the instrument relating to the ineffective portion of the hedge is recorded immediately on the consolidated statement of profit or loss.

  Accumulated gains and losses on hedge instruments recognised under "Accumulated other comprehensive income" in equity remain in that account until recorded on the consolidated statement of profit or loss in the periods in which the items designated as hedges affect that account, unless the hedge relates to a planned transaction that ends in the recognition of a non-financial asset or liability, in which case the amounts recorded in consolidated 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 consolidated statement of profit or loss.

When the hedge is interrupted, the accumulated result of the hedge instrument recognised under "Accumulated other comprehensive income" in consolidated 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 consolidated statement of profit or loss.

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

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

The Group uses accounting hedges, 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 referenced to a fixed interest rate.

- Market: certain structured liabilities whose compensation is associated with the evolution of indexes.

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 consolidated balance sheet only when one of these circumstances arises:

- When all the contractual rights to the cash flows it generates have expired.

- When all the contractual rights to receive the cash flows it generates are transferred, or even when retaining these rights, a contractual obligation exists to pay the cash flows to the assignees.

- When, even if the risks and rewards are not substantially transferred or 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 all the risks and rewards are substantially 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 deeply out of the money, 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 consolidated balance sheet and at the same time any right or obligation retained or created as a result of the transfer is recognised.

- If the risks and rewards associated with the financial instrument being transferred are substantially 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, security lending agreements where the borrower is required to return the same or similar assets, transfers in which the Group retains subordinated financing that substantially absorb expected losses, the financial instrument transferred is not written off the consolidated 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 the risks and rewards associated with the financial instrument being transferred are neither substantially transferred nor substantially retained, as in the case of sales of financial assets with call and put options issued not deeply in or 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:

  - If the Group does not retain control of the financial instrument transferred, in which case it is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is recognised.

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

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

The Group applies the requirements described above to derecognise all financial assets and liabilities that arise, other than derivative instruments, as from the years starting on 1 January 2004. Financial assets and liabilities for transactions arising 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 amounts recognised to hedge the contributions to securitisation funds, subordinated securities, financing and credit commitments of any kind that during the liquidation of those funds come after non-subordinated securities in the order of creditors, will be released in proportion to the cancellation of financial assets, unless there is any new evidence of impairment, in which case the allocations necessary for their hedging 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 assignable 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 consolidated 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 future outstanding cash flows to be received by using, for both items, a discount rate similar to 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" on the liability side of the balance sheet 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 commission recorded under "Financial liabilities at amortised cost – Other financial liabilities" on the liability side of the accompanying balance sheet are reclassified to the corresponding provision.

Loan commitments are commitments that are irrevocable or revocable only in the case of a material adverse change to provide finance 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 through netting, in cash or by delivering or issuing another financial instrument; or (ii) they concern 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 the guarantees or guarantee contracts under which the Group is obligated to compensate a beneficiary in the event of non-compliance with a specific payment obligation by a specific debtor due to the beneficiary, such as the guarantees 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 guarantee promises and letters of guarantee when required by law.

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

This consolidated balance sheet heading includes the book value 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 consolidated balance sheet date. This applies unless, due to circumstances or events beyond the entity'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 book value 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 on-going use.

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

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

Assets classified as "Non-current assets and disposal groups of assets classified as held for sale" are generally measured at the lower of the book value at the time they are considered such and fair value net of their estimated selling costs. While they are classified as "Non-current assets and disposal groups classified as held for sale", non-current assets and disposal groups 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 consolidated 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 consolidated statement of profit or loss.

The results in the year for those components of the Group classified as discontinued operations are recorded under "Profit or /-) loss after tax from discontinued operations" heading on the consolidated 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 a year, the entity 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.

<u>Assets foreclosed or received in payment of debts</u>

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

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

3.8. Tangible assets

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

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

The cost of tangible assets includes the payments made, both initially at the time of their acquisition and production, and subsequently if there is any expansion, replacement or improvement, if it is considered likely to obtain future profits 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 property, plant and equipment for own use that is freely available includes their fair value at 1 January 2004, which is their attributed 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 that is its new deemed cost (Notes 3.23).

For foreclosure assets included under property, plant and equipment, the acquisition cost relates to 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 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	5 - 8	20% - 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 consolidated 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 consolidated statement of profit or loss for the year in which they are incurred.

Financial expense incurred on the financing of the acquisition of tangible assets, does not increase the acquisition cost and is recorded on the consolidated statement of profit or loss for the year in which it accrues, except for the tangible assets that require more than one year to be readied for use, for which the acquisition price and production cost includes the financial expense that had accrued before the time the assets enter into operation or have been sent by the supplier or relate to the outside financing directly attributable to the acquisition.

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

Tangible assets are written off the consolidated 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 book value is recognised on the consolidated 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 a tangible asset could be impaired at the reporting date. It estimates the recoverable amount relating to the tangible asset, which is understood to be the higher of: (i) fair value less necessary selling costs and (ii) value in use. If the recoverable amount determined in this manner is less than the book value, the difference is recognised on the consolidated statement of profit or loss, reducing the book value 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 tangible assets for the Group's own use referred to in this note.

Capital expenditures on tangible assets 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 future result of increases in their respective market prices.

3.9. Intangible assets

Intangible assets are non-monetary assets, which are identifiable but have no physical appearance. 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 Group considers the flow of economic benefits from that asset probable and its cost may be reliably estimated.

The cost of an intangible asset with a finite useful life is amortised systematically over the asset's life, with a charge to profit or loss from the moment they are ready for use until they are derecognised. The Group has devised a methodology to determine the useful life of certain intangible assets (software acquired and software developed internally), comprising three key pillars: (i) individual examination and analysis to assign useful life to each item of software using questionnaires; (ii) validation thereof and establishment of independent expert judgements; and (iii) calibration of useful lives by comparing them with certain external benchmarks.

Computer software acquired

Computer software acquired is initially recognised at cost and subsequently at cost less accumulated amortisation, when appropriate, and any impairment loss. The years of useful life and amortisation rates used by the Group are 4 and 19 years and between 5.3% and 25%, respectively.

Computer software developed internally

The computer software developed internally is recognised as intangible assets when – among other requirements, basically the capacity to use them or sell them – those assets may be identified and their capacity to generate future economic benefits can be demonstrated. The expenses incurred during the research phase are recognised directly on the consolidated statement of profit or loss in the year incurred, and they cannot be subsequently taken to the book value of the intangible assets. The years of useful life and amortisation rates used by the Group are 4 and 19 years and between 5.3% and 25%, respectively.

Administrative concessions

Administrative concessions are initially recognised at cost and subsequently at cost less accumulated amortisation, when appropriate, and any impairment loss. The years of useful life are established based on the term of the concession. The Group has estimated these assets have a useful life of 35 years.

Goodwill

Goodwill represents the advance payment made by the Group for future economic benefits deriving from the assets of a company that has been acquired, which cannot be individually and separately identified and recognised. Goodwill is only recognised if it has been acquired for valuable consideration in a business combination.

Positive differences between the cost of the shareholdings in subsidiaries, jointly-controlled entities and associates with respect to the underlying relevant book values acquired, adjusted at the date of the first consolidation, are allocated as follows:

- If they are assignable to specific equity items of the entities acquired, they are assigned by increasing the value of the assets or reducing the value of the liabilities, the market value of which is higher or lower, respectively, than the net book values in its consolidated balance sheets and whose accounting treatment is similar to that of the Group's same assets and liabilities, respectively.

- If they are assignable to specific intangible assets, they are allocated through their explicit recognition on the consolidated balance sheet provided that their fair value at the acquisition date may be reliably determined.

- The remaining differences that are not assignable are recorded as “Goodwill” that is attributed to one or more specific cash generating units and in the case of associates they are recorded under the heading “Investments” as an increase in the equity value in the account “Associates” (Note 2.7) on the accompanying consolidated balance sheet.

At each accounting close the Group tests goodwill for any impairment that may have reduced its recoverable amount to below the book value. In this case, goodwill is written down and a balancing entry is made in the heading “Asset impairment losses – Goodwill” on the consolidated statement of profit or loss.

Losses for impairment of goodwill cannot subsequently be reversed.

Negative differences between the cost of the shareholdings in subsidiaries, jointly-controlled entities and associates and the underlying relevant book values acquired, adjusted at the date of the first consolidation, are allocated as follows:

- If they are assignable to specific equity items of the entities acquired, they are assigned by increasing the value of the liabilities or reducing the value of assets, the market value of which is higher or lower, respectively, than the net book values in its consolidated balance sheets and the accounting treatment of which is similar to that of the Group’s same liabilities and assets, respectively.

- The remaining amounts that may not be allocated are recorded under “Negative difference on business combinations” on the consolidated statement of profit or loss for the year in which capital is acquired.

The useful lives of other intangible assets may be indefinite when, on the basis of analyses performed of the relevant factors, the conclusion is that there is no foreseeable limit to the period during which net cash flows are expected to be generated in favour of the Group, or are of a finite useful life. Intangible assets with an infinite useful life are not amortised although at each accounting close the Group reviews the remaining useful lives in order to ensure that they are still indefinite or, alternatively, takes the relevant action. Intangible assets with a finite life are amortised at rates similar to those used for property, plant and equipment.

In any case, the Group records for accounting purposes any loss that may have arisen in the recognised value of these assets arising from impairment with a balancing entry on the consolidated 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.

At 31 December 2020 the Group recognises intangible assets with an indefinite useful life, i.e. goodwill on business combinations resulting from the merger process carried out in 2012 between Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito (Note 13).

3.10. 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 agreements 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 agreement, the lessor and lessee agree to change the terms thereof leading to a change in its classification, the revised agreement will be treated as a new agreement for the remainder of the lease term.

- **Finance leases**

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

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

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

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

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

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

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

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

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

Lease payments, 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 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 lease costs for the lessee are included recognised for the same amount initially recognised as an asset. The finance expenses of discounting the payments included in the lease instalments are distributed over the life of the lease using the effective interest rate method, while contingent payments are expensed on an accruals basis. Any lease agreements that are not finance leases are classified as operating leases.

- **Operating leases**

Any lease agreements 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 book value 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.

IFRS 16 requires a lessee to post almost all operating lease agreements 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 or less than 12 months 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; and

- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, as well as payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

- The amount of the initial measurement of the lease liability;

- Any lease payments made at or before the commencement date, less any lease incentives received; and

- An estimate of any initial direct costs, and costs of dismantling, restoring or removing the underlying asset to the condition required by 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 IFRS 16, the Group will use pertinent prudential treatment, i.e. if it concerns a right to use a tangible underlying asset, the risk weighting for the specific type of asset must be applied; in the case of a right to use an intangible underlying 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 Bank'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 consolidated annual accounts.

3.11. Foreign currency transactions

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

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

- Monetary assets and liabilities have been converted into euro using the average official spot exchange rates published by the European Central Bank at the closing date for each year.
- Non-monetary items valued at historical cost are converted at the exchange rate prevailing on the date of acquisition.
- Non-monetary items valued at fair value are converted at the exchange rate prevailing on the date on which the fair value is determined.
- Income and expenses are converted at the exchange rate on the transaction date.
- Amortisation and depreciation charges are converted at the exchange rate applied to the related asset.

Exchange differences arising from the translation of balances in foreign currency are recognised on the consolidated 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.

3.12. Other provisions and contingent liabilities

The Group makes a distinction between provisions and contingent liabilities. The Group's present obligations resulting from past events are considered provisions when their nature is clearly defined at the date of the consolidated financial statements but the amount or time of settlement are not defined, and upon the maturity of which and in order to settle them the Group expects an outflow of resources embodying 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 Group of a valid expectation on the part of third parties with regard to its discharge of certain responsibilities. Such expectations are created when the Group 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 Group will be unable to circumvent.

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

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 Group includes in the consolidated annual accounts all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual accounts. Instead, they are reported unless the possibility of their giving rise to an outflow of funds embodying economic benefits is considered remote.

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

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

At 31 December 2020 and 31 December 2019, a number of legal proceedings and claims had been initiated against the Group, arising in the ordinary course of business. The Bank's legal advisors and its directors understand that the outcome of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the consolidated annual accounts for the years in which they are concluded (Notes 14.3 and 14.4).

3.13. Education and Development Fund

There may be two types of contributions that the Credit Cooperatives pertaining to Grupo Cooperativo Cajamar may make to the Education and Development Fund (EDF) or the Cooperative Development and Training Fund (CDTF), which are the names of the funds stipulated in national and Valencia region regulations, respectively:

- Mandatory contributions which are recognised as an expense for the year; and
- Additional contributions which are recognised as an application of profits.

Grants, donations and other assistance related to the EDF and CDTF in accordance with the law or funds deriving from the levying of fines on members linked to said fund, are recognised as cooperative income and an appropriation are made to said fund for the same amount.

The expenses relating to the EDF and CDTF are presented on the consolidated balance sheet as a deduction from the heading "Other liabilities – Education and Development Fund", and under no circumstances are they charged to the consolidated statement of profit or loss.

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

The creation and integration of entities in Grupo Cooperativo does not limit the operation and management of the EDF and CDTF to the Parent's Board of Directors, or require its direct involvement, rather this responsibility falls to the governing board of each Group entity.

3.14. Asset swaps

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 foreclosure 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.

3.15. Minimum capital requirement

Grupo Cooperativo Cajamar, as a consolidable group of Spanish credit institutions, is subject to Directive CRD-IV, whereby the European Union implemented the capital regulations provided by the Basel III Accords issued by the Basel Committee on Banking Supervision.

This regulatory framework governing the minimum own funds Spanish credit institutions are required to hold both individually and at a consolidated level, and the method for calculating these own funds entered into force on 1 January 2014. It also sets out the various internal capital adequacy assessments they must carry out, and the public information they must disclose to the market. This regulatory framework is composed of:

- Directive 2013/36/EU of the European Parliament and of the Council of 16 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 202/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

- Regulation (EU) 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) 648/2012.

This regulatory framework has three pillars:

- Pillar I setting out how to apply the capital requirement calculation; thus and as per the Capital Requirements Regulation, credit institutions must comply with a total capital ratio of 8% at all times. However, it should be noted that the regulators may exercise their powers under the new regulatory framework and require institutions to maintain additional levels of capital (Note 19):

    - Common Equity Tier 1 (CET1) ratio: 4.5%

    - Tier 1 Capital (T1) ratio: 6%

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

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

In Spain, the new European regulations will be brought into Spanish legislation (phased in) by 1 January 2019, in two phases.

Phase one consisted of the publication of Royal Decree-Law 14/2013, of 29 November 2013, on urgent measures to bring Spanish law into line with European Union regulations on the supervision and solvency of financial institutions, transposing the most urgent aspects.

Using the powers bestowed upon it through this royal decree-law, the Bank of Spain approved Circular 2/2014, of 31 January 2014, under which – in accordance with the powers conferred on the competent national authorities in Regulation (EU) 575/2013 – the Bank of Spain implemented some of the permanent and temporary regulatory options.

In phase two, Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions (Act 10/2014), which laid the foundations for the full transposition of Directive 2013/36/EU, was enacted. Royal Decree 84/2015, of 13 February 2015, was subsequently published implementing this law.

In 2015, Bank of Spain Circular 2/2016, of 2 February 2016, was published on the supervision and solvency of credit institutions, its essential purpose, in connection with credit institutions, being to transpose Directive 2013/36/EU into Spanish law.

On 23 November 2016, the European Commission also published a proposal to reform the prudential framework for the financial system, which included incorporating into the European legal system the international standards implemented by the Basel Committee after 2010 (except the reforms introduced in December 2017) and an additional package of technical improvements.

The proposed reform was approved and published in the OJEU on 7 June 2019, coming into force on 27 June 2019. The following regulations affecting the prudential framework for the financial system were enacted following this reform:

- Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 (CRR II). The general date of application of this regulation is 28 June 2021.

- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU (CRD II).

This package also includes a change to the framework for bank restructuring and resolution.

When applying these prudential regulations, the guidelines issued by the Bank of Spain itself and guidelines issued by international bodies and committees actively regulating and supervising banks, such as the European Banking Authority, that are adopted by the Bank of Spain, must be taken into consideration.

In parallel to these regulatory developments, in Europe there has been a drastic change in the model applied to supervise credit institutions. The approval of Regulation (EU) No. 1024/2013 of the Council, of 15 October 2013 (Regulation (EU) No. 1024/2013) entailed the creation of the Single Supervisory Mechanism (SSM), comprising the ECB and the competent national authorities, including the Bank of Spain.

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

Bank of Spain Circular 2/2016, of 2 February 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 an SSM cooperation framework between the ECB, the competent national authorities and the designated national authorities.

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

Regulation (EU) no. 575/2013 stipulates that the competent authorities may fully or partially exempt entities belonging to consolidated groups from the obligation to comply individually with the requirements of this Regulation. In this respect the Bank of Spain's Executive Committee recognised Grupo Cooperativo Cajamar as an Institutional Protection System and consolidable group of credit institutions, exempting the Group entities from the fulfilment of individual solvency requirements.

3.16. Fees and commission

The Group classifies the fees and commission it pays or receives into the following categories:

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

- Non-lending fees and commission: This type of fee and commission arises from the rendering of financial services by the Group and they are recorded on the consolidated 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.

3.17. Deposit Guarantee Fund

The Group 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 worded 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.

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

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

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

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

In December 2015, Bank of Spain Circular 8/2015, of 18 December 2015, was published, for entities and branches that are members of the Deposit Guarantee Fund for Credit Institutions, on information to determine contribution calculation bases, establishing two compartments: "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 allocation criteria 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 Members must be based on the amount of covered deposits and the degree of risk, taking into account indicators such as capital adequacy, the asset quality and liquidity.

The Deposit Guarantee Fund for Credit Institutions Management Committee has determined the annual contributions to be made by fund members for 2020, as provided for 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:

- Annual contribution to the deposit guarantee compartment equal to 0.18% of the calculation base, comprising the monetary deposits secured in accordance with Article 3.2.a) of the aforesaid royal decree and existing at 30 June 2020, calculated in function of the amount of secured deposits and their risk profile.

- Annual contribution to the securities guarantee compartment equal to 2% of the calculation base comprising, as explained above, 5% of the value of covered securities defined in accordance with Article 3.2.b) of the aforementioned royal decree and existing at 31 December 2020, as per Article 3.2.b) of Royal Decree 2060/1996.

- The Management Committee also agreed that the contributions calculated as explained in the previous points must be paid by the last business day in February 2021.

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

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

In 2020 and 2019, the expense incurred in respect of contributions by the Group to the Fund is recognised under "Other operating expenses – Contribution to the Deposit Guarantee Fund" on the accompanying consolidated statement of profit or loss (Note 26).

3.18. 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 tax losses.

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

In order for deductions, allowances and tax loss carryforwards to be effective they must comply with the requirements established by current legislation.

The tax effect of any temporary differences is included, where applicable, in the relevant deferred tax assets or liabilities under “Deferred tax assets” and “Deferred tax liabilities” on the accompanying consolidated 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 taxable 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.

Grupo Cooperativo Cajamar entities applied the following tax rates at 31 December 2020 and 31 December 2019: The Bank and the non-financial corporations forming part of its tax consolidation group apply a rate of 30%; the Credit Cooperatives have applied the rate of 25% for cooperative profits and a rate of 30% for non-cooperative profits; and the other non-financial corporations apply a rate of 25%.

On the basis of the projections contained in the Group’s business plan – which already factors in the new macroeconomic forecasts and interest rate forecasts as a result of the pandemic – and future projections prepared using parameters similar to the ones included in the plan, as well as legislation currently in force, the Group expects to recover the deferred assets in the coming 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 the relevant adjustments are made.

3.19. Recognition of income and expenses

In general, income are recognised at the fair value of the compensation 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 relating to interest and similar items are generally calculated on an accruals basis using the effective interest rate method.

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

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

Financial service fees and commission paid and received, however contractually denominated, are classified under financing fees and commission and non-financing fees and commission (Note 3.16), which determines how they are recognised on the consolidated statement of profit or loss.

Income and expenses for fees and similar commissions are generally recognised on the consolidated 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 expense 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.

3.20. Staff expenses and post-employment benefits

Short-term employee benefits

Short-term employee benefits comprise payments made within twelve months following the end of the year in which the employees have rendered services. This remuneration is measured, at an undiscounted amount, 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 benefits (or pension commitments) is defined as remuneration paid to Group employees after the end of their period of employment. Post-employment benefits, including that covered by internal or external funds, classified as defined contribution plans when pre-determined contributions are made to a separate entity or defined benefits plans for which the Group 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 Group recognises the contributions made to these plans by recording the expense under the heading “Staff expenses” on the accompanying consolidated statement of profit or loss and crediting the account “Pensions and other post-employment defined benefit obligations” under the heading “Provisions” on the accompanying consolidated balance sheets. Payments of the contributions are recorded as a charge against “Pensions and other post-employment defined benefit obligations”.

- Defined benefit plan

  The Group calculates the present value of its legal and implicit obligations deriving from its defined benefit plan at the date of the financial statements, after deducting 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 return to the Group except when the assets remaining in the plan are sufficient to cover all commitments to employees to reimburse the Group for benefits it pays.

- When the assets are held by an entity (or fund) relating to long-term post-employment benefits, such as a pension fund, they cannot be non-transferable financial instruments issued by the Group.

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 consolidated 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 liability/asset for post-employment benefits from defined benefit plans are recorded as follows:

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

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

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

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

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

<u>Other long-term employee benefits plans</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 Group, and other similar items will be treated for accounting purposes, where applicable, as established by the defined benefit post-employment plans, with the qualification that all the cost of past service and actuarial losses and gains are recognised immediately.

Termination benefits

Termination benefits are recorded under the heading "Staff expenses" on the accompanying consolidated statement of profit or loss crediting the accounts "Pensions and other post-employment defined benefit obligations" under the heading "Provisions" on the accompanying consolidated balance sheet 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 pay benefits as a result of an offer made as an incentive for the voluntary resignation of the employees.

Pension commitments entered into by the Group

The pension commitments assumed by the Group corresponding to employees who provide their services to the Group's credit institutions are governed by the prevailing collective bargaining agreement and in the corresponding agreements of the governing board and the collective agreements signed by the Group and the trade union representatives.

The employees of the Parent and Cajamar are covered by a pension plan governed by the Regulation dated 23 December 1993, adapted to Act 8/1987 on the Regulation of Pension Plans and Funds, called "Fondo Cajamar VI, Fondo de Pensiones", with Cajamar Vida, S.A. de Seguros y Reaseguros as the management company and Cajamar as the custodian of the fund. The plan was created in 2014 through the transformation of Cajamar's pension plan into a multi-employer pension plan for both the Savings Bank and Banco de Crédito Social Cooperativo, and a group of participants subrogated to that plan as a result of the transfer of Cajamar's Central Services to the Bank. Since 1 January 2016 the rest of the savings banks pertaining to the Group have joined the pension plan and therefore it was transformed into a multi-employer pension plan with 20 co-promoters.

Additionally, the Group has taken out insurance policies with Generali and Cajamar Vida, S.A. de Seguros y Reaseguros to cover situations in which the required contribution is higher than the limit for pension funds. In addition, the commitments assumed with the Group employees originating from various banking entities from which the Group acquired a portion of their branch networks and certified to have been working for these entities since before 8 March 1980 have been underwritten by the Group with insurer Rural Vida, S.A. de Seguros y Reaseguros.

The Group has assumed defined contribution commitments for all employees that comply with the requirements established in the Plan Regulations and the contribution varies based on the originating group and the length of membership in the plan. There are also certain supplementary contributions based on the participants' length of membership in the plan whose consolidated rights do not exceed an established minimum.

The defined benefit commitments recognised are:

- A top-up over the social security pension, established as the difference between the amount of the latter and the ordinary wage during the last month of active service for personnel taking up employment at the former Caja Rural de Almería, Sociedad Cooperativa de Crédito before 31 December 1984. And a top-up over the social security pension for employees joining the Group from a number of banking entities from which the Group acquired a portion of their branch networks and who were entitled to such a top-up at their original employers.

- A top-up over the widows and orphans pension on the terms stipulated in the collective bargaining agreement and the pension plan rules for all Bank employees.

- Payments in the event of death or total disability (€24.09 thousand), workplace accident (€48.17 thousand) or certified major disability (€104.24 thousand) for all Group employees.

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

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

At 31 December 2020 the Group had not entered into commitments in respect of contract terminations other than those provided for in the Plan.

On 31 December 2020 actuarial studies were carried out relating to the coverage of the main post-employment commitments, using the projected credit unit calculation method. The main assumptions used in the actuarial studies, both for retired and early-retired personnel are as follows:

Actuarial assumptions used by Grupo Cooperativo Cajamar				
	2020		2019	
	Active employees	Early retirees	Active employees	Early retirees
Mortality tables	PERM/F 2000	PERM/F 2000	PERM/F 2000	PERM/F 2000
Disability tables (only for risk benefits)	N/A	N/A	N/A	N/A
Retirement age				
Pension plan	Earliest age	Earliest age	Earliest age	Earliest age
Bank collective	Earliest age	Earliest age	Earliest age	Earliest age
Technical annual effective interest rate:				
Assets (retirement benefits)	1.13%	-	1.30%	-
Pensioners (immediate benefits)	0.83%	-	1.30%	0.08%
Length of service award	0.87%	-	1.30%	-
Asset yield:				
Assets (retirement benefits)	1.13%	-	1.30%	-
Pensioners (immediate benefits)	0.83%	-	1.30%	-
Length of service award	0.87%	-	1.30%	-
Salary evolution (including slides)	3.00%	1.50% / 2.00%	3.00%	1.50% / 2.00%
Consumer price index increases (CPI)	2.00%	-	2.00%	-
Increases in pensions	75% salary increase	-	75% salary increase	-
Maximum social security pension (€ thousand)	37.57	37.57	37.23	37.23
Annual revaluation of the maximum monthly social security pension	1.50%	-	1.50%	-
Annual increases in the social security contribution bases	2.00%	-	2.00%	-

The expected yield from plan assets is as follows:

	Expected yield from the assets	
	2020	2019
Assets (retirement benefits)	1.13%	1.30%
Pensioners (immediate benefits)	0.83%	1.30%
Length of service award	0.87%	1.30%
Semi-retirements and paid leave (pre-retirees)	-	0.08%

The values of other long-term remuneration and pension obligations may be affected if the main actuarial assumptions considered change. In a scenario where the discount interest rate fluctuates by +/- 25 basis points, the present value of the Group's post-employment obligations could vary by -3.69% and 3.83%, respectively. However, these variations would be partially offset by increases of 2.54% or decreases of 2.67%, respectively, in the fair value of pension-related insurance policies and of assets. This same scenario would give rise to a +/-0.44% change in other long-term remuneration.

An estimate has been made of by how much the Group's long-term post employment obligations would increase if the mortality tables published by the Directorate-General of Insurance and Pension Funds on 28 December 2020 were used. The impact of the first and second-order PER2020 mortality tables would not be material.

3.21. Off-balance sheet customer deposits

The Group 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 the Group's discretional portfolio management contracts and those marketed by the Group but managed by outside parties.

In addition, the memorandum accounts also record the fair value or, in the event that there is no reliable estimate, the cost of assets acquired on behalf of the Bank by third parties and debt securities, equity instruments, derivatives and other financial instruments that are held on deposit, guarantee or commission by the Bank and to which it is liable.

The commissions charged for providing these services are recorded under the heading "Fee and commission income" on the consolidated statement of profit or loss (Note 26).

3.22. Consolidated cash flow statement

The terms used on the consolidated cash flow statement are defined as follows:

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

3.23. Business combinations

Pursuant to Rule 44 of Bank of Spain Circular 4/2017, of 27 November 2017, 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 result as the result of an acquisition:

- Of equity instruments in another entity;
- Of all the assets and liabilities of another entity, such as in a merger; or
- Of a portion of the assets and liabilities of a entity that forms a financial unit, such as a network of branches.

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

- The size of the participating entities, regardless of their legal status, measured by the fair value of their assets, liabilities and contingent liabilities, in this case the acquirer will be the larger company.
- The means of payment for the acquisition, in which case the acquirer will be that which pays cash or other assets.
- The persons in charge of the entity's administration resulting from the combination, in which case the acquirer will be that whose executive team manages the entity resulting from the combination.

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

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

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 the intangible assets not recognised by the latter, that on that date complies with 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 of the business combination such as fees paid to legal advisors and consultants to carry out the combination. Contracting and issue costs for the financial liabilities and equity instruments are not included.
- The acquirer will compare the cost of the business combination against 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:
    - When positive, as goodwill in assets, in any event, will be amortised but on an annual basis will be subjected to the impairment test established in Rule 30 of Bank of Spain Circular 4/2017, of 27 November.
    - When negative, it will be recognised on the statement of profit or loss as income under “Negative differences on business combinations”, after verification of the fair values assigned to all of the assets and 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.

The deferred tax assets that at initial recognition do not satisfy the criteria for being recognised as such, but do 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 book value 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.

3.24. Inventories

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

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

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

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

Decreases in and, if applicable, subsequent recoveries of the net realisable value, below their book value, are recognised in the consolidated statement of profit or loss in the year they are incurred, under "Impairment or reversal of impairment of non-financial assets – Other" (Note 26).

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 sold 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.

3.25. Insurance policies

Insurance policies are the guarantees or guarantee contracts under which the Bank is obligated to compensate a beneficiary in the event of non-compliance with a specific payment obligation by a specific debtor due to the beneficiary, such as the guarantees 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 guarantee promises and letters of guarantee when required by law.

They are classified on the basis of the insolvency risk assignable 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 Group initially recognises the fair value of the guarantee plus transaction costs under "Other liabilities" on the consolidated 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 commissions or premiums to be received for the guarantees recorded will be restated by recognising the differences on the consolidated statement of profit or loss as financial income and the value of the guarantees recorded under liabilities in "Other liabilities" that have not been classified as doubtful are taken to the consolidated statement of profit or loss on a straight-line basis over the expected life of the guarantee as commission income received.

The classification of a guarantee contract as doubtful means it will be reclassified to the heading "Provisions – Commitments and collateral given", which are measured in accordance with IFRS 4.

3.26. Consolidated statement of changes in equity

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

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

Consolidated statement of recognised income and expenses

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

Consolidated statement of total changes in equity

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

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

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

- Other changes in equity: include the rest of the items recognised in equity, such as capital increases or reductions, distributed results, operations with own equity instruments, transfers between equity items and any other increase or decrease in the Group's consolidated equity.

3.27. 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. 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 each issue will depend on the characteristics of that issue.

The account "Other capital instruments" includes 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. Those other investments existing at the Group that are not listed on organised markets are measured using the method of discounting future expected cash flows, adjusted to the market yield rate for other securities with similar characteristics.

There are other investments that are measured at cost, i.e. adjusting the Bank's equity by tacit capital 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 segment 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 listed price, the discount of expected future cash flows updated to the current date 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 generated by those instruments, through the application of market interest rates.

"Hedging derivatives" are measured at fair value using the method of discounting expected future cash flows updated to the current date.

Measurement of financial instruments at fair value

The Group measures all positions that must be recorded at fair value, either through the available market prices for the same instrument or through 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 consolidated assets and liabilities at fair value of the Group's financial instruments at 31 December 2020 and 31 December 2019, broken down by class of financial assets and liabilities and the following levels:

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

  The Group will treat financial instruments for which quoted prices may be directly observable and are 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: Financial instruments whose fair value has been estimated based on quoted prices on organised markets for similar instruments or through the use of other valuation techniques in which all of the significant inputs are based on market information that is directly or indirectly observable.

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

- Level 3: Instruments whose fair value has been estimated through the use of valuation techniques in which some significant input is not based on observable market data. An input is considered to be significant when it is important to the calculation of fair value as a whole.

  The Group 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.

3.28. 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.

By virtue of this legislation, in 2016 Single Resolution Fund was launched, which is managed by the Single Resolution Board. The Single Resolution Board replaced the National Resolution Authorities in the management of the financing instruments for the resolution mechanisms for credit institutions and certain investment service companies within the framework of the Single Resolution Mechanism. As a result, the Single Resolution Board is responsible for making decisions on resolutions and is responsible for calculating the contributions corresponding to each entity within its scope of application.

In order to determine the annual contribution, the Single Resolution Board applies the methods laid down in Article 70.6 of Delegated Regulation (EU) No. 2015/63, supplementing Directive (EU) 2014/59, Regulation (EU) No. 2014/806 and Implementing Regulation (EU) No. 2015/81. The methodology provided by these regulations requires entities subject to the obligation to communicate the information required using 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 with respect to the amount of the Group's liabilities, excluding own funds and covered deposits, in relation to the total liabilities less own funds and covered deposits; and.

- A risk-adjusted contribution based on the criteria stipulated in Article 103.7 of Directive (EU) No. 2014/59.

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 ordinary contributions to the Single Resolution Fund of the Group is recognised in the item "Other operating expenses – Contribution to the Deposit Guarantee Fund" on the accompanying consolidated statements of profit or loss for 2020 and 2019 (Note 26).

4. Errors and changes in accounting estimates and policies

In 2020 and up to the date the consolidated annual accounts were prepared, there have been no errors that, due to their materiality, had to be included in the consolidated annual accounts prepared by the Group's Board of Directors.

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 Group 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 results

The proposal for the distribution of the Parent's 2020 profits that the Group's Board of Directors will submit to the Annual General Meeting for approval, together with the proposal already approved for 2019, is as follows:

	Thousands of Euros	
	2020	**2019**
Profit for the period	**17,415**	**24,071**
Distribution:		
Dividends	-	21,181
Legal reserve	1,742	2,407
Other voluntary reserves	15,673	483
Total distributed	**17,415**	**24,071**

The proposal for 2019, and the subsequent distribution, was approved by the shareholders at the Group's Annual General Meeting on 9 June 2020.

6. Risk management policies and objectives

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

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

6.1 Corporate risk culture: general risk management principles

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

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

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

6.2. Credit risk and credit concentration risk

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

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

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

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

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

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

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

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

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

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

- **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 operations and providing an objective appraisal of the probability of non-compliance.
  - Periodic estimates of credit exposure and loss severity values, in the event of non-compliance.
  - Adjustment of total credit portfolio loss distribution and periodic estimates of the amount of capital necessary to cover the losses, with a confidence level that is compatible with the Group's solvency objective.
  - A criterion for allocating the total economic capital required to each current or potential operation.

- **Principle of globality:** The Group's total credit risk is not the algebraic sum of the risk inherent in each of its operations, since risk may be mitigated or aggravated by diversification or concentration factors.

  A good approximation of risk incurred cannot be achieved through the Group's non-performing loan ratios either, since they only reflect obvious risks, while latent risks will impact ratios in the future.

  The Group's credit risk management must not be limited to individual operations and customers; it must address the credit portfolio in aggregate terms, covering both the correlation between operations and overall non-compliance, 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.

  Based on this principle, the Parent's Board of Directors delegates to its Executive Committee, the approval of credit operations that cannot be resolved by subordinate bodies but must be resolved before the next Board of Directors meeting.

The CEO has been delegated the authority to approve transactions raised by the Investment Committee and which, falling under the authority of the Board of Directors or the Executive Committee, must be approved before the next meeting of the Board of Directors or the Executive Committee. In these cases, the transactions will be presented during the first meeting of the Board of Directors or Executive Committee that takes place, so that the matter may be heard and ratified and the delegated authority controlled.

The application of this delegation principal means that the Board of Directors of the Parent defines the following outline for the approval of amendments to the Credit Risk Manual:

<table>
<tr><th>Part of the Manual affected by the amendment</th><th>Competent body</th><th>Procedure</th></tr>
<tr><td>Preamble
Chapter 1</td><td>BCC's Board of Directors</td><td rowspan="2">On its own initiative, or at the proposal of the CEO</td></tr>
<tr><td>Chapter 2</td><td>BCC's Executive Committe</td></tr>
<tr><td>Chapter 3</td><td rowspan="3">CEO</td><td>Motivated proposal of Investment Management</td></tr>
<tr><td>Chapter 4</td><td>Control Direction Opinion</td></tr>
<tr><td>Chapter 4</td><td>Report to the Board Risk Committee</td></tr>
<tr><td>Chapter 5</td><td rowspan="2">Global Risk Control Directorate</td><td>On its own initiative, communicating to Investment Management</td></tr>
<tr><td>Appendix 1</td><td>Report to the Board Risk Committee</td></tr>
</table>

- **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 phase of the risk management cycle and related content, as summarised below:

- **Regarding the risk acceptance policy:**

  - Diversification. The Group's credit portfolio must be suitably diversified and show the lower possible degree of correlation with overall non-performance.
  - Credit quality. Criteria for approving operations must depend basically on the borrower's capacity to fulfil financial obligations in due time and form, based on income from a business or habitual source of income. Nonetheless, personal or real property guarantees must be sought to secure recovery as a secondary course of action, when the primary procedure has failed.
  - Operational security. Loans must be arranged through a secure procedure which guarantees that agreements concluded have full legal effect and faithfully reflect the applicable terms and conditions.
  - Yields. Loans must have yields that match the inherent risk.

- **Regarding the credit loss oversight and prevention policy:**

  - Relative importance. Actions to prevent loan losses must be graduated on the basis of the harm that could be caused to the Group's results by default, seeking a reasonable balance between the cost and benefits of the control procedure.
  - 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 five Segments that group together 12 Credit Portfolios, which in turn group together 23 Sub-portfolios.

A credit exposure limit is applicable to each of these groups, 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%**
Primary	45%	36%
Other uses	10%	8%
1.2. Other household financing	**10%**	**12%**
Micro-consumer	3%	5%
Car	5%	8%
Other goods and services	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 companies	15%	23%
Small retail	15%	23%
Medium retail	15%	23%
1.5. Retail agro-food	**20%**	**30%**
Greenhouse cultivation	15%	23%
Other agro-food sector	15%	23%
2. Corporate	**40%**	**88%**
2.1. Developers	**6%**	**18%**
Housing development	3%	9%
Land	2%	6%
Other developers	2%	6%
2.2. Corporate agro-food	**15%**	**30%**
2.3. SMEs	**15%**	**30%**
Small	10%	20%
Medium	10%	20%
2.4. Large companies	**20%**	**30%**
3. Public administrations	**15%**	**6%**
4. Non-profits	**5%**	**8%**
5. Financial intermediaries	**5%**	**8%**

- **Limit on structured finance**

  Will not exceed 10% of total exposure of the loan book, irrespective of the segment, portfolio or sub-portfolio it is part of.

- **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:

	% over EIR1
Borrower or group limit	10%
Material exposure	4%
Material exposure limit	400%

- **Concentration limits applicable to specially-related companies**

  A distinction is made between companies that are controlled by the Group 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):

  - Companies controlled by the Group
    - Limit on risk accumulated with each company: 5%
    - Limit on sum of risks of all companies: 10%
  - Companies not controlled by the Group
    - Limit on risk accumulated with each company: 5%
    - Limit on sum of risks of all companies: 50%

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

  The system of powers for the granting of loans is based on the principle of delegation and forms a hierarchical pyramid founded on two fundamental variables: (i) Exposure volume; and (ii) counterparty credit quality. The essential features of this system are as follows:

  - Delegate bodies: bodies to which powers are delegated. There are ten levels in the Group, from high to low.
    - BCC's Board of Directors / Executive Committee:
    - Investment Committee
    - Non-performing Asset Committee
    - Analysis Centres
    - Savings Banks' Governing Board / Commission
    - Central Business Committee
    - Territorial Risk Teams
    - Investments Division
    - 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 assigned by the expert model for use in arranging financial market transactions, and to refer any exceeding these limits to the Executive 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 modules:

    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:

    - Favourable policy: Customers with good credit scores that do not need to be monitored by their branch.

- Neutral policy: Customers whose credit score raises some doubts, either because there are signs of a deterioration or because there is limited relationship with the customer and the models cannot evaluate these customers with a sufficient degree of reliability.

- Restrictive policy: Customers showing signs of a deterioration in their credit scores and therefore requiring close monitoring and measures aimed at reducing exposure either through collections or more collateral.

- 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 an operation which opposes the opinion of a binding credit rating model or the opinion 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 equity.

- 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 amounts to more than twice the value of their debts.

- The loan is secured by a pledge or a mortgage on certain assets (basically buildings, land, deposits and securities) and the loan to asset ratio does not exceed the values stated in the following table:

Asset used as collateral	% LTV
1. Buildings and finished constructions	
1.1. Borrower's primary home address	80%
1.2. Housing, other uses	70%
1.3. Offices, retail units and multi-use facilities	70%
1.4. Other buildings, such as single-use premises, hotels, etc.	70%
2. Urban land and building land	**50%**
3. Rural properties	
3.1. Intensive horticulture operations	50%
3.2. Other agricultural operations	70%
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. Securities consisting of shares in collective investment institutions will be categorised as appropriate based on the profile of the investment portfolio	70%

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 risks.

Guarantee assurance policy

Assets securing mortgage operations should be insured over the entire life of the transactions according to their nature in order to avoid that risk events can significantly reduce their value and therefore their effectiveness as a guarantee.

Therefore, these assets should be covered by an insurance policy, adapted to the type of and current situation of the asset and meeting the following conditions at least:

- It should cover at least the damages deriving from claims which may affect the asset's structure.

- The sum insured must be at least equal to the value for insurance purposes recorded in the appraisal 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 valuation 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 Valuation Companies.

- Be independent from the Bank, which entails:
  - Not being a related party as per Bank of Spain Circular 4/2017.
  - Have human and technical resources to perform the work, as well as appropriate, recent experience in its field of work.
  - Have internal procedures to assure independence and detect possible conflicts of interest.
  - Have an internal control department that reviews the appraiser’s work.

Appraisal 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 a valuation 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 under guarantee

The criteria provided in the following table are used to update the value of properties under guarantee securing credit transactions as well as those from foreclosures or dations in payment:

<table>
<tr><th>Classification of transaction</th><th colspan="2">Type of property/type of transaction</th><th>Individual appraisal</th><th>Statistical appraisal (i)</th><th>Frequency</th><th>Starting point</th><th>Method</th></tr>
<tr><td rowspan="3">Performing</td><td colspan="2">Guarantee for buildings and components of completed buildings</td><td>Yes</td><td>Yes</td><td>Annual verification (ii)</td><td rowspan="3">On arrangement of credit</td><td rowspan="3">Individual appraisal of up to six months</td></tr>
<tr><td colspan="2">Guarantee other than for buildings and components of completed 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 book value of over €3 million or equal to 5% of eligible capital</td></tr>
<tr><td rowspan="5">Watch-list performing</td><td rowspan="3">Guarantee for buildings and components of completed 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 verification (ii)</td><td rowspan="5">On arrangement of credit</td><td rowspan="5">Individual appraisal of up to six months</td></tr>
<tr><td>Transactions with a gross amount exceeding €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</td></tr>
<tr><td colspan="2">Guarantee other than for buildings and components of completed 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 book value of over €3 million or equal to 5% of eligible capital</td></tr>
<tr><td rowspan="4">Non-performing</td><td rowspan="3">Transactions with a gross book value less than or equal to €0.3 million</td><td>Non-performing for three years or less</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 (vi)</td></tr>
<tr><td rowspan="2">Non-performing for three years or more (iii)</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">Other transactions</td><td>Yes</td><td>No</td><td>Annual</td></tr>
<tr><td rowspan="4">Foreclosed real estate assets or those received as payment for debts</td><td rowspan="3">Transactions with a fair value less than or equal to €0.3 million</td><td>On balance sheet for three 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 issued by a different appraisal firm to before</td></tr>
<tr><td rowspan="2">On balance sheet for three 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">Other transactions</td><td>Yes</td><td>No</td><td>Annual</td></tr>
</table>

(i) The following types of property are assets that can be valued through statistical appraisals: housing (including parking spaces and store rooms), offices, multi-use business premises and multi-use industrial units.
(ii) Appraisals must be revised in the event of significant decreases in value. Checks will be performed at least annually for indications of significant decreases in value.
(iii) After three years on the balance sheet, both valuation methods can be combined so that full individual appraisals are performed at least every three years.
(iv) After three years on the balance sheet, both valuation methods can be combined so that full individual appraisals are performed at least every three years.
(v) Concerns those segments in section III of Appendix IX where the aggregate gross value of watch-list performing transactions exceeds one of the two indicated parameters.
(vi) Two consecutive direct appraisals from the same appraisal firm are allowed and the appraisal firm must be changed for the subsequent review.

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 appraisal 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

- Loan 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 the acquisition of housing by private individuals, subject to a maximum of 30 years.

- Settlement periods:

  The capital and interest settlement frequency will be monthly, in general. Quarterly settlement frequencies will only be allowed if justified by the borrower's resource generation frequency. In the case of financing agri-food campaigns, longer interest settlement periods are possible.

- Grace period:

  Interest payment grace periods are not permitted.

  Capital payment grace periods may be applied when: (i) financing a project that will only start to provide income at a future date, (ii) it is bridge financing, (iii) forms part of the design of a specific product for the retail sector, in which case this credit facility must be taken into account to adjust the calculation of the customer's capacity to make payment, or (iv) is a debt restructuring operation. A grace period for the payment of interest is only available in the latter case.

b.5) Restructuring policy

Debt restructuring is only available when there is an improvement in the collection status within the restructured position. This improvement must derive from the adaptation of the transaction conditions to the customer's payment capacity, accompanied by improvements in collateral, if appropriate.

Restructuring operations will observe the following policies in general:

- The transaction will not be restructured if the customer does not show a clear will to make payment.
- After the restructuring the customer's capacity to generate resources must be deemed sufficient to fulfil the modified conditions.
- The customer must make payment of accrued interest up to the date of the restructuring.
- Exposure will not increase, unless such an increase improves the Group's position with respect to the borrower (for example, when the increase allows the financed project to be completed and, therefore, start to generate inward flows, or when the increase is applied to lift prior obligations that would make recovery by us through the execution of guarantees difficult).
- Capital grace periods will be avoided. If granted, they will not exceed 2 years and must always be based on the clear expectation that the borrower will generate sufficient funds to make payment at maturity.
- No interest grace periods will be granted in general.
- Successive restructurings will be avoided and restructuring proposals based on the same budgets should not be successful more than two times within five years.
- The authority to grant restructuring operations must preferably fall to the Investment Management area.

- In general, the same body approving the risk in the first place cannot approve the restructuring. The following are not covered by this principle:
    - Transactions initially approved by BCC's Board of Directors and its Executive Committee, who may approve restructuring of arrangements approved by them.
    - Any body, under its exemption of the body, in the terms established in chapter 3 of the Credit Risk Manual.

Note 25.4 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 Executive Committee or Governing Boards of the GCC's savings banks and they 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 phases:

c.1) Credit risk acceptance phase:

- **Bodies involved**

  - Bodies empowered to grant loans:

The credit risk acceptance phase first involves the bodies empowered to grant loans, as explained previously.

The delegate bodies must exercise their powers while observing established policies and when a decision is taken that does not fulfil these policies, the reasons must be placed on record.

  - Analysis Centres Area, Special Financing Area and Structured and Syndicated Financing Area:

These areas report to the Investments Division, and their functions are to (i) analyse, from a technical viewpoint, and report on the credit operation proposed by the Commercial Network; (ii) participate in decision-taking, forming part of the delegate bodies, and oversee compliance with established policy; (iii) manage loan arrangement, ensuring that agreements faithfully reflect the grant terms.

- **Organisation**

  - Special Financing Area:

It engages in the analysis, approval and management of the admission of Grupo Cooperativo Cajamar's loan transactions that must be resolved by the Banco de Crédito Social Cooperativo's Board of Directors, its Executive Committee and the Investment Committee as a result of the authority delegated to those areas. It also performs the credit risk assessments requested by the General Investment Department.

  - Structured and Syndicated Financing Area:

Its function is to analyse, sanction and manage acceptances of structured finance transactions and syndicated loans.

  - Analysis Centres Area:

It engages in the management of the admission of Grupo Cooperativo Cajamar's loan transactions, ensuring that they are granted with the maximum credit quality in accordance with the authority delegated to it or raising them to higher bodies if the proposal exceeds its authority level. It is also responsible for formalising proposals in the terms indicated by the authorising body.

The area is divided into five offices to correctly fulfil its duties:

- Agri Analysis Centre: Analyse and report credit transactions in Portfolio 15 (Retail Agri-food) that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar through the Business Offices and Committees.

- Corporate Analysis Centre: Analyse and report credit transactions related with the customer segment and transactions that the unit is responsible for analysing that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar to bodies higher than the Business Offices and Committees that must be analysed by the Special Financing Centre.

- Overdraft and Working Capital Finance Analysis Centre: Analyse and approve proposed overdrafts, excess withdrawals and other exceptional items with respect to discounting facilities, foreign trade, confirming, factoring and C-19 that exceed the authority of the Business Offices and Committees for all of Cajamar Grupo Cooperativo or, if appropriate, inform BCC and/or Group Entities, to address these extraordinary customer requests such that the situation can be normalised and prevent them from reoccurring.

- Retail Analysis Centre: Analyse and report credit transactions that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar through the Business Offices and Committees.

- Arrengement: Tasked primarily with: (i) drawing up and reviewing financing agreements and any and all documentation related with credit transactions; (ii) controlling external providers of services related with loan arrengement processes; and (iii) resolution of registration-related incidents.

In its day to day work the department is in permanent contact with other departments and areas of the Bank, mainly with the territorial divisions, the Risk Recovery area and the Credit Risk Control area.

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

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

  Monitoring of the credit risk is understood as the permanent classification of operations and customers in order to establish an individual action policy which strengthens credit recovery expectations in the event of default.

  Responsibility for defining the evaluation systems and rating loans and customers is attributed to the General Control Division, through the following organisational units and systems under the auspices of the Risk Control Division:

- <u>Expert Analysis Area</u>

  Comprising the following units:

  - ***Individual analysis of credit loss allowances:*** Its primary functions are to verify and, where applicable, propose the correct accounting classification and credit loss allowances for the Bank's significant exposures analysing each exposure.

    - Borrowers/groups with credit risk exposure > 0.5% of the Group's eligible own funds.
    - Borrowers/groups with aggregate positions on special watch > 0.1% of the Group's eligible own funds.
    - Borrowers/groups with aggregate positions that are non-performing > €2.5 million.
    - Transactions with no appreciable risk of default > €0.1 million.

  - ***Borrower control:*** Its main functions are to control compliance with policies concerning borrowers and risk groups, define and review the early-warning based classification system and the monthly control of restructuring of arrears in payment and write-offs of doubtful assets; and to perform the necessary controls to ensure credit risk data is of the required quality.

- Credit Risk Control Area

    - ***Property guarantee and risk control:*** The main functions are to ensure policies concerning asset acquisitions and transfers of assets in lieu of payment are properly complied with, define the methods for revising the value of assets securing transactions ensuring they are updated on systems, and analyse fulfilment of the approval requirements for appraisal firms and control their performance.

    - ***Control of credit risk assessment and procedures*****:** The main functions are to control concentration limits by Segment, Portfolio and Sub-portfolio, control general compliance with the credit policy and study the evolution of portfolio credit risk, identify and analyse the evolution of restructured credit, and verify the criteria for classifying hedging derivatives under prevailing legislation are correctly applied.

- Market risk control:

  Control of the credit and counterparty risk with financial institutions is handled by the Market and Operational Risk Control Area, which reports to the Risk Control Division. The area is formed by two management groups, one of which is responsible for market and counterparty, liquidity and interest risk.

- **Monitoring, measurement and control tools:**

  The main tools employed to monitor, measure and control credit risk are listed below:

  - Customer monitoring models that assess customers and group them in the following three categories:

    - Favourable: Customers with good credit scores that do not need to be monitored by their branch.

    - Neutral: Customers whose credit score raises some doubts, either because there are signs of a deterioration or because there is limited relationship with the customer and the models cannot evaluate these customers with a sufficient degree of reliability.

    - Restrictive: Customers showing signs of a deterioration in their credit scores and therefore requiring close monitoring and measures aimed at reducing exposure either through collections or more collateral.

  - Operation monitoring models that assess operations from the moment each approval evaluation is deemed obsolete (normally six months into the contract) to the end of the contract. Aspects evaluated include the payment record of the customer in general and in each specific operation, grouping them in the following four categories:

    - Low risk operation: The loan is unlikely to become past due.

    - Medium risk operation: There is a certain likelihood of the loan becoming past due.

    - High risk operation: The loan is quite likely to become past due.

    - Very high-risk operation: The loan is very likely to become past due.

  - Cecabank Risk and Treasury Platform (CITRIX): Application used to channel counterparty risk control.

- **Monitoring controls:**

  Information from the different credit rating models has been included in order to assign a credit policy to the customers assessed.

The following credit policy options are defined:

Favourable: Customers showing good credit quality.

Neutral: Customers with a credit quality that raises certain doubts.

Restrictive: Customers showing clear signs of impaired credit quality.

- 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.

  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 with. The ratings of financial counterparties are also monitored monthly.

  Similarly, there is a daily control of the work of the treasury desk, especially concerning flows of collections and payments associated with each operation.

- Control over restructured loans

  The Risk Committee of the Parent's Board of Directors is informed of the performance of restructured credit on a regular basis.

c.3) Impaired asset recovery phase:

- **Bodies involved**

The recovery phase is performed mainly by three functional units:

- **Regional Divisions,** which have:
  - Branches, where the recovery of loan operations is initiated.
  - Default Operations Managers, whose purpose is to manage recovery in their areas of influence and to directly manage the most significant defaults.
- **Risk Recovery Area**, whose mission is to control and provide guidance on compliance management across the Group, from the moment a breach is identified to restructuring or settlement of the position; and to support the Parent's General Investments Division with 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.

- **Foreclosed Assets Management**, whose remit is to perform the disintermediation of non-performing assets owned by Grupo Cooperativo Cajamar – primarily real estate assets – for the primary purpose of divesting them at the lowest cost and in the quickest time possible. The primary function to achieve this is to establish, oversee and monitor general policies on the management of non-performing assets, and coordinate and oversee the management activity outsourced to Haya RE.

  To this end, it has the following internal offices:

  - **Monitoring and Control of Distressed Assets**, which is responsible for applying controls to Haya and to support and process proposals received that lie outside of its authority. Provide support for consultations made by other Departments regarding the management of Haya. Monitor compliance with adaptations to court-ordered bankruptcies. Prepare regular business activity monitoring reports. Prepare the reports required by the Bank of Spain or other Group departments.

  - **Judicial Foreclosure Management**, whose mission is to control and monitor the servicer, Haya, and provide support in connection with Haya's requests and incidents encountered. It also manages enquiries from other units/departments concerning Haya and questions outside Haya's remit. It prepares regular progress reports on actions to recover unpaid, past-due loans at the pre-litigation and litigation stages.

  - **Debt Recovery Accounting Management**, whose function is to manage and record any risks in arrears not yet doubtful, doubtful risks and those in delinquency (in arrears for 120 days or less or borrower in a non-court bankruptcy situation) that are not being handled in-branch or by other organisational units, and the recording of accounting entries concerning asset purchases.

  - **Past-due Debt Management**, which carries out all action intended to control the projected and actual evolution of risks in arrears not yet doubtful, doubtful risks and those in delinquency, as well as to monitor such transactions (in arrears for 120 days or less or borrower in a non-court bankruptcy situation) on behalf of the Group.

  - **Pre-litigation Case Management**, which monitors and supports the servicer, HAYA, to analyse past-due loans within its remit and prepare legal claims. It responds to enquiries from the network and other units in the Bank regarding loans that are past due by more than 90 days and are being analysed to possibly be collected through legal action or where legal action has been ruled out.

  - **Bankruptcy Risk Analysis and Monitoring**, which analyses any bankruptcies affecting GCC, setting out the strategies for mitigating bankruptcy risk to achieve the general distressed asset objectives, and receive, evaluate, refer and monitor any proposals received to further safeguard GCC's interests.

  - **Restructuring and Non-performing Asset Analysis Centre:**

    Its responsibility is to analyse the situation and the alternatives that best safeguard the Group's interests, ensuring the proper receipt, review, response, formal processing and monitoring by Haya and Grupo Cooperativo Cajamar of the proposals that are specified as part of its duties, evaluating the impacts of the measures to be adopted to mitigate the repercussions of transactions in an irregular situation and/or reflecting payment difficulties while ensuring an adequate internal control environment and facilitating operational efficiency. This centre also analyses debt restructuring transactions where there is a marked potential risk of delinquency, focusing its analysis on the best accounting outcome for our Group.

- **Territorial Risk Teams:**

  The Regional Risk Organisational Unit, which reports hierarchically to the General Investments Division and functionally to the Debt Recovery Unit, is currently divided into Regional Departments with a marked geographical component that directly support the Local Departments. Its duties notably include actions in various stages of the credit risk evolution cycle, monitoring, early and pre-delinquency debt management, and non-performing asset recovery.

- **Asset Management and Quality**, responsible for post-deal management, handling relations with the assignees of assigned loan books, liaising with them to verify and manage compliance with the commitments assumed in the assignment agreements. It is also responsible for handling requests for information and documentation on the assigned loans received from assignees and Group Entities' branches and organisational units.

  This in-house office is also responsible for monitoring asset approval processes until such assets are put on sale, optimising the management and monitoring of material assets, and proposing and implementing improvements to circuits with a view to achieving efficiency and minimising the time between receiving an asset and putting it on sale.

- **Haya Real State (HRE),** a company contracted to manage the pre-litigation and litigation cases of associates, receiving cases that have payments past due by more than 120 days. Its mission is to expedite litigation if is seizable assets or rights are identified during its analysis. Alternatively, it may act through external specialist collection agencies in the case of doubtful transactions that given their amount or the lack of seizable collateral or rights may be open to recovery over the telephone.

o **Recovery management tools:**

The Bank's recovery process is managed using a number of applications including:

- **Recovery:** integral risk management tool that covers the monitoring, non-payment, pre-litigation, litigation and bankruptcy stages, which is used by the entities making up the Group, the servicer Haya and the outside legal counsel offices.

- Past due loan management. A list is generated for consultation of **loans as from the first day of default**.

- Overdraft management. Provides information on overdrafts and amounts exceeded **as from the first day of default**.

- Management of past due loans in each Office's commercial portfolio.

- Management of past due loans in foreign lending operations.

- Call Centre management outsourced to the servicer, Gescobro, where cases are handled over the telephone on the days in arrears D+2.

- Information on past due risks and the management thereof in the tranches of loans past due by 1 to 30 days (v1), 31 to 60 days (v2) and 61 to 90 days (v3) and projected tranches.

o **Recovery controls:**

Procedure manuals are in place describing actions to be taken by each body involved in management and in what time frame, modulating the involvement of higher bodies based on the default period and amount.

d) Responsible loan and credit approvals

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 2 December 2020.

Specifically, Title 2 of the manual sets out the policies for approving transactions and for analysing the ability to pay, the terms, grace periods, settlement and collateral. The section of Title 4 on approval processes provides more detail of these policies and how they are implemented, stipulating in particular the general and specific guidelines for the structuring of transactions. One of these is responsible lending as per the aforesaid law.

6.3. Market and exchange rate risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic principles applicable to market and foreign exchange risks are as follows:

- The utilisation and holding of financial instruments quoted in official secondary markets must fulfil the following purposes:

  1) Compliance with supervisory and regulatory standards that require the holding of financial assets, such as liquidity ratios.

  2) Adequate management of liquidity and the funding structure; and/or

  3) Diversification of the Group's income sources.

- Only the Parent may, in general, have exposure to market risk. However, when circumstances so advise, 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 250% 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 1.20% 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 0.80% 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:

- Risk Committee
- CEO
- Assets and Liabilities Committee (ALCO)
- Treasury and Capital Markets Division
- Risk Control Division Market Risk Control
- Investor Relations and Balance Sheet Management
- Cash Management, Securities and Accounting Operations
- General Internal Audit Division

The Market Risk Control Office is responsible for controlling market, counterparty, exchange, liquidity and interest rate risks, reporting to the Market and Operational Risk Control Area, which forms part of Risk Control Division.

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

The Bank manages market risk using Bloomberg terminals to obtain value inputs and to consult market factors.

It also uses Cecabank Risk and Treasury Platform (CITRIX), which includes specialist front, middle and back-office tools, and applications to integrate and reconcile these.

6.4. Operational risk

- **Risk policy: limits, diversification and mitigation**

In the Operational Risk Management and Control Manual, the following are regulated: (i) the basic management and control principles; (ii) the scope of operation; (iii) the risk management cycle; (iv) the bodies tasked with management and control; and (v) the operational risk management and control tools.

The general principles of operational risk management and control that must be observed in all related activities are as follows:

- Principle of accountability: Senior management and the governing bodies are responsible for designing and transmitting the values, basic principles and policies of management. They are ultimately responsible for the Group's operational risks.

- Principle of functional independence: In order to establish the effective management of the operational risk, there must be autonomy in decision taking with respect to the persons and departments directly affected by this risk.

- Principle of unity, according to which there must be consistency in policies, processes, procedures and tools. As a result, the concept of operational risk has been accurately defined and its definition is known and adopted by all those involved. The Operational Risk Control Office was set up and a network of Operational Risk Coordinators was defined with specific and concrete functions in order to extend this principle to each of the areas and offices affected by this risk.

- Principle of transparency. In light of the need for a corporate culture of operational risk, it is necessary to establish appropriate disclosure of the actions performed to manage this risk at both internal and external level, ensuring that the organisation and market players are able to know and assess the Group's operational risk approach.

- Principle of adapting to change. Due to the on-going changes in the regulation and management of credit institutions, the need is established for the bodies responsible for operational risk control to analyse specifically (i) the operational risk profile of new products, processes, systems and lines of business, (ii) the change of the overall risk profile resulting from acquisitions, mergers or integrations and (iii) the operational risk inherent in regulatory amendments.

- Principle of assurance. Group entities should cover their operational risk through insurance contracts, the establishment of a self-insurance fund or through the combination of both systems. The Parent is ultimately responsible for these decisions.

The fundamental objectives of operational risk management and control are listed below:

- Identify events that could cause a loss.

- Define appropriate controls to avoid losses.

- Measure the capital necessary to cover operational risk.

- Prepare periodic reports on exposure to operational losses in the Group.

In order to achieve these objectives, a five-phase management cycle has been defined: identification, evaluation, monitoring, measurement and mitigation.

GCC's operational risk model has three lines of defence:

1. First line of defence: Business and support units.
   These are charged with managing the operational risk associated with the Bank's products, activities, processes and systems.
2. Second line of defence: Operational Risk Control Office.
   This office is responsible for designing and maintaining the Group's operational risk management model and checking that it is applied correctly by the various units.
3. Third line of defence: GCC's Internal Audit team.
   This team is charged with performing an independent review of the management model, ensuring that existing corporate policies are adhered to and are effective.

The scope of application of the management cycle is the entire organisation, through all levels, such that it is applied to all risks entailing material exposure. The only exceptions are those areas, departments or processes where there is no material exposure to operational risk.

In order to assure this level of implementation, an analysis should be included of all the Group's credit institutions and special vehicle companies.

- **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
  - Risk Monitoring Committee
  - Risk Control Division

- Operational Risk Control
- Coordinator Network
- General Internal Audit Division

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

The Bank has the necessary tools to manage and measure operational risk adequately and fully, especially the following management modules:

- Loss database: Historical depth of over five years.
- Risk and self-assessment map: Qualitative assessment of risks affecting each area (departments and branch network) and mitigating controls in place.
- KRIs: Key risk indicators or operational risk indicators.
- Action plans or 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) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic interest rate risk principles contained in the Manual are as follows:

- The Group must apply a commercial and financial policy of minimal exposure to interest rate risk.
- Despite this principle, since the mere evolution of the market interest rate curve could place the Group on undesired exposure levels, a system of powers must be established to determine whether to maintain the exposure reached or take measures to reduce it.
- Only structural balance sheet positions are considered when calculating interest rate risk, and therefore trading positions are excluded.

In order to ensure compliance with the principles, the following limits structure is in place:

- Limits on economic value, which dictate that the sensitivity of economic value may not exceed 20% of eligible capital, or of economic value, when rates rise or fall by 200 basis points (instantaneous and parallel movements).

- Limits on net interest income. The following internal limits are set:

  - The sensitivity of 12-month net interest income to 200 basis-point increases and decreases cannot exceed 30% of 12-month net interest income in the baseline scenario (implicit interest rates).

  - Faculties to resolve against certain exposure levels. An indicator of exposure to interest rate risk is assessed, which measures the relative variation in the 12-month interest margin to a gradual +/-100 basis-point fluctuation in the interest rate curve, discounted by the market. This indicator determines which authorised body is responsible for deciding whether to retain an existing position or take measures to reduce exposure to interest rate risk.

    - Reduction in net interest income of between 5% and 10%: Assets and Liabilities Committee.
    - Reduction in net interest income of over 10%: Executive Committee.

- Limit on products showing significant exposure, whereby investments and financing for terms of over 40 months must be arranged at variable interest rates. Exceptions must be authorised by the Assets and Liabilities Committee (ALCO) after their impact on exposure to interest rate risk has been examined.

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

The bodies responsible for managing and controlling liquidity and interest rate risk are defined in the Balance Sheet Risks Manual, as follows:

- Risk Committee
- CEO
- Assets and Liabilities Committee (ALCO)
- Treasury and Capital Markets Division
- Risk Control Division Market Risk Control
- Investor Relations and Balance Sheet Management
- Cash Management, Securities and Accounting Operations
- General Internal Audit Division

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

The Group manages interest rate risk using a specific tool, which generates interest rate risk statements and all kinds of static and dynamic analyses to evaluate the impact of different interest rate evolution scenarios.

The Group manages interest rate risk at a consolidated level, and has risk levels that are below the limits stipulated in both regulations. The sensitivity analysis performed by the Group from a "Net interest income perspective" and from an "Economic value perspective" is presented below:

Net interest income perspective:

The sensitivity of net interest income is analysed from a dynamic perspective, based on the assumption that the size and structure of the balance sheet remain unchanged, considering different scenarios of interest rate fluctuations. A 100 basis-point increase (1%) in interest rates, assuming that the size and structure of the balance sheet remain the same, would have an impact on net interest income over a one-year horizon of 0.87% (-4.57% in 2019).

Economic value perspective:

Future cash flows are restated to obtain an approximation of the Bank'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 Bank's economic value in the event of an instant 100 basis-point increase (1%) in interest rates would be -3.10% (-2.64% in 2019).

Analysis of interest rate risk from the point of view of economic value at 31 December 2020 and 31 December 2019

The following tables show the analysis of interest rate risk that affects the Group's financial activity at 31 December 2020 and 31 December 2019:

	Thousands of Euros									
2020	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	2,719,942	-	-	-	-	2,719,942	23	0.08%	-	2,719,942
Credit market	3,666,496	5,363,464	7,574,821	9,314,420	5,785,815	31,705,016	6,673	2.10%	1,048,204	32,753,220
Capital markets	806,007	2,169,108	839,795	1,241,358	10,374,341	15,430,609	6,551	4.25%	1,130,986	16,561,595
Other assets	-	-	-	-	-	-	-	-	4,144,353	4,144,353
	7,192,445	**7,532,572**	**8,414,616**	**10,555,778**	**16,160,156**	**49,855,567**	**13,247**	**2.68%**	**6,323,543**	**56,179,110**
Liabilities										
Money market	10,975,041	54,600	182,622	36,915	262,535	11,511,713	149	0.13%	-	11,511,713
Medium and long-term issues	291,739	810,311	768,971	1,070,739	1,822,897	4,764,657	824	1.73%	-	4,764,657
Other liabilities	-	-	-	-	-	-	-	-	4,638,158	4,638,158
Payables	11,790,669	2,317,874	2,437,220	3,536,566	15,182,253	35,264,582	9,774	2.77%	-	35,264,582
	23,057,449	**3,182,785**	**3,388,813**	**4,644,220**	**17,267,685**	**51,540,952**	**10,747**	**2.09%**	**4,638,158**	**56,179,110**
Gap	**(15,865,004)**	**4,349,787**	**5,025,803**	**5,911,558**	**(1,107,529)**	**(1,685,385)**	**2,500**	**0.59%**	**1,685,385**	
Gap/Assets (%)	**(28.24%)**	**7.74%**	**8.95%**	**10.52%**	**(1.97%)**	**(3.00%)**				

	Thousands of Euros									
2019	**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	1,893,015	-	-	-	-	1,893,015	16	0.08%	-	1,893,015
Credit market	3,349,027	4,596,533	6,677,619	8,924,634	5,587,230	29,135,043	4,959	1.70%	1,030,533	30,165,576
Capital markets	26,515	1,896,384	1,181,538	1,198,175	8,565,225	12,867,837	5,356	4.16%	1,372,194	14,240,031
Other assets	-	-	-	-	-	-	-	-	4,143,606	4,143,606
	5,268,557	**6,492,917**	**7,859,157**	**10,122,809**	**14,152,455**	**43,895,895**	**10,331**	**2.33%**	**6,546,333**	**50,442,228**
Liabilities										
Money market	3,179,601	1,334,504	4,687,634	22,759	156,604	9,381,102	311	0.33%	-	9,381,102
Medium and long-term issues	220,867	897,600	1,008,670	1,874,300	2,174,418	6,175,855	1,077	1.74%	-	6,175,855
Other liabilities	-	-	-	-	-	-	-	-	4,400,735	4,400,735
Payables	9,709,014	2,148,919	2,868,366	3,444,786	12,313,451	30,484,536	7,718	2.53%	-	30,484,536
	13,109,482	**4,381,023**	**8,564,670**	**5,341,845**	**14,644,473**	**46,041,493**	**9,106**	**1.94%**	**4,400,735**	**50,442,228**
Gap	**(7,840,924)**	**2,111,894**	**(705,513)**	**4,780,964**	**(492,019)**	**(2,145,598)**	**1,225**	**0.40%**	**2,145,598**	**-**
Gap/Assets (%)	**(15.54%)**	**4.19%**	**(1.40%)**	**9.48%**	**(0.98%)**	**(4.25%)**				

As per Rule 50.4 of Bank of Spain Circular 2/2016, 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 a 20% reduction in an institution's economic value or its own capital.

The EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) also establishes the need to assess six interest rate shock scenarios. This change in value must not reduce TIER 1 capital by more than 15%.

Internal operations, the method used to manage assets and liabilities, the type of information and the criteria applied are covered by the Group's Assets and Liabilities Committee's Procedures Manual 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 Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic principles regarding the management of liquidity risk, which are included in this manual, are:

- The Group must maintain a level of liquid assets that is sufficient to attend to the closest maturities of liabilities at the highest confidence level.
- The Group must finance loan investments mainly using retail resources, and making the use of wholesale financing remain within prudent limits.
- The Group must maintain an adequate diversification of the maturity dates relating to wholesale for which short-term wholesale financing limits will be set, and will monitor the maturity date of those maturing in the 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 of funds.

- The Group must have defined and apply 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%.

  - Six-month liquidity profile ratio limit (RPL6M). The Group's effective liquidity, i.e. liquid assets minus enforceable liabilities derived from wholesale financing, in a six-month time horizon, may not fall below 4% of the total of customer funds and contingent liabilities. This limit must be fulfilled on a weekly average basis.

  - Guarantees limit available in the discountable assets portfolio. Grupo Cooperativo must at all time keep discountable assets available to the European Central Bank having a cash value of at least €1,500 million.

- 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.

  - Thirty percent of total wholesale financing.

- Limit applicable to the eligible mortgage portfolio. The outstanding balance of mortgage covered securities issued by the Group may not exceed 65% of the eligible mortgage portfolio.

- Limits on adjustments to maturities of long-term wholesale financing. At least 100% of any negative liquidity gaps arising from differences between liquidity outflows due to the expiration of wholesale funding instruments and liquidity inflows from the expiration of wholesale investment instruments, over the life of the financing plan in place, must be covered using the Group's potential sources of liquidity at the evaluation date.

This raft of internal limits supplements the regulatory liquidity coverage ratio (LCR) and the 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.

At 31 December 2020 the Group's ratio stood at 235.2% (comfortably above the regulatory level of 100%), while the annual average was around 235.5% (31 December 2019: 212.3%).

- 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.

  At 31 December 2020 the Group's ratio stood at 128.6% (comfortably above the regulatory level of 100%), while the annual average was around 127.7% (31 December 2019: 124%).

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

The bodies responsible for liquidity and interest rate risk management and control are the same bodies described in the point on interest rate risk.

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

The tools used to measure, control and monitor this risk are:

- The Cecabank Risk and Treasury Platform (CITRIX), which includes specialist front, middle and back-office tools, and applications to integrate and reconcile these.
- The Financial Server.
- The Bancware Focus ALM application.
- Bloomberg screens.

7. Cash, cash balances at central banks and other on demand deposits

The details of this heading on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Cash	304,108	269,590
Cash balances at central banks	2,373,146	1,631,845
Other demand deposits	16,489	28,840
Total	**2,693,743**	**1,930,275**

The balance under the heading "Cash balances at central banks" relates to the deposit made to cover the minimum reserve ratio (Note 1.4).

The balance of this heading has been considered to be cash or cash equivalents for the purposes of preparing the cash flow statements for 2020 and 2019.

8. Financial instruments

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

Details of the book value of the financial assets owned by the Group at 31 December 2020 and 31 December 2019, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of Euros				
	2020				
	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	2,976	-	-	-	-
Equity instruments	-	4,142	-	117,976	-
Debt securities	-	116,324	-	2,179,790	11,479,957
Loans and advances:	-	317,524	-	-	32,766,006
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	330,311
Customers	-	317,524	-	-	32,435,695
Total	**2,976**	**437,990**	**-**	**2,297,766**	**44,245,963**
	2019(*)				
Financial assets: Nature/Category					
Derivatives	3,943	-	-	-	-
Equity instruments	1	-	-	300,660	-
Debt securities	-	122,420	-	2,250,307	8,411,933
Loans and advances:	-	236,070	-	-	30,161,951
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	232,445
Customers	-	236,070	-	-	29,929,506
Total	**3,944**	**358,490**	**-**	**2,550,967**	**38,573,884**

(*) Figures restated as described in Note 2.5 – Comparability

	Thousands of Euros		
	2020		
	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	2,609	-	-
Short positions	-	-	-
Deposits:			
Central banks	-	-	9,449,530
Credit institutions	-	-	863,923
Customers	-	-	37,136,481
Debt securities issued	-	-	1,658,758
Other financial liabilities	-	-	407,589
Total	**2,609**	**-**	**49,516,281**
	2019		
Financial liabilities: Nature/Category			
Derivatives	2,440	-	-
Short positions	-	-	-
Deposits:			
Central banks	-	-	5,040,280
Credit institutions	-	-	3,533,460
Customers	-	-	32,167,462
Debt securities issued	-	-	2,409,330
Other financial liabilities	-	-	429,348
Total	**2,440**	**-**	**43,579,880**

The fair value of the Group's financial assets and liabilities by nature and counterparty at 31 December 2020 and 31 December 2019 is as follows (Note 3.27):

	Thousands of Euros									
2020			Fair value hierarchy:			Change in fair value for the period		Accumulated change in fair value before taxes		
	Balance sheet balances	*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)	**2,976**	**2,976**	**-**	**2,976**	**-**	**3,544**	**-**	**-**	**3,001**	**-**
Derivatives	2,976	2,976	-	2,976	-	3,544	-	-	3,001	-
Financial assets intended for trading	-	-	-	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**437,990**	**437,990**	**94,016**	**9,183**	**334,791**	**(572)**	**435**	**(3,305)**	**(2,103)**	**(4,093)**
Equity instruments	4,142	4,142	-	-	4,142	-	2,739	-	-	2,738
Debt securities	116,324	116,324	94,016	9,183	13,125	(572)	(2,304)	(3,305)	(2,103)	(6,831)
Loans and advances	317,524	317,524	-	-	317,524	-	-	-	-	-
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)	**2,297,766**	**2,297,766**	**2,185,205**	**3,469**	**109,092**	**(75)**	**(15,679)**	**10,593**	**4**	**(34,330)**
Equity instruments	117,976	117,976	29,726	-	88,250	-	(14,532)	(1,347)	-	(27,771)
Debt securities	2,179,790	2,179,790	2,155,479	3,469	20,842	(75)	(1,147)	11,940	4	(6,559)
Non-derivative financial assets not held for trading, designated at fair value through profit or loss	-		-	-	-	-	-	-	-	-
Non-derivative financial assets not held for trading, designated at fair value in equity	-		-	-	-	-	-	-	-	-
Derivatives – Hedge accounting (Note 9)	-	-	-	-	-	-	-	-	-	-
ASSETS	**2,738,732**	**2,738,732**	**2,279,221**	**15,628**	**443,883**	**2,897**	**(15,244)**	**7,288**	**902**	**(38,423)**
Financial liabilities held for trading (Note 8.2)	**2,609**	**2,609**	**-**	**2,609**	**-**	**(3,178)**	**-**	**-**	**(135,203)**	**-**
Derivatives	2,609	2,609	-	2,609	-	(3,178)	-	-	(135,203)	-
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss (Note 8.4)	-	-	-	-	-	-	-	-	-	-
Derivatives – Hedge accounting (Note 9)	**195,974**	**195,974**	**-**	**195,974**	**-**	**(9,163)**	**-**	**-**	**6,883**	**-**
LIABILITIES	**198,583**	**198,583**	**-**	**198,583**	**-**	**(12,341)**	**-**	**-**	**(128,320)**	**-**

	Thousands of Euros									
2019(*)			Fair value hierarchy:			Change in fair value for the period		Accumulated change in fair value before taxes		
	Balance sheet balances	*Of which: At fair value*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading	3,944	3,944	-	3,943	1	5,070	-	-	3,968	1
Derivatives	3,943	3,943	-	3,943	-	5,070	-	-	3,968	-
Equity instruments	1	1	-	-	1	-	-	-	-	1
Financial assets for negotiation	-	-	-	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**358,490**	**358,490**	**97,269**	**11,943**	**249,278**	**3,001**	**(1,543)**	**-**	**(1,580)**	**(4,468)**
Debt securities	122,420	122,420	97,269	11,943	13,208	3,001	(1,543)	-	(1,580)	(4,468)
Loans and advances	236,070	236,070	-	-	236,070	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**2,550,967**	**2,550,967**	**2,428,435**	**4,423**	**118,109**	**(42)**	**(2,108)**	**4,501**	**69**	**(17,483)**
Equity instruments	300,660	300,660	205,460	-	95,200	-	(232)	(5,500)	-	(12,067)
Debt securities	2,250,307	2,250,307	2,222,975	4,423	22,909	(42)	(1,876)	10,001	69	(5,416)
Derivatives - Hedge accounting	-	-	-	-	-	-	-	-	-	-
ASSETS	**2,913,401**	**2,913,401**	**2,525,704**	**20,309**	**367,388**	**8,029**	**(3,651)**	**4,501**	**2,457**	**(21,950)**
Financial liabilities held for trading	**2,440**	**2,440**	**-**	**2,440**	**-**	**(3,517)**	**-**	**-**	**(135,372)**	**-**
Derivatives	2,440	2,440	-	2,440	-	(3,517)	-	-	(135,372)	-
Financial liabilities intended for trading	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Derivatives - Hedge accounting	112,743	112,743	-	112,743	-	-	-	-	-	-
LIABILITIES	**115,183**	**115,183**	**-**	**115,183**	**-**	**(3,517)**	**-**	**-**	**(135,372)**	**-**

(*) Figures restated as described in Note 2.5 – Comparability

There were no significant changes in terms of reclassification between the various levels of the fair value hierarchy in 2020 and 2019.

A breakdown of financial instruments by time left to maturity at 31 December 2020 and 31 December 2019 is provided below. The maturity dates used in the table are the expected dates of maturity or cancellation based on the Group's past experience:

2020

	Thousands of Euros									
ASSETS	On demand	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Unclassified and undetermined maturity	Valuation adjustments	Total
Cash, cash balances at central banks and other on demand deposits	**2,693,746**	-	-	-	-	-	-	-	**(3)**	**2,693,743**
Financial assets held for trading	-	-	-	**5**	-	**859**	**2,112**	-	-	**2,976**
Derivatives	-	-	-	5	-	859	2,112	-	-	2,976
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	-	**433,848**	**4,142**	-	**437,990**
Equity instruments	-	-	-	-	-	-	-	4,142	-	4,142
Debt securities	-	-	-	-	-	-	116,324	-	-	116,324
Loans and advances	-	-	-	-	-	-	317,524	-	-	317,524
Customers	-	-	-	-	-	-	317,524	-	-	317,524
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	**801,723**	**1,207,408**	**32,964**	**140,774**	**117,976**	**(3,079)**	**2,297,766**
Equity instruments	-	-	-	-	-	-	-	117,976	-	117,976
Debt securities	-	-	-	801,723	1,207,408	32,964	140,774	-	(3,079)	2,179,790
Financial assets at amortised cost	**1,171,063**	**751,729**	**1,002,295**	**1,534,844**	**2,709,621**	**14,593,289**	**21,922,045**	**1,466,827**	**(905,750)**	**44,245,963**
Debt securities	-	-	-	6,458	5,031	3,668,598	7,796,857	-	3,013	11,479,957
Loans and advances	1,171,063	751,729	1,002,295	1,528,386	2,704,590	10,924,691	14,125,188	1,466,827	(908,763)	32,766,006
Credit institutions	13	72,012	-	-	-	-	2	258,277	7	330,311
Customers	1,171,050	679,717	1,002,295	1,528,386	2,704,590	10,924,691	14,125,186	1,208,550	(908,770)	32,435,695
TOTAL	**3,864,809**	**751,729**	**1,002,295**	**2,336,572**	**3,917,029**	**14,627,112**	**22,498,779**	**1,588,945**	**(908,832)**	**49,678,438**
EQUITY AND LIABILITIES	-	-	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	**5**	-	**721**	**1,884**	-	**(1)**	**2,609**
Derivatives	-	-	-	5	-	721	1,884	-	(1)	2,609
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	**29,782,473**	**2,457,361**	**1,656,174**	**1,368,926**	**1,667,928**	**11,233,373**	**1,090,330**	**260,728**	**(1,012)**	**49,516,281**
Deposits	29,782,473	2,301,448	1,656,174	1,368,926	1,667,928	9,993,638	703,630	9,052	(33,335)	47,449,934
Central banks	-	-	-	-	-	9,482,000	-	-	(32,471)	9,449,529
Credit institutions	72,572	106,053	22,393	125,494	48,425	380,253	99,907	8,183	644	863,924
Customers	29,709,901	2,195,395	1,633,781	1,243,432	1,619,503	131,385	603,723	869	(1,508)	37,136,481
Debt securities issued	-	-	-	-	-	1,239,735	386,700	-	32,323	1,658,758
Other financial liabilities	-	155,913	-	-	-	-	-	251,676	-	407,589
Memorandum: subordinated liabilities	-	-	-	-	-	-	386,700	-	13,921	400,621
TOTAL	**29,782,473**	**2,457,361**	**1,656,174**	**1,368,931**	**1,667,928**	**11,234,094**	**1,092,214**	**260,728**	**(1,013)**	**49,518,890**

2019(*)

	Thousands of Euros									
ASSETS	On demand	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Unclassified and undetermined maturity	Valuation adjustments	Total
Cash, cash balances at central banks and other on demand deposits	**1,930,146**	-	-	-	-	-	-	-	**129**	**1,930,275**
Financial assets held for trading	-	-	-	-	**3**	**377**	**3,563**	**1**	-	**3,944**
Derivatives	-	-	-	-	3	377	3,563	-	-	3,943
Equity instruments	-	-	-	-	-	-	-	1	-	1
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	-	**358,490**	-	-	**358,490**
Debt securities	-	-	-	-	-	-	122,420	-	-	122,420
Loans and advances	-	-	-	-	-	-	236,070	-	-	236,070
Customers	-	-	-	-	-	-	236,070	-	-	236,070
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	**616,631**	**1,108,861**	**373,096**	**154,800**	**300,660**	**(3,081)**	**2,550,967**
Equity instruments	-	-	-	-	-	-	-	300,660	-	300,660
Debt securities	-	-	-	616,631	1,108,861	373,096	154,800	-	(3,081)	2,250,307
Financial assets at amortised cost	**1,294,791**	**868,869**	**1,283,424**	**1,927,968**	**2,363,752**	**10,545,795**	**19,648,989**	**1,574,038**	**(933,742)**	**38,573,884**
Debt securities	-	-	-	535,166	-	2,058,726	5,820,208	-	(2,167)	8,411,933
Loans and advances	1,294,791	868,869	1,283,424	1,392,802	2,363,752	8,487,069	13,828,781	1,574,038	(931,575)	30,161,951
Credit institutions	-	73,065	-	-	-	-	1	159,394	(15)	232,445
Customers	1,294,791	795,804	1,283,424	1,392,802	2,363,752	8,487,069	13,828,780	1,414,644	(931,560)	29,929,506
TOTAL	**3,224,937**	**868,869**	**1,283,424**	**2,544,599**	**3,472,616**	**10,919,268**	**20,165,842**	**1,874,699**	**(936,694)**	**43,417,560**
EQUITY AND LIABILITIES	-	-	-	-	-	-	-	-	-	
Financial liabilities held for trading	-	-	-	-	**3**	**322**	**2,115**	-	-	**2,440**
Derivatives	-	-	-	-	3	322	2,115	-	-	2,440
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	**23,878,120**	**2,152,612**	**2,897,158**	**5,956,449**	**3,613,476**	**3,519,560**	**1,274,780**	**297,221**	**(9,496)**	**43,579,880**
Deposits	23,878,120	2,010,737	2,897,158	5,956,449	2,869,495	2,279,824	885,980	9,748	(46,309)	40,741,202
Central banks	-	-	-	3,254,000	-	1,833,000	-	-	(46,720)	5,040,280
Credit institutions	98,390	633,446	833,512	790,762	857,350	224,057	88,280	8,275	(612)	3,533,460
Customers	23,779,730	1,377,291	2,063,646	1,911,687	2,012,145	222,767	797,700	1,473	1,023	32,167,462
Debt securities issued	-	-	-	-	743,981	1,239,736	388,800	-	36,813	2,409,330
Other financial liabilities	-	141,875	-	-	-	-	-	287,473	-	429,348
Memorandum: subordinated liabilities	-	-	-	-	-	-	388,800	-	13,747	402,547
TOTAL	**23,878,120**	**2,152,612**	**2,897,158**	**5,956,449**	**3,613,479**	**3,519,882**	**1,276,895**	**297,221**	**(9,496)**	**43,582,320**

(*) Figures restated as described in Note 2.5 – Comparability

The following table shows the Group's total credit risk net of valuation adjustments at the end of 2020 and 2019:

	Thousands of Euros	
	2020	**2019(*)**
Financial assets held for trading	**-**	**1**
Equity instruments	-	1
Non-trading financial assets mandatorily at fair value through profit or loss	**437,990**	**358,490**
Equity instruments	4,142	-
Debt securities	116,324	122,420
Loans and advances	317,524	236,070
Financial assets designated at fair value through profit or loss	**-**	**-**
Debt securities	-	-
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	**2,297,766**	**2,550,967**
Equity instruments	117,976	300,660
Debt securities	2,179,790	2,250,307
Financial assets at amortised cost	**44,245,963**	**38,573,884**
Debt securities	11,479,957	8,411,933
Loans and advances	32,766,006	30,161,951
Derivatives	-	-
Total credit risk due to financial assets	**46,981,719**	**41,483,342**
Loan commitments given	4,734,941	3,783,951
Financial guarantees given	283,840	254,321
Other commitments given	552,970	766,529
Total off-balance sheet exposures	**5,571,751**	**4,804,801**
Total maximum exposure to credit risk	**52,553,470**	**46,288,143**

(*) Figures restated as described in Note 2.5 – Comparability

Credit risk concentration by activity, geographical area and counterparty at 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros				
	2020				
	TOTAL	**Spain**	**Rest of the European Union**	**America**	**Rest of the world**
Central banks and credit institutions	**2,904,316**	**2,825,848**	**72,440**	**1,240**	**4,788**
Public administrations	**13,984,517**	**4,654,264**	**9,326,252**	**-**	**4,001**
Central government	13,099,688	3,769,435	9,326,252	-	4,001
Other public administrations	884,829	884,829	-	-	-
Other financial corporations and self-employed (financial business activity)	**1,767,089**	**1,406,135**	**310,051**	**4,142**	**46,761**
Non-financial corporations and self-employed (non-financial business activity) (broken down by purpose)	**17,456,636**	**16,562,625**	**733,588**	**80,513**	**79,910**
Real estate development and construction (including land)	589,523	589,523	-	-	-
Execution of civil works	4,719	4,719	-	-	-
Other purposes	16,862,394	15,968,383	733,588	80,513	79,910
Large companies	5,217,074	4,369,416	691,003	80,334	76,321
SMEs and self-employed	11,645,320	11,598,967	42,585	179	3,589
Other households (broken down by purpose)	**14,120,444**	**13,888,838**	**100,483**	**10,979**	**120,144**
Housing	12,456,266	12,230,656	97,694	10,793	117,124
Consumer	330,405	328,594	944	92	774
Other purposes	1,333,773	1,329,588	1,845	94	2,246
TOTAL	**50,233,002**	**39,337,710**	**10,542,814**	**96,874**	**255,604**

	2019				
	TOTAL	**Spain**	**Rest of the European Union**	**America**	**Rest of the world**
Central banks and credit institutions	**2,101,963**	**2,022,682**	**69,707**	**8,186**	**1,388**
Public administrations	**10,591,949**	**2,831,210**	**7,760,739**	**-**	**-**
Central government	10,139,678	2,378,939	7,760,739	-	-
Other public administrations	452,271	452,271	-	-	-
Other financial corporations and self-employed (financial business activity)	**1,696,080**	**1,264,046**	**425,593**	**6,441**	**-**
Non-financial corporations and self-employed (non-financial business activity) (broken down by purpose)	**15,165,958**	**14,825,865**	**299,229**	**38,168**	**2,696**
Real estate development and construction (including land)	657,173	657,173	-	-	-
Execution of civil works	5,017	5,017	-	-	-
Other purposes	14,503,768	14,163,675	299,229	38,168	2,696
Large companies	3,185,827	2,988,124	159,714	37,984	5
SMEs and self-employed	11,317,941	11,175,551	139,515	184	2,691
Other households (broken down by purpose)	**14,417,311**	**14,199,912**	**162,183**	**10,587**	**44,629**
Housing	12,540,667	12,329,193	157,749	10,367	43,358
Consumer	368,355	366,073	1,697	115	470
Other purposes	1,508,289	1,504,646	2,737	105	801
TOTAL	**43,973,261**	**35,143,715**	**8,717,451**	**63,382**	**48,713**

Total risk includes the following balance sheet items: loans and advances to credit institutions and to customers, debt securities, equity instruments, trading derivatives, derivatives - hedge accounting, investments in joint ventures and associates and financial guarantees given, after deducting valuation adjustments for specific hedging operations.

Credit risk concentration in Spain by geographical area and counterparty at 31 December 2020 and 31 December 2019 is as follows:

Thousands of Euros – 2020

	TOTAL	Andalusia	Aragón	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla-Leon	Catalonia
Central banks and credit institutions	**2,825,848**	**291,416**	**27,015**	**-**	**710**	**-**	**16,308**	**2,013**	**-**	**40,136**
Public administrations	**4,654,264**	**172,752**	**14,121**	**25,043**	**1,002**	**1,860**	**-**	**4,615**	**87,646**	**33,289**
Central government	3,769,435	-	-	-	-	-	-	-	-	-
Other public administrations	884,829	172,752	14,121	25,043	1,002	1,860	-	4,615	87,646	33,289
Other financial corporations and self-employed (financial business activity)	**1,406,134**	**245,604**	**211**	**7**	**785**	**772**	**4**	**133**	**1,275**	**16,692**
Non-financial corporations and self-employed (non-financial business activity) (broken down by purpose)	**16,562,626**	**4,215,253**	**139,153**	**116,006**	**548,699**	**742,616**	**30,391**	**279,681**	**1,055,096**	**828,970**
Real estate development and construction (including land)	589,523	194,246	2,930	-	3,267	31,246	57	7,384	15,079	18,231
Execution of civil works	4,719	543	-	-	-	-	-	-	-	-
Other purposes	15,968,384	4,020,464	136,223	116,006	545,432	711,370	30,334	272,297	1,040,017	810,739
Large companies	4,369,417	568,669	77,228	87,934	107,885	155,756	4,786	39,571	100,595	337,552
SMEs and self-employed	11,598,967	3,451,795	58,995	28,072	437,547	555,614	25,548	232,726	939,422	473,187
Other households (broken down by purpose)	**13,888,838**	**3,923,687**	**30,267**	**9,603**	**335,101**	**399,064**	**10,431**	**140,870**	**518,034**	**1,043,115**
Housing	12,230,655	3,483,825	26,995	8,227	297,388	343,745	9,397	125,133	468,018	982,784
Consumer	328,594	98,911	555	538	6,596	18,083	427	3,339	13,710	10,871
Other purposes	1,329,589	340,951	2,717	838	31,117	37,236	607	12,398	36,306	49,460
TOTAL	**39,337,710**	**8,848,712**	**210,767**	**150,659**	**886,297**	**1,144,312**	**57,134**	**427,312**	**1,662,051**	**1,962,202**

	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencian Community	Basque Country	La Rioja	Ceuta y Melilla
Central banks and credit institutions	**-**	**11,413**	**2,394,247**	**-**	**-**	**25,909**	**16,681**	**-**	**-**
Public administrations	**-**	**-**	**172,039**	**110,229**	**272**	**187,331**	**-**	**3,539**	**71,091**
Central government	-	-	-	-	-	-	-	-	-
Other public administrations	-	-	172,039	110,229	272	187,331	-	3,539	71,091
Other financial corporations and self-employed (financial business activity)	**13**	**13**	**997,367**	**7,535**	**-**	**9,989**	**125,311**	**-**	**423**
Non-financial corporations and self-employed (non-financial business activity) (broken down by purpose)	**43,146**	**230,293**	**2,241,084**	**2,315,312**	**95,918**	**3,261,341**	**372,240**	**29,448**	**17,979**
Real estate development and construction (including land)	34	2,158	50,329	68,104	408	193,017	-	-	3,033
Execution of civil works	-	-	4,176	-	-	-	-	-	-
Other purposes	43,112	228,135	2,186,579	2,247,208	95,510	3,068,324	372,240	29,448	14,946
Large companies	3,246	124,519	1,519,296	424,277	60,889	401,757	342,778	12,679	-
SMEs and self-employed	39,866	103,616	667,283	1,822,931	34,621	2,666,567	29,462	16,769	14,946
Other households (broken down by purpose)	**4,746**	**21,944**	**708,610**	**2,505,289**	**23,433**	**4,137,928**	**7,632**	**6,083**	**63,001**
Housing	4,196	18,311	660,993	2,216,225	20,684	3,493,058	6,901	5,280	59,495
Consumer	166	891	9,114	61,269	955	101,908	127	241	893
Other purposes	384	2,742	38,503	227,795	1,794	542,962	604	562	2,613
TOTAL	**47,905**	**263,663**	**6,513,347**	**4,938,365**	**119,623**	**7,622,498**	**521,864**	**39,070**	**152,494**

Thousands of Euros – 2019

	TOTAL	Andalusia	Aragón	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla-Leon	Catalonia
Central banks and credit institutions	**2,022,681**	**253,776**	**3,983**	**-**	**710**	**-**	**12,400**	**2,025**	**-**	**22,266**
Public administrations	**2,831,209**	**97,399**	**7,147**	**-**	**1,540**	**3,259**	**-**	**234**	**98,379**	**15,659**
Central government	2,378,939	-	-	-	-	-	-	-	-	-
Other public administrations	452,270	97,399	7,147	-	1,540	3,259	-	234	98,379	15,659
Other financial corporations and self-employed (financial business activity)	**1,264,047**	**73,930**	**-**	**-**	**963**	**716**	**4,418**	**151**	**1,226**	**16,597**
Non-financial corporations and self-employed (non-financial business activity) (broken down by purpose)	**14,825,866**	**4,288,286**	**89,150**	**81,914**	**458,074**	**648,941**	**27,102**	**232,543**	**902,247**	**634,311**
Real estate development and construction (including land)	657,173	236,478	1,005	-	3,976	32,817	30	7,094	16,906	19,374
Execution of civil works	5,017	512	-	-	-	-	-	-	-	-
Other purposes	14,163,676	4,051,296	88,145	81,914	454,098	616,124	27,072	225,449	885,341	614,937
Large companies	2,988,124	615,452	47,370	50,695	86,355	86,623	4,499	21,222	83,940	185,176
SMEs and self-employed	11,175,552	3,435,844	40,775	31,219	367,743	529,501	22,573	204,227	801,401	429,761
Other households (broken down by purpose)	**14,199,912**	**4,043,792**	**26,611**	**7,532**	**310,720**	**388,311**	**10,423**	**144,484**	**512,528**	**1,078,763**
Housing	12,329,194	3,517,305	23,857	6,649	271,768	330,672	8,958	128,021	459,126	1,018,489
Consumer	366,073	110,250	560	434	6,741	18,959	343	3,762	15,573	12,184
Other purposes	1,504,645	416,237	2,194	449	32,211	38,680	1,122	12,701	37,829	48,090
TOTAL	**35,143,715**	**8,757,183**	**126,891**	**89,446**	**772,007**	**1,041,227**	**54,343**	**379,437**	**1,514,380**	**1,767,596**

	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencian Community	Basque Country	La Rioja	Ceuta y Melilla
Central banks and credit institutions	**-**	**11,819**	**1,678,644**	**-**	**-**	**19,618**	**17,440**	**-**	**-**
Public administrations	**-**	**-**	**75,211**	**38,436**	**298**	**89,896**	**-**	**4,552**	**20,260**
Central government	-	-	-	-	-	-	-	-	-
Other public administrations	-	-	75,211	38,436	298	89,896	-	4,552	20,260
Other financial corporations and self-employed (financial business activity)	**-**	**2**	**1,025,520**	**6,631**	**-**	**8,714**	**124,740**	**1**	**438**
Non-financial corporations and self-employed (non-financial business activity) (broken down by purpose)	**34,823**	**135,114**	**1,599,216**	**2,206,488**	**80,736**	**3,129,093**	**234,071**	**23,486**	**20,271**
Real estate development and construction (including land)	34	4,365	50,582	74,756	1,031	203,372	-	-	5,353
Execution of civil works	-	-	4,505	-	-	-	-	-	-
Other purposes	34,789	130,749	1,544,129	2,131,732	79,705	2,925,721	234,071	23,486	14,918
Large companies	2,845	60,237	861,003	330,175	41,792	343,435	158,396	8,909	-
SMEs and self-employed	31,944	70,512	683,126	1,801,557	37,913	2,582,286	75,675	14,577	14,918
Other households (broken down by purpose)	**4,113**	**17,533**	**735,246**	**2,564,510**	**16,993**	**4,261,951**	**7,571**	**5,210**	**63,621**
Housing	3,686	14,165	668,222	2,246,719	14,506	3,546,602	6,687	4,109	59,653
Consumer	101	958	11,057	68,534	818	114,252	146	253	1,148
Other purposes	326	2,410	55,967	249,257	1,669	601,097	738	848	2,820
TOTAL	**38,936**	**164,468**	**5,113,837**	**4,816,065**	**98,027**	**7,509,272**	**383,822**	**33,249**	**104,590**

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

Risk is distributed by geographic area based on the location of the Group'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 consolidated balance sheet are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2020	2019	2020	2019
Derivatives	2,976	3,943	2,609	2,440
Equity instruments	-	1	-	-
Debt securities	-	-	-	-
Loans and advances	-	-	-	-
Short positions	-	-	-	-
Deposits	-	-	-	-
Other financial liabilities	-	-	-	-
Total	**2,976**	**3,944**	**2,609**	**2,440**

8.2.1. Derivatives

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

At 31 December 2020 and 31 December 2019 the fair value of trading derivatives on the asset side is €2,976 thousand and €3,943 thousand, respectively, with the fair value of derivatives on the liabilities side standing at €2,609 thousand and €2,440 thousand, respectively.

The fair values of trading derivatives are classified in Level 2 (Notes 3.27 and 8.1) because the valuations are calculated on the basis of observable market inputs. These are mainly interest rate derivatives whose notional amount at 31 December 2020 was €1,571,615 thousand (€1,845,958 thousand at 31 December 2019).

The notional amount of financial derivatives registered as "Trading derivatives" at 31 December 2020 and 31 December 2019 are indicated below, in accordance with the various classifications made based on the type of market, type of product, counterparty, remaining term and type of risk:

	Thousands of Euros							
	2020				2019			
	Book value		Notional amount		Book value		Notional amount	
	Financial assets held for trading	Financial liabilities held for trading	Total negotiation	Of which: sold	Financial assets held for trading	Financial liabilities held for trading	Total negotiation	Of which: sold
Interest rate	**2,976**	**2,609**	**1,571,615**	**19,447**	**3,943**	**2,440**	**1,845,958**	**21,105**
OTC options	189	188	38,894	19,447	155	155	42,209	21,105
Other OTC	2,787	2,421	1,532,721	-	3,788	2,285	1,803,749	-
Other OTC	-	-	-	-	-	-	-	-
DERIVATIVES	**2,976**	**2,609**	**1,571,615**	**19,447**	**3,943**	**2,440**	**1,845,958**	**21,105**
Of which: OTC – credit institutions	189	2,421	1,495,161	-	165	2,285	1,599,801	-
Of which: OTC – others	2,787	188	76,453	-	3,778	156	246,157	-

8.2.2. Equity instruments

At December 2020, the Bank held no positions in this portfolio, although it did establish such a portfolio of €5,997 thousand that was derecognised in the same year. At 31 December 2019, the Bank held €1 thousand in this portfolio, corresponding to the Laredo-I investment fund, and also built up a portfolio of €12,685 thousand that was derecognised in the same year.

Income from "Equity instruments" at 31 December 2020 amounted to €5 thousand (no amount at 31 December 2019) (Note 26).

The gains or losses recorded on the statement of profit or loss on the disposal of assets classified in the portfolio at 31 December 2020 amounted to a loss of €261 thousand (a gain of €87 thousand at 31 December 2019) (Note 26).

8.2.3. Debt securities

At December 2020 and 31 December 2019, the Bank held no positions in this portfolio, although it did establish such a portfolio of €39,686 thousand during 2020 that was derecognised in the same year (2019: €59,202 thousand).

Income from "Debt securities" at 31 December 2020 amounted to €5 thousand (no amount at 31 December 2019) (Note 26).

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2020 was 0% (0% in 2019).

The gains or losses recorded on the statement of profit or loss on the disposal of assets classified in the portfolio at 31 December 2020 amounted to a gain of €85 thousand (a gain of €18 thousand at 31 December 2019) (Note 26).

8.3. Non-trading financial assets mandatorily at fair value through profit or loss

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

	Thousands of Euros	
	2020	**2019(*)**
Equity instruments	4,142	-
Debt securities	116,324	122,420
Loans and advances	317,524	236,070
Total	**437,990**	**358,490**

(*) Figures restated as described in Note 2.5 – Comparability

The fair values of assets classified in "Non-trading financial assets mandatorily at fair value through profit or loss" are classified in three levels: Level 1 refers to 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).

8.3.1. *Equity instruments*

At 31 December 2020 and 31 December 2019 the breakdown of this heading by the issuer's business sector is as follows:

	Thousands of Euros	
	2020	2019
Credit institutions	-	-
Other resident sectors	-	-
Non-residents	4,142	-
Total	**4,142**	**-**

At 31 December 2020 and 31 December 2019 the account "Equity instruments", breakdown as follows, based on whether or not the shares making up the heading are listed or not, also showing the percentages of the total:

	2020		2019	
	Thousands of Euros	% of total	Thousands of Euros	% of total
Listed:	**-**	**-**	**-**	**-**
Non-listed:	**4,142**	**100.00%**	**-**	**-**
Cost	1,404	33.90%	-	-
Value adjustments against profit and loss	2,738	66.10%	-	-
Total	**4,142**	**100.00%**	**-**	**-**

In 2020 and 2019 the account "Equity instruments" reflects the following movements, excluding impairment losses and making a distinction between securities that are listed on an organised market and those that are not listed:

	Thousands of Euros			
	Listed		Non-listed	
	2020	2019	2020	2019
Opening balance	**-**	**-**	**-**	**-**
Additions	-	-	-	-
Disposals	-	-	(1,506)	-
Transfers and reclassifications	-	-	2,910	-
Value adjustments against profit and loss	-	-	2,738	-
Closing balance	**-**	**-**	**4,142**	**-**

Movements in 2020 due to transfers of securities not listed on official markets corresponded to Visa Inc. and totalled €2,910 thousand, while movements due to derecognitions over the year corresponded to the partial settlement of "Class C" (convertible) shares of Visa Inc. totalling €1,506 thousand, executed in the first contractually recognised conversion window.

8.3.2. *Debt securities*

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

	Thousands of Euros	
	2020	2019(*)
Central banks	-	-
Public administrations	-	-
Credit institutions	94,016	97,269
Other private sectors	22,308	25,151
Non-performing assets	-	-
Total	**116,324**	**122,420**

(*) Figures restated as described in Note 2.5 – Comparability

At 31 December 2020 and 31 December 2019 there were no securities pledged to secure transactions.

Movements in the balance under this heading of the accompanying consolidated balance sheet in 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019(*)
Opening balance	**122,420**	**113,993**
Procurements	-	59,202
Sales and redemptions	(1,444)	(59,839)
Portfolio cost allowance	1,033	1,372
Valuation adjustments against profit and loss	(5,685)	7,692
Closing balance	**116,324**	**122,420**

(*) Figures restated as described in Note 2.5 – Comparability

Income from “Debt securities” at 31 December 2020 amounted to €6,811 thousand (€7,116 thousand at 31 December 2019) (Note 26).

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2020 was 4.73% (4.45% in 2019).

At 31 December 2020 the nominal value of the securities in this portfolio was €119,425 thousand, while their fair value was €116,324 thousand. At 31 December 2019 the nominal value of the securities in this portfolio was €120,913 thousand, while their fair value was €122,420 thousand.

8.3.3. Loans and advances

At 31 December 2020 this heading includes an amount of €317,524 thousand corresponding to the estimated variable price of the Cajamar Vida, S.A. transaction (€236,070 thousand at 31 December 2019).

In 2004, the Group sold 50% of the capital of Cajamar Vida, S.A. de Seguros y Reaseguros to Generali España, Holding de Entidades de Seguros, S.A., retaining the other 50% of the shares. According to the share sale-purchase agreement, the shares’ overall price, which is to be settled in 15 years, consisted of a fixed price of €9,508 thousand that was collected in 2004 and a variable price that will be calculated based on the value of the business and the net value of the assets at the time the contract, which has been rolled over several times, expires.

Subsequently, in order to include agreements reached as a result of the new configuration of the IPS and the branch network, in subsequent years contract amendments were renegotiated, which have primarily modified how the variable price is determined. The last amendment was dated 4 August 2016 and stipulated that the Accrued Variable Price be recognised each anniversary of the Variable Price as a fixed amount that cannot be revised. The agreement will be automatically extended if the Accrued Variable Price is higher than the Accrued Price on the 15th anniversary, up until the time at which that price exceeds or equals the Accrued Variable Price. The annual change in the present value of the Accrued Variable Price is recognised under the heading “Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss – Loans and advances”. The amount recognised in 2020 was €79.1 million (2019: €78.2 million) (Note 26).

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

No amounts were recognised under this heading of the consolidated balance sheet at 31 December 2020 and 2019.

8.5. *Financial assets at fair value through other comprehensive income*

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

	Thousands of Euros	
	2020	**2019**
Debt securities	2,179,790	2,250,307
Equity instruments	117,976	300,660
Loans and advances	-	-
Total	**2,297,766**	**2,550,967**

The fair values of assets classified in the "Financial assets at fair value through other comprehensive income" portfolio are classified in three levels: Level 1 refers to 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	
	2020	**2019**
Central banks	-	-
Public administrations	2,035,919	2,096,754
Credit institutions	96,421	101,152
Other private sectors	50,529	55,482
Non-performing assets	-	-
Valuation adjustments:	-	-
Valuation adjustments for impairment	(3,079)	(3,081)
Total	**2,179,790**	**2,250,307**

The effective interest rate on debt instruments classified in this portfolio in the Group during 2020 was 0.14% (0.24% in 2019).

At 31 December 2020 €100,190 thousand of the balance of "Debt securities" comprised "Repurchase agreements" (€1,218,487 thousand at 31 December 2019).

Movements in the balance under this heading of the accompanying consolidated balance sheet at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Opening balance	**2,250,307**	**393,394**
Procurements	6,574,560	4,204,521
Sales and redemptions	(6,641,644)	(2,355,864)
Portfolio cost allowance	(12,078)	(14,945)
Accrued interest	7,910	8,304
Valuation adjustments in equity	986	14,892
Valuation adjustments for impairment	(251)	5
Closing balance	**2,179,790**	**2,250,307**

The gains or losses recorded on the statement of profit or loss on the disposal of assets classified as “Financial assets at fair value through other comprehensive income” at 31 December 2020 amounted to €8,135 thousand (31 December 2019: €1,894 thousand) (Note 26).

The interest accrued at 31 December 2020 and 31 December 2019 relating to debt securities totalled €5,256 thousand and €5,132 thousand respectively (Note 26).

The breakdown of impairment losses booked at 31 December 2020 and 31 December 2019 for assets under the “Financial assets at fair value through other comprehensive income – Debt securities” heading is as follows:

	Thousands of Euros	
	2020	**2019**
Opening balance	**(3,082)**	**(3,085)**
Allowances taken to profit or loss	-	-
Recoveries	3	5
Cancellations due to use and others	-	(1)
Closing balance	**(3,079)**	**(3,081)**

8.5.2. Equity instruments

This heading of the accompanying consolidated 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 2020 and 31 December 2019 the breakdown of this heading by the issuer’s business sector is as follows:

	Thousands of Euros	
	2020	**2019**
Credit institutions	2,952	2,981
Other resident sectors	66,175	112,989
Non-residents	48,849	184,690
Total	**117,976**	**300,660**

The cumulative gains or losses taken to the Bank’s other reserves from the disposal of equity instruments classified as “Financial assets at fair value through other comprehensive income” amounted to a loss of €12,774 thousand at 31 December 2020 (31 December 2019: €15,575 thousand) (Note 18.2)

Income from "Equity instruments" at 31 December 2020 and 31 December 2019 amounted to €8,878 thousand and €8,705 thousand, respectively (Note 26).

At 31 December 2020 and 31 December 2019 the account "Equity instruments", breakdown as follows, based on whether or not the shares making up the heading are listed or not, also showing the percentages of the total:

	2020		2019	
	Thousands of Euros	% of total	Thousands of Euros	% of total
Listed:	**29,725**	**25.20%**	**205,612**	**68.39%**
Cost	31,072	26.34%	211,112	70.22%
Other accumulated global result	(1,347)	(1.14%)	(5,500)	(1.83%)
Non-listed:	**88,251**	**74.80%**	**95,048**	**31.61%**
Cost	102,717	87.07%	93,550	31.11%
Other accumulated global result	(14,466)	(12.26%)	1,701	0.57%
Accumulated other comprehensive income – Currency conversion	-	-	(203)	(0.07%)
Total	**117,976**	**100.00%**	**300,660**	**100.00%**

In 2020 and 2019 the account "Equity instruments" reflects the following movements, excluding impairment losses and making a distinction between securities that are listed on an organised market and those that are not listed:

	Thousands of Euros			
	Listed		Non-listed	
	2020	2019	2020	2019
Opening balance	**205,612**	**145,908**	**95,048**	**67,545**
Additions	104,404	245,552	21,502	34,958
Disposals	(284,322)	(208,134)	(9,804)	(15,071)
transfers and reclassifications	(122)	-	(2,787)	-
Cost correction	-	-	256	7,573
Other accumulated global result	4,153	22,286	(16,167)	(17)
Accumulated other comprehensive income – Currency conversion	-	-	203	60
Closing balance	**29,725**	**205,612**	**88,251**	**95,048**

The most significant additions under "Equity instruments" during 2020 and comprising securities not listed on official markets primarily related to the new contributions in Private Debt Co-Investor Fund II, F.C.R., Certior Credit Opportunities Fund II SCSP, Pemberton Senior Loan Fund SCSP SICAV-RAIF (A), Oquendo IV S.C.A. SICAV-RAIF, Bolsa Social Impacto, F.E.S.E., and Sociedad de Bancos Españoles para colaboración en Pagos, S.L. of €8,077 thousand, €1,979 thousand, €1,328 thousand, €1,211 thousand, €200 thousand and €150 thousand, respectively.

This in addition to other redemptions in Trea Direct Lending, S.C.A. SICAV-RAIF (TDL II), Altamar Global Private X, F.C.R., AlterAlia II S.C.A., SICAV-RAIF and BTC Trea S.C.A. SICAR (TDL I) of €6,182 thousand, €1,500 thousand, €800 thousand and €74 thousand, respectively.

The significant derecognitions in 2020 corresponded to several redemptions of venture capital funds totalling €2,011 thousand, and in BTC Trea S.C.A. SICAR (TDL), Trea Direct Lending, S.C.A. SICAV-RAIF (TDL II) and Private Debt Co-Investor Fund II of €1,832 thousand, €1,634 thousand and €669 thousand, respectively.

This in addition to the reduction in capital and divestment in Espiga Capital Inversión, S.C.R., S.A. totalling €2,685 thousand, and the exchange rate adjustment to "Class C" shares of Visa Inc amounting to €193 thousand.

The transfer in 2020 corresponds to the reclassification of Visa Inc to "Financial assets designated at fair through profit or loss" of €2,910 thousand.

The most significant derecognitions of equity instruments during 2020 and comprising securities listed on official markets related to the sale of Fondo ETF Lixor Ibex 35 for €24,970 thousand.

The most significant additions under "Equity instruments" during 2019 and comprising securities not listed on official markets primarily related to the new contributions in AlterAlia II S.C.A., SICAV-RAIF, AC Advantage – Credit Strategies (Arcano Fund), Trea Direct Lending, S.C.A. SICAV-RAIF (TDL II) and Oquendo Senior Debt Fund, S.C.A. SICAV-RAIF of €4,769 thousand, €10,000 thousand, €6,188 thousand and €5,299 thousand, respectively.

Further disbursements in venture capital funds were also made totalling €7,900 thousand, and in BTC Trea S.C.A. SICAR (TDL) of €495 thousand, along with the exchange rate adjustment to "Class C" shares of Visa Inc amounting to €61 thousand.

The main derecognitions under "Equity instruments" in 2019 corresponded to several redemptions of venture capital funds totalling €1,107 thousand, and in BTC Trea S.C.A. SICAR (TDL) and Trea Direct Lending, S.C.A. SICAV-RAIF (TDL II) of €2,705 thousand and €2,845 thousand, respectively; the winding up of Tino Stone Group, S.A., MFAO, Sociedad Rectora del Mercado de futuros del Aceite de Oliva, S.A. and Naturvill, S.L. totalling €7,251 thousand, €511 and €272 thousand, respectively; and divestments of several companies for a total amount of €756 thousand.

8.5.3. Accumulated other comprehensive income

In accordance with the description provided in Note 3.1, 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).

In addition, as is indicated in Note 2.7, it also records, net of taxes and under "Accumulated other comprehensive income" (Items that may be reclassified to profit or loss), the changes in the valuation adjustments for associates, after the date of acquisition.

At 31 December 2020 and 31 December 2019 the details of these variations on the consolidated balance sheets are as follows:

Items that will not be reclassified to profit or loss	Thousands of Euros	
	2020	**2019**
Changes in the fair value of equity instruments at fair value through other comprehensive income	**(5,268)**	**3,930**
Gains/losses	(2,765)	8,676
Tax effect	(2,503)	(4,746)
Total valuation adjustments	**(5,268)**	**3,930**

Items that will be reclassified to profit or loss	Thousands of Euros	
	2020	**2019**
Foreign currency translation		
Gains/losses	-	(203)
Tax effect	-	61
Debt instruments at fair value through other comprehensive income		
Gains/losses	5,385	4,654
Tax effect	(1,674)	(1,387)
Total valuation adjustments	**3,711**	**3,125**

8.6. Financial assets at amortised cost

The detail of this heading of the accompanying consolidated balance sheet is as follows:

	Thousands of Euros	
	2020	**2019**
Loans and advances to credit institutions	330,311	232,445
Loans and advances to customers	32,435,695	29,929,506
Debt securities	11,479,957	8,411,933
Total	**44,245,963**	**38,573,884**

The following table shows loans and receivables drawn down and financial guarantees given at 31 December 2020 and 31 December 2019 by segment, portfolio and sub-portfolio:

	Thousands of Euros			
	2020		2019	
	Exposure	Distribution (%)	Exposure	Distribution (%)
Retail:	**23,908,334**	**62.69%**	**24,526,464**	**68.01%**
Home mortgage:	**12,546,419**	**32.90%**	**12,701,217**	**35.22%**
Primary	11,100,795	29.11%	11,272,170	31.26%
Other uses	1,445,624	3.79%	1,429,047	3.96%
Other household financing:	**1,450,175**	**3.80%**	**1,783,749**	**4.95%**
Micro-consumer	198,615	0.52%	188,847	0.52%
Car	71,454	0.19%	81,681	0.23%
Other goods and services	1,180,106	3.09%	1,513,221	4.20%
Automatically renewable:	**678,367**	**1.78%**	**674,487**	**1.87%**
Credit cards	665,372	1.74%	649,377	1.80%
Overdrafts	12,995	0.03%	25,110	0.07%
Small businesses:	**5,616,332**	**14.73%**	**5,748,576**	**15.94%**
Self-employed	1,687,871	4.43%	1,765,847	4.90%
Micro companies	2,197,124	5.76%	2,407,643	6.68%
Small retail	1,296,923	3.40%	1,185,623	3.29%
Medium retail	434,414	1.14%	389,463	1.07%
Retail agro-food:	**3,617,041**	**9.48%**	**3,618,435**	**10.03%**
Greenhouse cultivation	782,199	2.05%	830,960	2.30%
Other agro-food sector	2,834,842	7.43%	2,787,475	7.73%
Corporate:	**10,987,240**	**28.81%**	**9,767,524**	**27.09%**
Developers:	**898,773**	**2.36%**	**1,423,402**	**3.95%**
Housing development	502,688	1.32%	738,159	2.05%
Land	195,452	0.51%	407,655	1.13%
Other developers	200,633	0.53%	277,588	0.77%
Corporate agro-food:	**3,955,825**	**10.37%**	**3,475,484**	**9.64%**
Agrofood producer	1,107,475	2.90%	992,503	2.75%
Agrofood distributor	2,436,321	6.39%	2,134,937	5.92%
Agrofood auxiliary industry	412,029	1.08%	348,044	0.97%
SMEs:	**2,484,817**	**6.52%**	**2,386,890**	**6.62%**
Small	1,499,965	3.93%	1,524,274	4.23%
Medium	984,852	2.58%	862,616	2.39%
Large companies:	**3,647,825**	**9.57%**	**2,481,748**	**6.88%**
Public administrations:	**2,290,232**	**6.01%**	**776,714**	**2.15%**
Non-profits:	**157,803**	**0.41%**	**188,464**	**0.53%**
Financial intermediaries:	**792,433**	**2.08%**	**802,110**	**2.22%**
Total loan portfolio	**38,136,042**	**100.00%**	**36,061,276**	**100.00%**
Of which: structured transactions	**1,723,417**	**4.52%**	**884,768**	**2.45%**

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-offs 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 consolidated balance sheets according to the instrument type are as follows:

	Thousands of Euros	
	2020	**2019**
Deposits with agreed maturity	**52,317**	**37,630**
Hybrid financial assets	**-**	**-**
Reverse repurchase agreement	**-**	**-**
Non-performing assets	**13**	**-**
Resident credit institutions	13	-
Other financial assets	**277,973**	**194,830**
Valuation adjustments	**8**	**(15)**
Valuation adjustments for impairment	(6)	-
Accrued interest	4	(15)
Unaccrued transaction costs	10	-
Total	**330,311**	**232,445**

The movement in impairment losses recognised in the year ended 31 December 2020 is as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 december 2019	**-**	**-**	**-**	**-**
Increases due to origination and acquisition	-	-	-	-
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	-	-	(6)	(6)
Changes due to modifications with no derecognitions (net)	-	-	-	-
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 december 2020	**-**	**-**	**(6)**	**(6)**

8.6.2. Loans and advances - Customer loans

The breakdown of this heading on the accompanying consolidated 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	
	2020	**2019**
By credit type and status:		
Commercial loans	882,197	1,005,898
Secured loans	17,912,896	18,061,605
Other term loans	11,726,688	8,559,100
Finance leases	306,821	308,808
Receivables on demand and others	522,305	643,007
Non-performing assets	1,657,750	1,946,600
Other financial assets:		
Commissions for financial guarantees and other commitments granted (Note 22.2) (Note 22.3)	47,129	48,035
Other financial assets	288,679	288,013
Of which in arrears	*555*	*1,476*
Valuation adjustments	(908,770)	(931,560)
Total	**32,435,695**	**29,929,506**
By sector:		
Public administrations	924,491	469,029
Other private sectors:		
Financial companies	1,035,027	920,022
Non-financial corporations	13,421,200	11,344,861
Households	17,054,977	17,195,594
Total	**32,435,695**	**29,929,506**

The heading “Other financial assets – Other assets” includes other balances receivable by the Group for transactions that are not classified as loans.

The effective interest rate on debt instruments classified in this portfolio in the Group during 2020 was 1.66% (1.68% in 2019).

During 2020 and 2019 the Group also individually assigned certain loans for insignificant amounts. As with the sale of the aforementioned loan books, the purpose of this assignment was to manage credit risk.

As a result of these sales the assignees acquired full ownership of the assigned loans.

Details, excluding valuation adjustments, of loans and advances to customers at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Performing exposure	31,686,160	28,912,990
Of which: Watch-list performing exposure	*2,426,987*	*1,675,981*
Non-performing exposure	1,657,750	1,946,600
Other assets in arrears	555	1,476
Closing balance	**33,344,465**	**30,861,066**

The amount of collateral received to secure loans and advances to customers at 31 December 2020 and 31 December 2019, is as follows:

2020	Thousands of Euros – Maximum amount of collateral or personal guarantee that can be considered						
	Loans collateralised by property		Other collateralised loans				Financial guarantees received
	Residential buildings	Commercial buildings	Cash, Deposit, [debt securities issued]	Moveable goods	Equity instruments and Debt securities	Other	
Loans and advances	**13,601,512**	**4,599,302**	**31,917**	**175,417**	**-**	**365**	**1,677,021**
Of which: Other financial corporations	2,648	1,213	94	-	-	-	**9,773**
Of which: Non-financial corporations	479,242	3,146,429	17,566	103,440	-	102	**1,453,837**
Of which: Small and medium-sized enterprises	477,499	2,836,605	16,942	94,074	-	102	**1,163,831**
Of which: Business property loans to small and medium-sized enterprises	326,644	2,754,492	1,960	373	-	102	**-**
Of which: Business property loans to non-financial corporations other than small and medium-sized enterprises	1,274	308,976	-	-	-	-	**-**
Of which: Households	13,095,069	1,441,658	13,660	71,977	-	263	**207,096**
Of which: Lending for house purchase	12,057,290	244,829	2,842	653	-	36	**219**
Of which: Consumer credit	51	136	2,935	-	-	-	**5**

2019	Thousands of Euros – Maximum amount of the collateral or personal guarantee that can be considered				
	Loans secured by property		Other collateralised loans		Financial guarantees received
	Residential buildings	Commercial buildings	Cash [debt instruments issued]	Other	
Loans and advances	**14,064,866**	**4,462,833**	**42,487**	**130,255**	**-**
Of which: Other financial corporations	3,159	1,508	52	-	-
Of which: Non-financial corporations	763,108	2,920,903	22,679	101,760	-
Of which: Households	13,272,099	1,530,458	19,024	28,495	-
Of which: Lending for house purchase (*)	12,115,884	255,888	4,019	873	-

(*) It includes the "Loans for home purchase" of all the indicated sectors

Set out below is a breakdown by counterparty of loans and advances to customers at 31 December 2020 and 31 December 2019, together with details of the amount covered by each of the main guarantees and distribution of secured financing on the basis of the percentage of the book value of financing over the amount of the appraisal of the guarantee available:

2020	Thousands of Euros							
				Secured loans Book value based on latest available appraisal (loan to value)				
	Total	Of which: Real estate mortgage secured	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%
Public administrations	**900,047**	**30,226**	**596**	**2,932**	**19,529**	**4,524**	**910**	**2,927**
Other financial corporations and self-employed (financial business activity)	**817,322**	**8,753**	**169**	**3,384**	**3,061**	**1,739**	**495**	**243**
Non-financial corporations and self-employed (non-financial business activity)	**16,628,180**	**5,187,384**	**219,745**	**1,821,085**	**1,729,934**	**1,159,034**	**302,934**	**394,142**
Real estate development and construction (including land)	542,829	532,207	3,872	135,789	114,604	138,810	84,021	62,855
Execution of civil works	4,718	4,718	-	52	4,176	-	490	-
Other purposes	16,080,633	4,650,459	215,873	1,685,244	1,611,154	1,020,224	218,423	331,287
Large companies	4,664,906	334,016	10,133	111,081	135,379	43,094	24,704	29,891
SMEs and self-employed	11,415,727	4,316,443	205,740	1,574,163	1,475,775	977,130	193,719	301,396
Other households	**14,090,146**	**13,133,238**	**12,611**	**3,635,021**	**4,114,018**	**3,530,539**	**1,277,756**	**588,515**
Housing	12,456,266	12,415,679	3,973	3,336,361	3,938,807	3,390,298	1,226,536	527,650
Consumer	330,405	166	3,214	68	60	19	1,973	1,260
Other purposes	1,303,475	717,393	5,424	298,592	175,151	140,222	49,247	59,605
Total	**32,435,695**	**18,359,601**	**233,121**	**5,462,422**	**5,866,542**	**4,695,836**	**1,582,095**	**985,827**
Memorandum items:								
Refinancing, refinanced and restructured transactions	**1,070,903**	**951,745**	**9,904**	**179,460**	**208,368**	**262,309**	**156,280**	**155,232**

2019	Thousands of Euros							
				Secured loans Book value based on latest available appraisal (loan to value)				
	Total	Of which: Real estate mortgage secured	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%
Public administrations	**437,491**	**43,487**	**724**	**5,111**	**12,932**	**12,870**	**1,055**	**12,243**
Other financial corporations and self-employed (financial business activity)	**725,730**	**10,194**	**60**	**4,070**	**3,953**	**1,772**	**451**	**8**
Non-financial corporations and self-employed (non-financial business activity)	**14,444,821**	**5,449,336**	**198,138**	**1,816,692**	**1,763,000**	**1,186,836**	**380,539**	**500,407**
Real estate development and construction (including land)	616,301	598,946	10,592	140,991	148,238	160,449	88,663	71,197
Execution of civil works	5,017	5,017	-	74	4,505	-	438	-
Other purposes	13,823,503	4,845,373	187,546	1,675,627	1,610,257	1,026,387	291,438	429,210
Large companies	2,671,953	285,187	12,824	80,887	91,331	44,941	25,884	54,968
SMEs and self-employed	11,151,550	4,560,186	174,722	1,594,740	1,518,926	981,446	265,554	374,242
Other households	**14,321,463**	**13,295,301**	**17,603**	**3,677,945**	**4,216,555**	**3,538,695**	**1,272,363**	**607,346**
Housing	12,536,375	12,486,656	5,681	3,345,872	4,026,715	3,376,299	1,210,414	533,037
Consumer	366,739	88	5,283	9	44	151	2,713	2,454
Other purposes	1,418,349	808,557	6,639	332,064	189,796	162,245	59,236	71,855
Total	**29,929,505**	**18,798,318**	**216,525**	**5,503,818**	**5,996,440**	**4,740,173**	**1,654,408**	**1,120,004**
Memorandum items:								
Refinancing, refinanced and restructured transactions	**1,241,017**	**1,100,597**	**15,347**	**180,508**	**235,179**	**336,264**	**169,517**	**194,476**

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 2020 and 31 December 2019 is as follows:

	Thousands of Euros					
	2020			2019		
Thousands of Euros	**Risk**	**Distribution**	**Of which: Doubtful assets**	**Risk**	**Distribution**	**Of which: Doubtful assets**
Exceeding 6,000	6,207,039	18.62%	172,548	4,113,326	13.34%	188,837
Between 3,000 and 6,000	1,448,490	4.34%	120,628	1,318,382	4.27%	131,611
Between 1,000 and 3,000	2,512,561	7.54%	184,663	2,357,486	7.64%	227,997
Between 500 and 1,000	2,181,652	6.54%	125,860	1,966,688	6.37%	151,139
Between 250 and 500	3,300,566	9.90%	215,814	3,178,916	10.30%	255,570
Between 125 and 250	5,676,560	17.02%	381,497	5,882,949	19.06%	466,943
Between 50 and 125	8,438,599	25.31%	317,181	8,444,108	27.36%	367,935
Between 25 and 50	2,154,320	6.46%	70,906	2,106,258	6.82%	79,827
Less than 25	1,424,678	4.27%	68,653	1,492,953	4.84%	76,741
Measurement adjustments	(908,770)			(931,560)		
Loans and advances	**32,435,695**	**100.00%**	**1,657,750**	**29,929,506**	**100.00%**	**1,946,600**

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	
	2020	**2019**
Valuation adjustments:		
Impairment allowances	(976,343)	(954,901)
Impairment allowances for other financial assets	(671)	(1,623)
Accrued interest	52,317	46,480
Accumulated changes in fair value not due to credit risk	162	-
Premiums/discounts on acquisition	(9,899)	(7,279)
Commissions	(59,280)	(59,072)
Transaction costs	84,944	44,835
Total	**(908,770)**	**(931,560)**

8.6.2.2. Transfer and derecognition of financial assets

The Group has transferred various assets comprising customer loans. These transfers were recognised as per the policy described in Note 3.5. At 31 December 2020 and 31 December 2019 the outstanding balance of these operations was as follows:

	Thousands of Euros	
	2020	**2019**
Written off the balance sheet:	**103,636**	**120,101**
Loans granted to securitisation funds	30,282	35,467
Other transfers to credit institutions	10,719	13,557
Other transfers	62,635	71,077
Held on the balance sheet:	**4,130,795**	**4,923,830**
Loans granted to securitisation funds	4,130,795	4,923,830
Total	**4,234,431**	**5,043,931**

The Group 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 2020, the Group retained €3,502,612 thousand in securitised bonds relating to the above-mentioned transformations of loans and credit lines (€4,094,452 thousand at 31 December 2019) (Note 8.7.3).

Of the aforementioned €3,502,612 thousand in securitisation bonds existing at 31 December 2020 (€4,094,452 thousand at 31 December 2019), no amount was pledged in the loan agreement including the encumbrance of securities and other assets concluded with the Bank of Spain (Note 8.7.1).

Commissions on securitised assets written off the consolidated balance sheet and which relate to all those securitisations prior to 1 January 2004 are recognised in "Gains or (-) losses on financial assets and liabilities" on the consolidated statement of profit or loss at 31 December 2020 and 31 December 2019 in an amount of €267 thousand and €1,297 thousand, respectively.

The net liability recorded in the balance sheet as a balancing entry for the securitised assets maintained on the balance sheet are classified under "Financial liabilities at amortised cost – Customer deposits" totalling €599,657 thousand and €792,997 thousand in 2020 and 2019, respectively, under the heading "Participation mortgages issued" (Note 8.7.3).

Of the loans and receivables recorded in the balance sheet, the Group has certain balances that have been pledged basically to the securitisations carried out, the issue of mortgage covered bonds as well as the transformations carried out, as follows:

	Thousands of Euros	
	2020	**2019**
Pledged loans and credit facilities		
Securing asset securitisations	4,223,712	5,030,374
Securing mortgage covered bonds and notes	7,174,669	6,542,145
Total	**11,398,381**	**11,572,519**

In accordance with the minimum coverage established by legislation governing the issue of mortgage covered bonds, the loans and credit facilities securing these issues have been calculated by applying 125% to the issues in force and they constitute the minimum coverage of the total eligible portfolio for these issues.

Securitisation arrangements in force at 31 December 2020 and 31 December 2019 to which the Group is party are as follows:

2020

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)
TDA18-MIXTO FTA	75.65%	14/11/2003	Multi-assignor	OFF-BALANCE SHEET	330,000	30,282
TDA19-MIXTO FTA	66.83%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	37,322
IM CAJAMAR1 FTA	100.00%	23/07/2004	Other	ON-BALANCE SHEET	370,000	37,862
RURAL HIPOTECARIO VII FTA	30.75%	29/04/2005	Multi-assignor	ON-BALANCE SHEET	323,767	35,654
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	137,912
RURAL HIPOTECARIO Global I FTA	54.06%	18/11/2005	Multi-assignor	ON-BALANCE SHEET	588,002	73,710
IM CAJAMAR3 FTA	100.00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000	223,673
RURAL HIPOTECARIO VIII FTA	33.50%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	66,691
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	233,808
RURAL HIPOTECARIO IX FTA	43.61%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	587,354	147,977
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	236,332
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	564,954
RURAL HIPOTECARIO X FTA	29.86%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	561,467	158,782
RURAL HIPOTECARIO XI FTA	28.82%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	633,194	209,051
RURAL HIPOTECARIO XII F.T.A.	29.51%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	268,787	90,016
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	482,537
IM BCC CAJAMAR PYME 2, F.T.	100.00%	24/04/2018	Other	ON-BALANCE SHEET	1,000,000	246,791
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	489,483
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	660,442
					14,011,529	**4,163,279**

2019

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)
TDA18-MIXTO FTA	76.90%	14/11/2003	Multi-assignor	OFF-BALANCE SHEET	330,000	35,467
TDA19-MIXTO FTA	66.78%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	44,334
IM CAJAMAR1 FTA	100.00%	23/07/2004	Other	ON-BALANCE SHEET	370,000	44,371
RURAL HIPOTECARIO VII FTA	30.50%	29/04/2005	Multi-assignor	ON-BALANCE SHEET	323,767	41,953
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	158,975
RURAL HIPOTECARIO Global I FTA	53.97%	18/11/2005	Multi-assignor	ON-BALANCE SHEET	588,002	86,205
IM CAJAMAR3 FTA	100.00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000	255,022
RURAL HIPOTECARIO VIII FTA	33.34%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	76,401
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	264,367
RURAL HIPOTECARIO IX FTA	43.17%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	587,354	164,855
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	275,891
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	643,605
RURAL HIPOTECARIO X FTA	29.86%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	561,467	184,214
RURAL HIPOTECARIO XI FTA	29.02%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	633,194	236,820
RURAL HIPOTECARIO XII F.T.A.	29.51%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	268,787	103,241
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	538,285
IM BCC CAJAMAR PYME 2, F.T.	100.00%	24/04/2018	Other	ON-BALANCE SHEET	1,000,000	349,035
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	691,769
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	722,999
RURAL HIPOTECARIO VI FTA	45.50%	07/07/2004	Multi-assignor	ON-BALANCE SHEET	415,519	41,646
					14,427,048	**4,959,455**

8.6.2.3. Impairment losses on loans and advances – Customer loans

Details of impairment losses booked at 31 December 2020 for financial assets at amortised cost are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Fase 2	Phase 3	Total allowance
Balance at 31 december 2019	**(64,535)**	**(133,118)**	**(757,248)**	**(954,901)**
Increases due to origination and acquisition	(23,268)	(5,761)	(8,676)	(37,705)
Decreases due to derecognitions	12,811	14,676	90,186	117,673
Changes due to variation in credit risk (net)	(52,201)	14,602	(171,881)	(209,480)
Changes due to modifications with no derecognitions (net)	38	(2,027)	2,115	126
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	27	108,690	108,717
Other adjustments	(3)	366	(1,138)	(775)
Balance at 31 december 2020	**(127,158)**	**(111,235)**	**(737,952)**	**(976,345)**

Changes in gross exposures and impairment during the year ended 31 December 2020 are as follows:

	Thousands of Euros			
Gross exposure transfers:	From Phase 1:	From Phase 2:	From Phase 3:	Total
To Phase 1:		399,925	5,229	**405,154**
To Phase 2:	1,046,385		62,378	**1,108,763**
To Phase 3:	49,731	86,365		**136,096**
Impairment transfers:				
To Phase 1:		3,885	172	**4,057**
To Phase 2:	36,065		5,404	**41,469**
To Phase 3:	17,720	31,845		**49,565**

Details of impairment losses booked at 31 December 2019 for financial assets at amortised cost are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Fase 2	Phase 3	Total allowance
Balance at 31 December 2018	**(61,175)**	**(104,844)**	**(896,271)**	**(1,062,290)**
Increases due to origination and acquisition	(17,919)	(5,401)	(10,641)	(33,961)
Decreases due to derecognitions	10,447	9,506	118,158	138,111
Changes due to variation in credit risk (net)	4,043	(33,153)	(158,051)	(187,161)
Changes due to modifications with no derecognitions (net)	225	801	1,918	2,944
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	195,612	195,612
Other adjustments	(156)	(27)	(7,973)	(8,156)
Balance at 31 december 2019	**(64,535)**	**(133,118)**	**(757,248)**	**(954,901)**

Changes in gross exposures and impairment during the year ended 31 December 2019 are as follows:

	Thousands of Euros			
Gross exposure transfers:	From Phase 1:	From Phase 2:	From Phase 3:	Total
To Phase 1:		1,082,125	7,962	**1,090,087**
To Phase 2:	465,048		75,983	**541,031**
To Phase 3:	82,430	119,667		**202,097**
Impairment transfers:				
To Phase 1:		6,484	209	**6,693**
To Phase 2:	31,717		8,304	**40,021**
To Phase 3:	28,842	33,914		**62,756**

The breakdown of impairment losses on other financial assets classified within "Loans and advances – Customer loans" at 31 December 2020 is provided below:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 december 2019	**(238)**	**-**	**(1,385)**	**(1,623)**
Increases due to origination and acquisition	4	-	948	952
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	-	-	-	-
Changes due to modifications with no derecognitions (net)	-	-	-	-
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 december 2020	**(234)**	**-**	**(437)**	**(671)**

The breakdown of impairment losses on other financial assets classified within "Loans and advances – Customer loans" at 31 December 2019 is provided below:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 December 2018	**(390)**	**-**	**(9,352)**	**(9,742)**
Increases due to origination and acquisition	(250)	-	7,967	7,717
Decreases due to derecognitions	402	-	-	402
Changes due to variation in credit risk (net)	-	-	-	-
Changes due to modifications with no derecognitions (net)	-	-	-	-
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 december 2019	**(238)**	**-**	**(1,385)**	**(1,623)**

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 consolidated statements of profit or loss at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
Charges for the year:	**(886,078)**	**(813,512)**
Allowances recognised in profit or loss	(812,547)	(712,676)
Repayments, net of loan losses	(73,531)	(100,836)
Recovery of write-offs	**17,974**	**15,054**
Other recoveries	**554,195**	**464,924**
Total	**(313,909)**	**(333,534)**

8.6.4. Debt securities

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

	Thousands of Euros	
	2020	**2019**
Central banks	-	-
Public administrations	11,022,066	8,024,191
Credit institutions	15,166	6,927
Other private sectors	445,181	382,982
Non-performing assets	-	-
Valuation adjustments for impairment	(2,456)	(2,167)
Total	**11,479,957**	**8,411,933**

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2020 was 0.8% (1.10% in 2019).

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.

At 31 December 2020 €925,000 thousand of the balance of “Debt securities” was pledged as collateral; €3,466,831 thousand was pledged under a loan agreement that encumbers securities and other assets concluded with the Bank of Spain; while €1,253,193 thousand corresponded to repurchase agreements.

At 31 December 2019 €468,274 thousand of the balance of “Debt securities” was pledged as collateral; €807,247 thousand was pledged under a loan agreement that encumbers securities and other assets concluded with the Bank of Spain; while €2,638,855 thousand corresponded to repurchase agreements.

At 31 December 2020 the return on “Debt securities” was €79,356 thousand (31 December 2019: €83,555 thousand) (Note 26).

Movements in the balance under this heading of the accompanying consolidated balance sheet in 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Opening balance	**8,411,933**	**7,457,578**
Procurements	6,513,804	4,761,924
Sales and redemptions	(3,364,654)	(3,766,846)
transfers	-	-
Portfolio cost allowance	(66,032)	(80,668)
Accrued interest	(20,274)	40,424
Valuation adjustments in equity	-	-
Valuation adjustments, micro-hedge transaction	5,469	-
Valuation adjustments for impairment	(289)	(479)
Closing balance	**11,479,957**	**8,411,933**

The gains or losses recorded on the statement of profit or loss on the disposal of assets classified in the “Financial assets at amortised cost” portfolio at 31 December 2020 amounted to €128,769 thousand (€210,726 thousand at 31 December 2019) (Note 26).

Impairment losses accounted for at 31 December 2020 and 31 December 2019 for assets under "Financial assets at amortised cost – Debt securities" break down as follows:

	Thousands of Euros	
	2020	**2019**
Opening balance, impairment	**(2,167)**	**(1,687)**
Allowances taken to profit or loss	(405)	(717)
Recoveries	116	238
Cancellations due to use and others	-	(1)
Closing balance, impairment	**(2,456)**	**(2,167)**

8.6.5. Information on performing exposures

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

2020	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 (*)	**32,084,709**	**31,706,591**	**378,118**	**29,685,237**	**2,397,211**
Central banks	-	-	-	-	-
Public Administrations	923,971	923,971	-	921,212	2,759
Credit institutions	330,304	330,304	-	330,304	-
Other financial corporations	1,034,986	1,034,818	168	1,034,701	284
Non-financial corporations	13,129,348	13,039,704	89,644	11,966,837	1,162,511
Of which: Small and medium-sized enterprises	8,429,254	8,340,944	88,310	7,361,030	1,068,225
Of which: Collateralised by commercial immovable property	3,122,816	3,074,089	48,727	2,576,562	546,254
Households	16,666,100	16,377,794	288,306	15,432,183	1,231,657
Of which: Loans collateralised by residential immovable property	13,171,744	12,924,161	247,583	12,223,903	947,842
Of which: Consumer credit	330,495	326,413	4,082	311,795	18,701
Total debt instruments at amortised cost	**32,084,709**	**31,706,591**	**378,118**	**29,685,237**	**2,397,211**

2019	Thousands of Euros		
	Total	Not past due or past due <=30 days	Past due > 30 days <= 90 days
Loans and advances (*)	**29,170,399**	**28,574,807**	**595,592**
Central banks	-	-	-
Public administrations	469,036	469,036	-
Credit institutions	232,445	232,445	-
Other financial corporations	919,479	919,142	337
Non-financial corporations	10,917,785	10,772,017	145,768
Of which: Small and medium-sized enterprises	8,207,273	8,066,370	140,903
Of which: Collateralised by commercial immovable property	2,734,299	2,678,034	56,265
Households	16,631,654	16,182,167	449,487
Of which: Loans collateralised by residential immovable property	13,041,693	12,662,476	379,217
Of which: Consumer credit	361,868	357,680	4,188
Total debt instruments at amortised cost	**29,170,399**	**28,574,807**	**595,592**

(*) Not including cash balances at central banks and other demand deposits.
(**) Included on applying the regulatory measures in connection with the Covid-19 pandemic.

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:

2020	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: Unpaid	Of which: Impaired instruments (Stage 3)	Collateral received securing non-performing exposures
Central banks	-	-	-	-	-	-	-	-
Public Administrations	519	5	19	467	28	519	519	27
Credit institutions	13	13	-	-	-	13	13	-
Other financial corporations	1,521	1,056	1	14	450	1,522	1,522	251
Non-financial corporations	816,887	43,544	20,848	60,524	691,971	816,887	816,887	320,674
Of which: Small and medium-sized enterprises	798,830	36,464	15,958	57,549	688,859	798,830	798,830	316,633
Of which: Collateralised by commercial immovable property	561,943	22,809	6,678	31,114	501,342	561,943	561,943	295,740
Households	839,378	91,636	17,121	31,436	699,185	841,638	841,638	431,857
Of which: Loans collateralised by residential immovable property	661,402	82,046	11,177	21,549	546,630	661,402	661,402	375,922
Of which: Consumer credit	9,881	326	669	1,016	7,870	9,881	9,881	29
Total debt instruments at amortised cost	**1,658,318**	**136,254**	**37,989**	**92,441**	**1,391,634**	**1,660,579**	**1,660,579**	**752,809**

2019	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: Unpaid	Of which: Impaired instruments (Stage 3)	Collateral received securing non-performing exposures
Central banks	-	-	-	-	-	-	-	-
Public Administrations	11	6	-	-	5	11	11	6
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	1,816	1,220	-	37	559	1,816	1,816	325
Non-financial corporations	920,247	58,067	38,523	53,852	769,805	920,247	920,247	387,057
Of which: Small and medium-sized enterprises	895,816	39,743	35,974	52,709	767,390	895,815	895,815	378,402
Of which: Collateralised by commercial immovable property	429,967	28,127	4,864	9,310	387,666	429,967	429,967	231,751
Households	1,026,001	127,526	42,002	49,312	807,161	1,026,001	1,026,001	582,762
Of which: Loans collateralised by residential immovable property	795,437	115,692	29,416	33,549	616,780	795,437	795,437	494,867
Of which: Consumer credit	11,943	561	997	1,485	8,900	11,943	11,943	33
Total debt instruments at amortised cost	**1,948,075**	**186,819**	**80,525**	**103,201**	**1,577,530**	**1,948,075**	**1,948,075**	**970,150**

The amount of accumulated finance income accrued on impaired loans to customers and recognised on the consolidated statement of profit or loss before the impairment was recognised stood at €13,166 thousand and €15,536 thousand at 31 December 2020 and 31 December 2019, respectively.

At 31 December 2020 and 31 December 2019 details of and movements in financial liabilities at amortised cost classified as non-performing are as follows:

	Thousands of Euros	
	2020	**2019**
Opening balance	**1,948,075**	**2,458,961**
Additions	292,487	534,336
Of which: Transactions acquired from third parties	14	3
Disposals	582,244	1,045,222
Collected in cash	106,953	282,097
Foreclosure or receipt of assets	143,003	261,153
Performing	13,132	14,663
Performing exposures under special monitoring	85,240	111,230
Write-offs	174,362	270,308
Asset transfers	14,631	31,546
Other disposals	44,923	74,225
Closing balance	**1,658,318**	**1,948,075**

At 31 December 2020 and 31 December 2019 details of and movements in financial liabilities at amortised cost classified as write-offs are as follows:

	Thousands of Euros	
	Amounts	
	2020	**2019**
Write-offs (a)		
Opening balance	**1,380,800**	**1,114,528**
Total additions	237,035	354,856
Use of accumulated impairment balance	104,251	187,821
Direct write-down in profit and loss	82,473	98,058
Contractually callable interest (b)	50,035	63,189
Other items	276	5,788
Total disposals	68,072	88,584
Collection of principal in cash from counterparties	36,232	46,192
Collection of interest in cash from counterparties	4,011	3,704
Forgiveness	27,157	32,577
Prescription	627	3,900
Foreclosure of tangible assets	-	-
Foreclosure of other assets	-	-
Debt refinancing or restructuring	-	-
Sale	45	1,717
Collection from assignees	45	135
Final write-off	-	1,582
Other items	-	494
Exchange differences	-	-
Closing balance	**1,549,763**	**1,380,800**

(a) Amount of additions and disposals during the year recognised under "Write-offs". Therefore does not include final write-offs due to forgiveness or outright sale of debt instruments recognised under assets on the date of forgiveness or sale.

(b) Contractually callable interest on debt instruments classified as write-offs.

8.7. Financial liabilities at amortised cost

Details of this liabilities heading on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Deposits from central banks	9,449,530	5,040,280
Deposits from credit institutions	863,923	3,533,460
Customer deposits	37,136,481	32,167,462
Debt securities issued	1,258,137	2,006,783
Subordinated liabilities	400,621	402,547
Other financial liabilities	407,589	429,348
Total	**49,516,281**	**43,579,880**

8.7.1. Deposits from central banks

The balances under this heading on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are comprised as follows:

	Thousands of Euros	
	2020	**2019**
Bank of Spain	9,482,000	5,087,000
Other central banks	-	-
Valuation adjustments	(32,470)	(46,720)
Total	**9,449,530**	**5,040,280**

In accordance with the loan agreement including the pledge of securities and other assets concluded with the Bank of Spain as per the mechanisms that govern the monetary policy for the Eurosystem, the Group has a credit of €12,996,745 thousand (€7,866,864 thousand at 31 December 2019), (Notes 8.5.1., 8.6.4. and 8.7.4.1.).

In April 2020 the European Central Bank recalibrated the TLTRO III auction conditions to ensure the various economic agents have adequate access to bank finance at a time of uncertainty caused by the impact of the Covid-19 pandemic. Banks with eligible net lending of over 0% between 1 March 2020 and 31 March 2021 will pay an interest rate of 0.5% below the average interest rate on deposit facilities between 24 June 2020 and 23 June 2021. This means the applicable interest rate will be -1%. Outside the aforesaid period the average applicable interest rate will be -0.5%. All this is provided the lending threshold is reached as per the European Central Bank conditions.

Given the foregoing, the Group has increased its finance in this programme to €9,482,000 (€4,395,000 more than at 31 December 2019).

In 2020, the Group recognised €37,139 thousand of interest income from drawdowns on the TLTRO III facilities under the “Interest income” heading on the statement of profit or loss (Note 26).

8.7.2. Deposits from credit institutions

Details of this account under "Financial liabilities measured at amortised cost" on the liabilities side of the consolidated balance sheets according to instrument type are as follows:

	Thousands of Euros	
	2020	**2019**
Reciprocal accounts	339	4,430
Current accounts	72,232	93,960
Time deposits	690,606	532,017
Repurchase agreement	100,101	2,903,665
Valuation adjustments:		
Accrued interest	645	(612)
Total	**863,923**	**3,533,460**

8.7.3. Customer deposits

Details of this account under "Financial liabilities measured at amortised cost" on the liabilities side of the accompanying consolidated balance sheets by counterparty and type of financial instrument are as follows:

	Thousands of Euros	
	2020	**2019**
Repurchase agreements through central counterparties	1,281,314	813,269
Sight deposits	29,709,858	23,779,730
Term deposits	5,542,835	6,775,235
Participation mortgages issued	599,657	792,997
Cash received	*4,112,209*	*4,899,875*
Loans (-)	*(9,940)*	*(12,426)*
Debt securities (-)	*(3,502,612)*	*(4,094,452)*
Other accounts	4,325	5,209
Valuation adjustments:		
Accrued interest	*(1,508)*	*1,020*
Micro-hedging transactions	*-*	*2*
Total	**37,136,481**	**32,167,462**

The average effective interest rate on customers' sight and term deposits at the Group in 2020 was 0.05% (2019: 0.09%).

8.7.4. Debt securities issued

Details of this heading under "Financial liabilities measured at amortised cost" on the liabilities side of the accompanying consolidated balance sheets are as follows:

	Thousands of Euros	
	2020	**2019**
Marketable debt securities	1,258,137	2,006,783
Subordinated Liabilities	400,621	402,547
Total	**1,658,758**	**2,409,330**

8.7.4.1. Marketable debt securities

Details of this heading on the accompanying consolidated balance sheets by type of financial liability are as follows:

	Thousands of Euros	
	2020	2019
Mortgage covered bonds	5,739,735	5,233,716
Other secured bonds	350,000	350,000
Treasury shares	(4,850,000)	(3,600,000)
Valuation adjustments	18,402	23,067
Total	**1,258,137**	**2,006,783**

The movement of each type of financial liability during 2020 and 2019, without taking into account valuation adjustments, is as follows:

	Thousands of Euros				
	2020				
	Opening balance	Issuances	Repurchases or redemptions	Exchange rate and other adjustments	Closing balance
Debt securities issued in a EU member state that required the registration of a prospectus	**1,983,716**	1,750,000	(2,493,981)	-	**1,239,735**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage covered securities	**1,983,716**	1,750,000	(2,493,981)	-	**1,239,735**
Other non-convertible securities	**-**	-	-	-	**-**
	2019				
	Opening balance	Issuances	Repurchases or redemptions	Exchange rate and other adjustments	Closing balance
Debt securities issued in a EU member state that required the registration of a prospectus	**1,983,716**	-	-	-	**1,983,716**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage covered securities	**1,983,716**	-	-	-	**1,983,716**
Other non-convertible securities	**-**	-	-	-	**-**

In 2020 the Group completed two placements of covered bonds of €1,750,000 thousand, fully retained and assigned to replenish collateral in the asset pledge facility with the Bank of Spain. It also redeemed €743,981 thousand of a covered bond on expiration. The Group issued no bonds in 2019.

Details of issues placed and pending maturity under "Mortgage covered bonds" at 31 December 2020 are as follows:

Date		Thousands of Euros				
Issuance	Maturity	Cash	Treasury shares	Rating	Agency	Interest rate
10/25/2011	10/25/2021	500,000	(500,000)	A3 / AA / BBB+ / AH	Fitch / DBRS /Moody's / Standard & Poor´s	5.50%
1/26/2015	1/26/2022	742,515	-	AA / BBB+ / AH	Standard & Poor´s / Fitch / DBRS	1.25%
1/31/2017	1/31/2022	500,000	(500,000)	AA / BBB+	Standard & Poor´s / Fitch	0.85%
4/14/2016	6/30/2021	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	0.75%
4/14/2016	6/30/2022	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	1.00%
9/15/2017	9/15/2024	750,000	(750,000)	AA	Standard & Poor´s	1.15%
6/7/2018	6/18/2023	497,220	-	AA	Standard & Poor´s	0.88%
5/7/2020	5/7/2025	1,000,000	(1,000,000)	AA	Standard & Poor´s	0.15%
12/21/2020	12/21/2027	750,000	(750,000)	AA	Standard & Poor´s	-
	Total Issuances	**5,739,735**	**(4,500,000)**			

Details of issues placed and pending maturity under "Mortgage covered securities" at 31 December 2019 are as follows:

Date		Thousands of Euros				
Issuance	Maturity	Cash	Treasury shares	Rating	Agency	Interest rate
10/25/2011	10/25/2021	500,000	(500,000)	BBB+ / AH / A3u / AA	Fitch / DBRS / Moody's / Standard & Poor´s	5.50%
1/26/2015	1/26/2022	742,515	-	BBB+ / AH / AA	Fitch / DBRS / Standard & Poor´s	1.25%
10/22/2015	10/22/2020	743,981	-	BBB+ / AH / AA	Fitch / DBRS / Standard & Poor´s	1.00%
4/14/2016	6/30/2020	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	0.55%
4/14/2016	6/30/2021	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	0.75%
4/14/2016	6/30/2022	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	1.00%
1/31/2017	1/31/2022	500,000	(500,000)	BBB+ / AA	Fitch / Standard & Poor´s	0.85%
9/15/2017	9/15/2024	750,000	(750,000)	AA	Standard & Poor´s	1.15%
6/7/2018	6/18/2023	497,220	-	AA	Standard & Poor´s	0.88%
	Total Issuances	**5,233,716**	**(3,250,000)**			

Mortgage covered bond repurchases are intended to increase the volume of discountable securities that the Group holds in its portfolio, which may be deployed in the context of the implementation of European monetary policy.

"Other secured bonds" comprises a single issue, the details of which are as follows:

Date		Thousands of Euros				
Issuance	Maturity	Cash	Treasury shares	Rating	Agency	Interest rate
3/14/2017	3/14/2022	350,000	(350,000)	BBB+	FITCH	0.80%
	Issuance	**350,000**	**(350,000)**			

All of the issues were accepted for trading on the AIAF Fixed Income Market.

The interest accrued at 31 December 2020 and 31 December 2019 on debt securities issued amounted to €22,702 thousand and €24,355 thousand, respectively (Note 26); this interest is included within "Interest expense and similar charges" on the accompanying consolidated statement of profit or loss.

At 31 December 2020, €4,828 thousand of the balance of "Debt securities issued" was pledged under a loan agreement that encumbers securities and other assets concluded with the Bank of Spain (31 December 2019: €7,831 thousand) (Note 8.7.1).

8.7.4.2.Subordinated liabilities

This account included under the heading “Financial liabilities at amortised cost” records the amount of financing received, regardless of the manner in which it is instrumented, and which, for the purposes of creditor ranking, is less senior than that owed to common creditors in accordance with the provisions of Act 13/1985, of 25 May 1985, and Royal Decree 1370/1985, of 1 August 1985.

Details on the accompanying consolidated balance sheet, by type of financial liability and counterparty, are as follows:

	Thousands of Euros	
	2020	**2019**
Subordinated marketable debt securities:	**386,700**	**388,800**
Convertible	-	-
Non-convertible	386,700	388,800
Subordinated deposits	**-**	**-**
Valuation adjustments	**13,921**	**13,747**
Total	**400,621**	**402,547**

The movement in this heading in 2020 and 2019 was as follows:

	Thousands of Euros	
	2020	**2019**
Opening balance	**388,800**	**398,400**
Additions	-	-
Disposals	(2,100)	(9,600)
Transfers	-	-
Closing balance	**386,700**	**388,800**

At 31 December 2020 the Group had several subordinated bonds issues, the details of which are as follows:

Date		Thousands of Euros						
Issuance	**Maturity**	**Nominal**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**	**Issuance**
11/3/2016	11/3/2026	100,000	99,600	-	B/B/BBL	S&P/FITCH/ DBRS	9.00%	Fixed Rate Reset Subordinated Notes due 3 November 2016
6/7/2017	6/7/2027	288,300	287,100	-	B/B/BBL	S&P/FITCH/ DBRS	7.75%	Fixed Rate Reset Subordinated Notes due 7 June 2017
	Total issuances	**388,300**	**386,700**	**-**				

Interest accrued at 31 December 2020 and 31 December 2019 on these subordinated liabilities totalled €31,695 thousand and €32,162 thousand, respectively (Note 26) and they are included under the heading “Interest expenses” on the accompanying consolidated statement of profit or loss.

The Group’s subordinated debt issues are placed under its European Medium Term Notes (EMTN) programme, and are listed on the Irish Stock Exchange. They consist of bonds registered, subject to English law, and settled through Euroclear and Clearstream. Deutsche Bank is the payment agent for these issues.

8.7.5. Other financial liabilities

All of the financial liabilities recorded in this account on the accompanying consolidated balance sheet are classified into the “Financial liabilities at amortised cost” portfolio and therefore they are recognised at amortised cost. This account includes the amount of bonds payable that take the form of financial liabilities not included under other headings.

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

	Thousands of Euros	
	2020	**2019**
Bonds payable	126,530	122,392
Guarantees received	5,602	10,673
Clearing houses	4,462	5,813
Tax collection accounts	142,664	125,867
Special accounts	42,001	48,616
Financial guarantees	15,902	14,358
Other items	70,428	101,629
Total	**407,589**	**429,348**

The liabilities recognised under “Obligations payable” on the accompanying consolidated balance sheet at 31 December 2020 and 31 December 2019 derive from the obligations assumed by the Group in operating leases for remaining lease terms are as follows:

2020	Thousands of Euros							
Obligations for the right of use:	**Total Liabilities**	**Up to 12 Months**	**Between 12 and 18 Months**	**Between 18 and 24 Months**	**Between 24 and 30 Months**	**Between 30 and 36 Months**	**Between 36 and 42 Months**	**More than 42 Months**
Buildings and Commercial Premises	**41,290**	6,830	3,518	3,568	3,887	3,472	3,460	16,555
Rest of spaces	**1,647**	628	287	293	61	60	58	260
Vehicles	**1,677**	724	315	249	159	121	73	36
Total	**44,614**	**8,182**	**4,120**	**4,110**	**4,107**	**3,653**	**3,591**	**16,851**

2019	Thousands of Euros							
Obligations for the right of use:	**Total Liabilities**	**Up to 12 Months**	**Between 12 and 18 Months**	**Between 18 and 24 Months**	**Between 24 and 30 Months**	**Between 30 and 36 Months**	**Between 36 and 42 Months**	**Between 36 and 42 Months**
Buildings and Commercial Premises	**49,874**	7,055	3,592	3,726	3,727	3,865	3,760	24,149
Rest of spaces	**2,380**	648	333	306	286	294	67	446
Vehicles	**1,546**	584	262	254	216	148	61	21
Total	**53,800**	**8,287**	**4,187**	**4,286**	**4,229**	**4,307**	**3,888**	**24,616**

The average discount rate used to determine the obligations payable deriving from operating leases is 3.72% at 31 December 2020 (31 December 2019: 3.73%).

9. Derivatives – Hedge accounting (asset and liability)

This heading on the accompanying consolidated balance sheets records the hedging instruments carried at fair value in accordance with the explanation provided in Note 3.4.

At 31 December 2020 the Group had not recognised any amount under assets for the fair value of derivatives (no amount at 31 December 2019). On the other hand, the fair value of derivatives on the liabilities side totalled €195,974 thousand at 31 December 2020 and €112,743 thousand at 31 December 2019.

The hedged items are:

- Inflation-linked sovereign bonds (linkers) that offer a fixed-rate coupon and a premium on expiration tied to an inflation index; and

- Sovereign bonds with a fixed-rate coupon.

The hedging instruments are inflation derivatives through which the Bank transfers flows received in inflation-linked bonds in exchange for a fixed coupon, in the first case, and fixed/floating interest rate swaps in the second case.

The measurement methods used to determine the fair values of derivatives have been the discounting of cash flows method using discount curves and the estimation of interest rate flows, and also for linkers, estimations of inflation (Black) and seasonality parameters linked to inflation.

The fair value of hedging derivatives is classified in Level 2 because the valuations are calculated on the basis of observable market inputs (Note 8.1).

The notional amounts of financial derivatives recorded under "Derivatives – Hedge accounting" at 31 December 2020 and 31 December 2019 are set out below by counterparty, remaining term and type of risk:

	Thousands of Euros							
	2020				2019			
	Book value		Notional amount		Book value		Notional amount	
	Assets	Liabilities	Total hedges	Of which: sold	Assets	Liabilities	Total hedges	Of which: sold
Interest rate	-	100,107	1,300,000	-	-	-	-	-
Other OTC	-	100,107	1,300,000		-	-	-	
FAIR VALUE HEDGES	-	100,107	1,300,000	-	-	-	-	-
Interest rate	-	95,690	700,000	-	-	112,743	700,000	-
OTC options	-	-	-	-	-	-	-	-
Other OTC	-	95,690	700,000		-	112,743	700,000	
Options on organised markets	-	-	-	-	-	-	-	-
Others on organised markets	-	-	-		-	-	-	
CASH FLOW HEDGES	-	95,690	700,000	-	-	112,743	700,000	-
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	-	-	-	-	-	-	-	-
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	-	177	20,000	-	-	-	-	-
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	-	-	-	-	-	-	-	-
DERIVATIVES-HEDGE ACCOUNTING	-	195,974	2,020,000	-	-	112,743	700,000	-
Of which: OTC – credit institutions	-	195,974	2,020,000		-	63,825	300,000	
Of which: OTC – other financial corporations	-	-	-		-	-	-	
Of which: OTC – others	-	-	-		-	48,919	400,000	

In order to hedge the interest rate risk associated with the value of mortgages, the Group decided to arrange and retain 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 2020 the result of the fair-value adjustment to loans and receivables was €162 thousand, which was fully hedged by the changes in the fair value of the hedging derivatives.

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

The details of this heading on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
Property, plant and equipment for own use	**27,593**	**28,199**
Acquisition cost	31,690	32,720
Impairment allowances	(4,097)	(4,521)
Investment property	**19,298**	**17,980**
Acquisition cost	25,136	23,211
Accumulated depreciation	(2,006)	(1,939)
Impairment allowances	(3,832)	(3,292)
Property, plant and equipment foreclosed	**271,335**	**303,122**
Acquisition cost	331,430	358,942
Accumulated depreciation	(1,946)	(1,934)
Impairment allowances	(58,149)	(53,886)
Total	**318,226**	**349,301**

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	
Property, plant and equipment	2020	2019	2020	2019	2020	2019	2020	2019
Property, plant and equipment for own use	1,059	1,060	30,631	31,660	-	-	-	-
Property, plant and equipment foreclosed	262,849	254,883	53,419	74,914	7,955	17,259	5,261	9,952
Investment property	4,925	4,651	16,522	14,938	672	673	1,011	1,010
Total	**268,833**	**260,594**	**100,573**	**121,512**	**8,627**	**17,932**	**6,272**	**10,962**

The fair value of the tangible assets recorded in this heading at 31 December 2020 and 2019, matches the book value.

Movements in these headings on the consolidated balance sheet, without taking into account impairment losses, during 2020 and 2019, are as follows:

	Thousands of Euros		
	Property, plant and equipment for own use	Foreclosed	Investment property
Cost			
Balance at 31 December 2018	**34,866**	**427,014**	**23,918**
Additions	-	32,292	-
Disposals	(1,862)	(100,044)	(296)
Transfers (Note 12) y (Note 16)	(284)	(320)	(412)
Balance at 31 december 2019	**32,720**	**358,943**	**23,210**
Additions	-	19,546	-
Disposals	(723)	(44,975)	(463)
Transfers (Note 12) y (Note 16)	(307)	(2,084)	2,389
Balance at 31 december 2020	**31,690**	**331,430**	**25,136**
Accumulated depreciation			
Balance at 31 December 2018	**-**	**(1,980)**	**(2,021)**
Additions	-	-	-
Disposals	-	356	13
Transfers (Note 12) y (Note 16)	-	(311)	70
Balance at 31 december 2019	**-**	**(1,935)**	**(1,938)**
Additions	-	-	-
Disposals	-	156	10
Transfers (Note 12) y (Note 16)	-	(167)	(78)
Balance at 31 december 2020	**-**	**(1,946)**	**(2,006)**

The average sale period for foreclosed assets obtained in lieu of payment of debt is two years.

At 31 December 2020 sales and write-offs of certain tangible assets generated gains totalling €6,033 thousand (€6,126 thousand at 31 December 2019) and losses totalling €12,717 thousand (€15,701 thousand at 31 December 2019) (Note 26).

During the year loans were granted to finance the sale of tangible assets foreclosed by the Group totalling €24,307 thousand (€48,895 thousand in 2019). The average percentage financed compared with the total amount of inventories sold at 31 December 2020 was 70.11% (56.36% in 2019). There were no unrecognised gains on the sale of these assets at 31 December 2020 or 31 December 2019.

In 2019 the Group sold a portfolio of residential real estate assets (dwellings, car parks and store rooms) to Norcia Inversiones, S.L., Ronsho Properties, S.L. and Nyesa Valores Corporación, S.A. for a total sum of €40,054 thousand (Note 1.7).

Impairment losses recognised for assets classified in this balance sheet heading in 2020 and 2019 are as follows:

	Thousands of Euros		
	Property, plant and equipment for own use	Foreclosed	Investment property
Balance at 31 December 2018	**(5,040)**	**(67,258)**	**(3,388)**
Allowances recognised in profit or loss (Note 26)	(50)	(12,805)	(16)
Recovered funds (Note 26)	26	9,569	-
Cancellation due to use, transfers and others	543	16,608	112
Balance at 31 december 2019	**(4,521)**	**(53,886)**	**(3,292)**
Allowances recognised in profit or loss (Note 26)	-	(15,119)	-
Recovered funds (Note 26)	-	4,556	-
Cancellation due to use, transfers and others	422	6,300	(539)
Balance at 31 december 2020	**(4,097)**	**(58,149)**	**(3,831)**

11. Investments in joint ventures and associates

This heading on the accompanying consolidated balance sheets comprises the value of shareholdings in associates whose details, together with important information at 31 December 2020 and 2019, are included in Appendix I.

	Thousands of Euros	
	2020	2019
Associates	**101,357**	**118,938**
Securities held by the entity	101,357	118,938
Valuation adjustments:		
Impairment allowances	-	-
Total	**101,357**	**118,938**

In 2020 and 2019 the "Investments in subsidiaries, joint ventures and associates" heading reflected the value of investments accounted for using the equity method and had the following movements:

	Thousands of Euros	
	2020	2019
Opening balance	**118,938**	**97,426**
Additions due to transfers, acquisitions and capital increases	-	5,340
Sale of shares and refund of contributions	(55,092)	(25,442)
Share of profit/(loss) of entities accounted for using the equity method	34,839	38,435
Other consolidation movements	2,672	3,179
Closing balance	**101,357**	**118,938**

The results of entities accounted for using the equity method at 31 December 2020 and 31 December 2019 totalled €34,839 thousand and €38,435 thousand, respectively (Note 26).

There were no additions of companies to this heading in 2020.

The most significant additions in 2019 corresponded to the disbursements in: GCC Establecimiento Financiero de Crédito, S.A. to increase capital; Parque Científico-Tecnológico de Almería, S.A. for called-up capital; and Giesmed Parking, S.L. on incorporation due to its reclassification from subsidiary to associate.

Details of investments at 31 December 2020 and at 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
Cajamar Vida, S.A. de seguros y reaseguros	31,386	52,882
Agrocolor, S.L	848	778
Murcia Emprende, S.C.R, S.A.	519	696
Hábitat Utiel, S.L.	1	1
Giesmed Parking, S.L.	1,845	2,032
Biocolor, S.L.	329	380
Cajamar Seguros Generales, S.A	10,680	11,985
GCC Consumo Establecimiento Financiero de Crédito, S.A.	49,979	44,049
Parque de Innovación y Tecnológico de Almería, S.A.	5,682	6,037
Proyecta Ingenio, S.L.	5	14
Renovables la Unión, S.C.P.	84	84
Total	**101,357**	**118,938**

At 31 December 2020 and 31 December 2019 there were no balance for profits from the sale of shareholdings pending recognition, due to the financing of the sales.

Grupo Cajamar has signed a bancassurance agreement with Cajamar Seguros Generales to sell insurance. In 2018, it was proposed that the agreement be extended/novated to boost sales under a new business plan. 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 rights to collect the technical commission for the period – generated as per the prior agreement – have also been sold at a fixed, outright price.

12. Tangible assets

Details of this heading on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
For own use		
Amortised cost		
Computer hardware	42,661	41,487
Furniture, installations and other	130,314	122,071
Of which: Capitalised rights to use in leases	*1,593*	*1,477*
Buildings	558,383	568,082
Of which: Capitalised rights to use in leases	*41,467*	*51,250*
Construction in progress	25,802	20,104
Other properties	24,908	25,225
Accumulated impairment	(699)	-
Total	**781,369**	**776,969**

	Thousands of Euros	
	2020	2019
For social projects		
Amortised cost		
Furnishings and fixtures	78	76
Constructions	2,108	2,168
Accumulated impairment	-	-
Total	**2,186**	**2,244**

	Thousands of Euros	
	2020	**2019**
Investment property		
Amortised cost		
Furniture, vehicles and other fixtures	1,342	1,218
Buildings	201,376	194,994
Rural properties, land and plots	92,831	91,985
Accumulated impairment	(33,069)	(32,954)
Total	**262,480**	**255,243**

The breakdown of tangible assets for own use recorded under this heading on the consolidated balance sheet and movements during 2020 and 2019 are as follows:

	Thousands of Euros					
	Own use					
	Computer hardware	**Furniture, fixtures and other**	**Buildings**	**Construction in progress**	**Other properties**	**Total**
Cost						
Balance at 31 December 2018	**191,699**	**503,522**	**627,280**	**12,300**	**31,632**	**1,366,433**
Additions	14,296	30,514	54,152	13,298	(260)	112,000
Disposals	(2,001)	(22,142)	(2,713)	-	-	(26,856)
Transfers (Note 10) (Note 16)	-	703	8,120	(5,494)	-	3,329
Balance at 31 december 2019	**203,994**	**512,597**	**686,839**	**20,104**	**31,372**	**1,454,906**
Additions	12,723	29,364	7,091	11,892	-	61,070
Disposals	(88)	(6,003)	(15,502)	-	-	(21,593)
Transfers (Note 10) (Note 16)	2	1,289	6,243	(6,194)	-	1,340
Other Movements	9,562	-	-	-	-	9,562
Balance at 31 december 2020	**226,193**	**537,247**	**684,671**	**25,802**	**31,372**	**1,505,285**
Accumulated depreciation						
Balance at 31 December 2018	**(152,884)**	**(388,003)**	**(110,103)**	**-**	**(6,021)**	**(657,011)**
Additions (Note 26)	(10,417)	(19,921)	(8,287)	-	(318)	(38,943)
Disposals	2,376	21,881	333	-	192	24,782
Transfers (Note 10) (Note 16)	-	-	(700)	-	-	(700)
Other Movements	(1,582)	(4,483)	-	-	-	(6,065)
Balance at 31 december 2019	**(162,507)**	**(390,526)**	**(118,757)**	**-**	**(6,147)**	**(677,937)**
Additions (Note 26)	(12,120)	(21,070)	(8,327)	-	(316)	(41,833)
Disposals	68	4,653	806	-	(1)	5,526
Transfers (Note 10) (Note 16)	-	10	(10)	-	-	-
Other Movements	(8,973)	-	-	-	-	(8,973)
Balance at 31 december 2020	**(183,532)**	**(406,933)**	**(126,288)**	**-**	**(6,464)**	**(723,217)**

* Cost includes the value of rights-of-use, net of depreciation.

Movements in valuation adjustments for impairment of tangible assets for own use in 2020 and 2019 were as follows:

Own use	Thousands of Euros					
Impairment losses	**Computer hardware**	**Furniture, fixtures and other**	**Buildings**	**Construction in progress**	**Other properties**	**Total**
Balance at 31 December 2018	**-**	**-**	**-**	**-**	**-**	**-**
Allowances recognised in profit or loss	-	-	-	-	-	-
Recovered funds	-	-	-	-	-	-
Cancellation due to use, transfers and others	-	-	-	-	-	-
Balance at 31 december 2019	**-**	**-**	**-**	**-**	**-**	**-**
Allowances recognised in profit or loss	-	-	(704)	-	-	(704)
Recovered funds	-	-	5	-	-	5
Cancellation due to use, transfers and others	-	-	-	-	-	-
Balance at 31 december 2020	**-**	**-**	**(699)**	**-**	**-**	**(699)**

Details of capitalised rights-of-use in leases included in tangible assets for own use under this heading on the consolidated balance sheets and movements in 2020 are as follows:

	Capitalised rights to use in leases			
	Business units	Other	Vehicles	Total
Cost				
Balance at 31 December 2018	**-**	**-**	**-**	**-**
First-time application of IFRS 16 at 01/01/2019	54,863	2,670	1,523	59,056
Additions	3,454	127	500	4,081
Disposals	(1,758)	(56)	(19)	(1,833)
Transfers	(2)	2	-	-
Balance at 31 december 2019	**56,557**	**2,743**	**2,004**	**61,304**
Additions	2,475	89	806	3,370
Disposals	(5,128)	(260)	(59)	(5,447)
Transfers	(182)	182	-	-
Balance at 31 december 2020	**53,722**	**2,754**	**2,751**	**59,227**
Accumulated depreciation				
Balance at 31 December 2018	**-**	**-**	**-**	**-**
Additions	(7,731)	(438)	(531)	(8,700)
Disposals	114	4	4	122
Transfers	-	-	-	-
Balance at 31 december 2019	**(7,617)**	**(434)**	**(527)**	**(8,578)**
Additions (Note 26)	(7,324)	(643)	(689)	(8,656)
Disposals	946	61	60	1,067
Transfers	214	(214)	-	-
Balance at 31 december 2020	**(13,781)**	**(1,230)**	**(1,156)**	**(16,167)**

There were no impairment losses on tangible assets for own use at 31 December 2020 or 31 December 2019.

The breakdown of investment property, operating leases and assets assigned to the Education and Development Fund recorded under this heading on the consolidated balance sheet and the movements during 2020 and 2019, 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 2018	**1,369**	**265,583**	**97,517**	**2,876**	**3,610**
Additions	393	1,119	14,736	-	-
Disposals	-	(39,001)	(36,205)	(11)	-
Transfers (Note 10) (Note 16)	-	(17,509)	15,937	-	-
Balance at 31 december 2019	**1,762**	**210,192**	**91,985**	**2,865**	**3,610**
Additions	324	727	21,334	20	-
Disposals	-	(44,886)	(13,292)	-	-
Transfers (Note 10) (Note 16)	-	53,652	(7,196)	-	-
Balance at 31 december 2020	**2,086**	**219,685**	**92,831**	**2,885**	**3,610**
Accumulated depreciation					
Balance at 31 December 2018	**(386)**	**(25,342)**	**-**	**(2,778)**	**(1,381)**
Additions (Note 26)	(158)	(4,793)	-	(20)	(60)
Disposals	-	12,569	-	9	-
Transfers (Note 10) (Note 16)	-	2,368	-	-	-
Balance at 31 december 2019	**(544)**	**(15,198)**	**-**	**(2,789)**	**(1,441)**
Additions (Note 26)	(200)	(4,237)	-	(19)	(60)
Disposals	-	881	-	-	-
Transfers (Note 10) (Note 16)	-	245	-	-	-
Balance at 31 december 2020	**(744)**	**(18,309)**	**-**	**(2,808)**	**(1,501)**
Impairment losses					
Balance at 31 December 2018	**-**	**(47,626)**	**(3,235)**	**-**	**-**
Allowances recognised in profit or loss	-	(4,399)	(36)	-	-
Recovered funds	-	17,910	91	-	-
Cancellation due to use, transfers and others	-	1,563	2,778	-	-
Balance at 31 december 2019	**-**	**(32,552)**	**(402)**	**-**	**-**
Allowances recognised in profit or loss	-	(13,675)	(676)	-	-
Recovered funds	-	5,387	4,511	-	-
Cancellation due to use, transfers and others	-	8,253	(3,915)	-	-
Balance at 31 december 2020	**-**	**(32,587)**	**(482)**	**-**	**-**

At 31 December 2020 sales and write-offs of certain tangible assets generated gains totalling €2,608 thousand (€6,423 thousand at 31 December 2019) and losses totalling €4,886 thousand (€15,820 thousand at 31 December 2019) (Note 26).

At 31 December 2020 the Group granted financing on the sale of certain assets for a total of €5,975 thousand, which represents 55.71% of the average total sales carried out during the year (31 December 2019: €40,354 thousand, representing 62.39% of total sales during the year).

At 31 December 2020 and 31 December 2019 the Group had no unrecognised gains from financing on the sale of certain assets classified as investment property.

At 31 December 2020 the Group has commitments to acquired assets totalling €709 thousand (€1,551 thousand at 31 December 2019).

Fully depreciated assets still in use by the Group at 31 December 2020 totalled €472,872 thousand (€476,951 thousand at 31 December 2019).

The fair value of property for own use and investment property matches their book value.

Rental income from investment property amounted to €7,874 thousand at 31 December 2020 (€8,395 thousand at 31 December 2019) (Note 29). Operating expenses recognised in connection with these investments amounted to €841 thousand in 2020 (€868 thousand in 2019) (Note 26).

13. Intangible assets

Details of this heading on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Goodwill	54,741	65,689
Computer software	221,315	140,071
Administrative concessions	18,502	18,502
Other intangible assets	1,635	1,618
Total, gross	**296,193**	**225,880**
Accumulated amortisation	(89,175)	(40,055)
Impairment losses	(6,386)	(6,386)
Total, net	**200,632**	**179,439**

The movement in computer software, administrative concessions and other intangible assets under this heading of the consolidated balance sheet in 2020 and 2019 was as follows:

	Thousands of Euros	
Cost	**2020**	**2019**
Opening balance	**160,191**	**128,812**
Additions	41,854	35,406
Disposals	(173)	(4,027)
Other	17	-
Closing balance	**201,889**	**160,191**
Accumulated amortisation		
Opening balance	**(40,055)**	**(37,739)**
Additions	(8,097)	(4,246)
Disposals	2	1,930
Other	(1,462)	-
Closing balance	**(49,612)**	**(40,055)**
Impairment losses		
Opening balance	**(6,386)**	**(6,386)**
Allowances recognised in profit or loss	-	-
Recovered funds	-	-
Cancellation due to use, transfers and others	-	-
Closing balance	**(6,386)**	**(6,386)**
Total, net	**145,891**	**113,750**

The goodwill was generated in the merger of Cajamar Caja Rural Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito in November 2012, which led to the incorporation of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. The differences between the fair value of the new Bank's instruments and Ruralcaja's own funds gave rise to goodwill, as well as intangible assets whose carrying amount was fully amortised.

The International Accounting Standards adopted by the European Union (EU-IFRS) and in particular International Accounting Standard 36 (IAS 36) require goodwill to be tested for impairment on at least an annual basis. IAS 36.80 establishes that to analyse impairment of goodwill, the goodwill must be allocated to the cash-generating units (CGUs) expected to benefit from the synergies of the business combination. Thus, each CGU to which part of the goodwill is allocated should:

- Represent the lowest level at which the goodwill is monitored for internal management purposes; and
- Not be larger than an operating segment determined in accordance with IFRS 8.

In general, an impairment loss is recognised only if the recoverable amount of the CGU to which goodwill has been allocated is lower than its carrying amount.

In this regard and taking into account the reorganisation measures implemented by the Group to streamline the business, consisting basically of (i) completing the integration of the branch networks of the entities merged in recent years; (ii) optimising costs; and (iii) reallocating the branch network from some CGUs to others, the goodwill was allocated to five CGUs, in proportion to their fair values. Once the impairment losses on goodwill associated with each CGU identified in prior years (five CGUs) had been recognised, the Group decided to fully write down the goodwill associated with two of these. At 31 December 2020 the Group therefore calculated the value in use of the remaining four CGUs. The methodology used was the "dividend discount" model, determined as the sum of the present value of future flows of dividends and the current residual value.

The assumptions used were based on:

- The projection of the financial statements from the business plan prepared by the Group;
- The application of net interest income ratios to total average assets during the most recent projected periods; and
- Stable growth in profitable loans, stability of doubtful and impaired loans.
- Residual value has been determined factoring in:
    - The tax rates to which the Group is subject;
    - The BIS III capital requirements and density of RWAs of the Group;
    - The cost of equity using the capital asset pricing model (CAPM) methodology of 11.25% in a baseline scenario and a sensitivity analysis of +/- 25 b.p.; and
    - Perpetuity growth rates (g) in a baseline scenario of 1.4% and a sensitivity analysis of +/- 20 b.p.

The Group has compared each CGU's value-in-use range with its carrying amount; on the basis of the assumptions considered and the methodology employed, probable impairment of goodwill amounting to between €8.7 million and €15.2 thousand was observed at 31 December 2020. Using these assumptions, estimated value in use is sufficient to cover the range of probable impairment of the own funds of the CGUs to which the goodwill relates. Group management opted to consider a mid-range scenario, recognising goodwill impairment of €10.99 million on the consolidated statement of profit or loss (Note 26).

A sensitivity analysis of this valuation was performed for reasonably possible changes to the key valuation variables (distributable cash flow used to calculate the terminal value, perpetuity growth rate of that cash flow and discount rate), and it was found that such changes would not result in significant additional impairment losses on top of those already recorded.

Fully amortised intangible assets comprising "Computer software" and "Administrative concessions" still in use by the Group at 31 December 2020 totalled €50,040 thousand (€50,039 thousand at 31 December 2019).

14. Provisions

Details of this heading on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Pensions and other post-employment defined benefit obligations	6,943	5,775
Other long-term employee benefits	1,772	2,100
Commitments and guarantees given	10,997	7,330
Loan commitments given	*3,736*	*2,510*
Financial guarantees given	*3,486*	*1,110*
Other commitments given	*3,775*	*3,710*
Pending legal issues and tax litigation	28	28
Other provisions	61,805	59,683
Total	**81,545**	**74,916**

14.1. Pensions and other post-employment defined benefit obligations and Other long-term employee benefits

The breakdown of the consolidated balance sheet items recognised under assets and liabilities for defined benefit pension commitments is as follows:

	Thousands of Euros	
	2020	**2019**
Other assets – Net pension plan assets	(110)	(166)
Provisions – Provisions for pensions and similar obligations	8,715	7,875

The present value of the commitments based on the assumptions indicated in Note 3.20, applied to post-employment benefits by the Group and the manner in which these commitments were hedged, giving rise to the aforementioned consolidated balance sheet items, is as follows:

	Thousands of Euros							
	2020				**2019**			
	Active and retired employees		**Early retirees**	**Other commitments**	**Active and retired employees**		**Early retirees**	**Other commitments**
	Other assets	**Provisions**	**Provisions**		**Other assets**	**Provisions**	**Provisions**	
Present value of obligations:								
Commitments accrued with active employees	791	49,033	-	-	1,072	44,538	-	-
Commitments accrued with early retired employees	-	-	1,772	-	-	-	2,100	-
Commitments with retired employees	955	25,525	-	-	1,296	25,844	-	-
Fair value of plan net assets (-):								
Pension plan assets	(156)	(35,781)	-	-	(429)	(33,562)	-	-
Insurance contract	(1,700)	(31,834)	-	-	(2,105)	(31,045)	-	-
Actuarial gains not recognised on the balance sheet (+)	-	-	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (+)	-	-	-	-	-	-	-	-
Cost of past services not yet recognised on the balance sheet (-)	-	-	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (+)	-	-	-	-	-	-	-	-
(Other assets) / Provisions recognised on the balance sheet	**(110)**	**6,943**	**1,772**	**-**	**(166)**	**5,775**	**2,100**	**-**

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

	Thousands of Euros							
	2020				2019			
	Active and retired employees		Early retirees	Other commitments	Active and retired employees		Early retirees	Other commitments
	Other assets	Provisions	Provisions		Other assets	Provisions	Provisions	
(Other assets) / Provisions – opening balance	**(166)**	**5,775**	**2,100**	**-**	**(245)**	**7,006**	**3,094**	**-**
Allocations made during the period	30	2,138	1	-	49	2,119	13	-
Gains and losses on other long-term employee benefits	-	-	419	-	-	-	17	-
Actuarial gains and losses adjusted to equity	17	13	-	-	49	(371)	-	-
Recovered funds	-	-	-	-	-	-	-	-
Other movements	21	(20)	1	-	5	(6)	-	-
Cash outflows	(12)	(963)	(749)	-	(24)	(2,973)	(1,024)	-
(Other assets) / Provisions – closing balance	**(110)**	**6,943**	**1,772**	**-**	**(166)**	**5,775**	**2,100**	**-**

Details of total income and expenses recognised on the consolidated statements of profit or loss at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Staff expenses – Appropriations to defined benefit plans (Note 26)	(2,111)	(2,106)
Pension fund interest expense (Note 26)	(935)	(945)
Interest income – Yield on plan assets (Note 26)	860	844
Appropriations to pension funds and similar obligations (Note 26)(*)	(402)	-
Accounting income/(expense)	**(2,588)**	**(2,207)**

(*) Includes the balances corresponding to payments to retirees, which have no balancing entry under net pension plan assets or provisions for pensions and similar obligations.

The contributions to the external pension plan for defined benefit pension commitments made by the Group at 31 December 2020 and 31 December 2019 totalled €12,931 thousand and €13,102 thousand. They have been recorded under the heading "Staff expenses" on the consolidated statement of profit or loss for those years (Note 26).

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 consolidated balance sheet and movement in 2020 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 december 2019	**3,094**	**1,226**	**3,010**	**7,330**
Increases due to origination and acquisition	3,121	63	11	3,195
Decreases due to derecognitions	(485)	(413)	(297)	(1,195)
Changes due to variation in credit risk (net)	(680)	806	1,790	1,916
Changes due to modifications with no derecognitions (net)	7	(27)	(2)	(22)
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans writter	-	-	(31)	(31)
Other adjustments	9	3	(208)	(196)
Balance at 31 december 2020	**5,066**	**1,658**	**4,273**	**10,997**

Changes in gross exposures and impairment during 2020 are as follows:

	Thousands of Euros			
Transfers of commitments and financial guarantees given, gross:	**From Phase 1:**	**From Phase 2:**	**From Phase 3:**	**Total**
To Phase 1:		20,171	781	**20,952**
To Phase 2:	67,692		1,753	**69,445**
To Phase 3:	3,950	523		**4,473**
Transfers of provisions:				
To Phase 1:		31	5	**36**
To Phase 2:	1,195		11	**1,206**
To Phase 3:	1,044	7		**1,051**

Details of this heading on the consolidated balance sheet and movement in 2019 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	**Phase 2**	**Phase 3**	**Total allowance**
Balance at 31 December 2018	**7,937**	**1,990**	**1,980**	**11,907**
First-time application of IFRS 9	-	-	-	-
Adjusted balance at 1 January 2019	**7,937**	**1,990**	**1,980**	**11,907**
Increases due to origination and acquisition	1,398	17	-	1,415
Decreases due to derecognitions	(2,513)	(145)	(378)	(3,036)
Changes due to variation in credit risk (net)	(3,729)	(636)	1,435	(2,930)
Changes due to modifications with no derecognitions (net)	4	-	-	4
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans writter	-	-	(11)	(11)
Other adjustments	(3)	-	(16)	(19)
Balance at 31 december 2019	**3,094**	**1,226**	**3,010**	**7,330**

Changes in gross exposures and impairment during 2019 are as follows:

	Thousands of Euros			
Transfers of commitments and financial guarantees given, gross:	**From Phase 1:**	**From Phase 2:**	**From Phase 3:**	**Total**
To Phase 1:		49,948	792	**50,740**
To Phase 2:	15,370		121	**15,491**
To Phase 3:	2,711	3,123		**5,834**
Transfers of provisions:				
To Phase 1:		82	1	**83**
To Phase 2:	195		-	**195**
To Phase 3:	20	-		**20**

This heading includes the amount of provisions created to cover contingent risks, which are understood to be those transactions in which the Group 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 22).

14.3. Provisions for legal issues and tax litigation

The Group has recognised under this heading a balance of €28 thousand at 31 December 2020 (31 December 2019: €28 thousand) (Note 3.12) to cover possible legal and tax contingencies.

14.4. Other provisions

In this account the Group 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 Group 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 Group believes, will result in a probable payment.
- Other liabilities, estimating probable payments deriving from the Group's normal activities.

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

	Thousands of Euros			
	Market	**Miscellaneous**	**Other responsibilities**	**Total**
Opening balances 31 December 2018	**4,638**	**4,840**	**39,892**	**49,370**
Allocations made during the period (Note 26)	10,567	5,403	42,647	**58,617**
Recovered funds (Note 26)	(8)	(23)	(975)	**(1,006)**
Funds used and other movements	(8,943)	(4,059)	(34,296)	**(47,298)**
Opening balances 31 december 2019	**6,254**	**6,161**	**47,268**	**59,683**
Allocations made during the period (Note 26)	6,824	5,119	27,642	**39,585**
Recovered funds (Note 26)	(134)	(49)	(1,140)	**(1,323)**
Funds used and other movements	(7,392)	(2,443)	(26,304)	**(36,140)**
Closing balances 31 december 2020	**5,552**	**8,788**	**47,466**	**61,805**

In 2013, the Group eliminated the so-called 'mortgage floors' on all the mortgages affected by the Spanish Supreme Court judgment of 9 May 2013. Without prejudice to the foregoing, with the aim of covering the contingency related to potential lawsuits in the wake of the recent sentence (21 December 2016) issued by the EU Court of Justice, the Group estimated in prior years the maximum cost deriving from having to reimburse all the interest charges related with the mortgage floor on all the mortgage loans to consumers retrospectively. Having evaluated the claims lodged by customers, the provision has been re-estimated and an amount of €6,600 thousand booked for the year. Payments to customers have been made during the year, which, along with the administrative expenses incurred in managing claims, totalled €7,143 thousand. At 31 December 2020 the Group therefore has a provision for this contingency of €5,489 thousand, in the market risk category, which is considered to be sufficient to cover any estimated future claims (Note 3.12).

The Group has set aside a provision of €8,490 thousand for sundry risks to cover the self-insurance fund at 31 December 2020 (€5,392 thousand at 31 December 2019).

At 31 December 2020 the Group had a provision for "Other liabilities" of €1,912 thousand (€1,924 thousand at 31 December 2019), to adequately cover the commitments arising from the Collective Merger, Restructuring and Labour Framework Agreement subscribed by the Group's Management and all the trade union representatives on 27 December 2012. This included a workforce restructuring plan, the most relevant measure of which is a voluntary early retirement plan orientated to those employees who are at least 55 years old (53 years old in the case of those located in the Autonomous Community of Valencia).

In 2015, a restructuring plan was implemented in the Group to manage the surplus workforce, resulting in 227 lay-offs through voluntary measures only, consisting of voluntary redundancies and contract suspensions until June 2016; voluntary mobility measures have also allowed staffing needs to be rebalanced in each of the Bank's territories. A provision for "Other liabilities" of €5,083 thousand therefore existed at 31 December 2020 (€5,663 thousand at 31 December 2019).

In 2017 the Group recognised a provision for "Other liabilities" to cover the special discretionary paid leave for employees born before 31 December 1963 who have worked for at least three of the last five years. The net provision charged against profit or loss for 2020 totalled €23,475 thousand (31 December 2019: €24,343 thousand).

At 31 December 2020 the Group had set aside provisions for "Other liabilities" in connection with several judicial proceedings – likely to give rise to liabilities – totalling €15,691 thousand (31 December 2019: €14,915 thousand).

15. Tax assets and liabilities – Corporate income tax

The breakdown of tax assets and liabilities at 31 December 2020 and 31 December 2019, respectively, is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2020	2019	2020	2019
Current taxes	**52,641**	**59,133**	**25,742**	**20,511**
Deferred taxes	**1,099,258**	**1,074,457**	**55,887**	**59,065**
For temporary differences:	**831,002**	**831,841**	**55,887**	**59,065**
Goodwill on the acquisition of assets	487	553	-	-
Impairment losses on assets	82,678	98,814	-	-
Pension funds and other insurance	48,252	47,349	-	-
Unaccrued fees, Bank of Spain Circular 4/2004	218	227	-	-
Early retirement and dismissal fund	6,944	6,939	-	-
Impairment losses on loans	588,383	575,337	998	1,477
Funds and provisions created	21,865	21,528	-	-
Excess amortisation/depreciation charge	4,937	6,112	-	-
Undervaluations of financial assets at fair value through other comprehensive income	3,207	2,402	-	-
Revaluation of properties	-	-	43,439	44,260
Revaluation of financial assets at fair value through other comprehensive income	-	-	11,434	13,311
Actuarial gains and losses	2,613	2,601	16	17
Fair value of loans and other	58,697	58,918	-	-
Limitation of the deduction of finance expenses	9,760	8,668	-	-
Other	2,961	2,393	-	-
Tax loss carryforwards	**261,472**	**238,735**	-	-
Tax deductions and credits	**6,784**	**3,881**	-	-
	1,151,899	**1,133,590**	**81,629**	**79,576**

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 consolidated balance sheet.

Movements in deferred tax assets and liabilities in 2020 and 2019 are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2020	2019	2020	2019
Opening balance	**1,074,457**	**1,084,116**	**59,065**	**55,276**
Prior year adjustments	1,724	2,803	(103)	(119)
Corporate income tax for the year	-	-	-	-
Impairment losses on assets	(4,375)	(967)	-	261
Goodwill	(71)	(70)	-	-
Pension funds and other insurance	905	(90)	-	-
Impairment losses on financial assets at amortised cost	4,123	(3,027)	(478)	530
Unaccrued fees, Bank of Spain Circular 4/2001	(9)	(10)	-	-
Funds and provisions created	172	3,218	-	-
Early retirement fund	4	41	-	-
Excess amortisation/depreciation charge (Act 16/2012)	(1,224)	(1,205)	-	-
Tax loss carryforwards	14,419	(1,945)	-	-
Deductions and credits	1,439	(70)	-	-
Revaluation of properties	-	-	(964)	(575)
Intangible assets and other	-	(7)	-	-
Other	17	-	-	(91)
Transfers and other				
Fair value of financial assets at fair value through other comprehensive income	803	(12,393)	(1,505)	4,092
Actuarial gains and losses	13	(99)	(1)	(5)
Change in current tax assets and liabilities	(4,890)	(4,979)	-	2
Change in payables to group companies	(1,050)	2	-	-
Other	12,801	9,139	(127)	(306)
Closing balance	**1,099,258**	**1,074,457**	**55,887**	**59,065**

Banco de Crédito Social Cooperativo, S.A. and the subsidiaries that meet the requirements of corporate income tax regulations to form a tax consolidated group for corporate income tax purposes agreed to apply the special tax consolidation scheme established in Corporate Income Tax Act 27/2014 with effect from 2016. Accordingly, the Bank and all the entities in which it owns a direct or indirect shareholding of at least 75% and the majority of voting rights form a consolidated group for corporate income tax purposes. However, the savings banks that form part of the Group file their corporate income tax returns separately, i.e., they are not part of the consolidated tax group headed up by Banco de Crédito Cooperativo, which is why it is not possible to derive consolidated tax base for the Group.

Pursuant to Act 20/1990 on the tax regime applicable to cooperatives, the adjustments made in respect of loan losses and other asset impairment charges, and contributions to employee benefit schemes, including early retirement schemes (which give rise to monetisable tax assets) corresponding to the savings banks are made to gross tax payable and not the tax base.

The table below reconciles accounting profit and taxable income for 2020 and 2019:

	Thousands of Euros	
	2020	**2019**
Aggregate profit/(loss) before tax	**20,541**	**173,205**
Permanent differences:	**14,796**	**(5,492)**
Appropriation to Community Projects Fund	(1,352)	(3,803)
Mandatory Reserve Fund	(1,589)	(4,502)
Interest on share capital contributions	-	(37,070)
Dividends and other	(41,359)	(34,626)
Other provisions	59,096	74,509
Adjusted accounting profit/(loss) after permanent differences	**35,337**	**167,713**
Temporary differences:	**(60,661)**	**(39,863)**
Impairment losses on assets	(17,357)	(17,603)
Goodwill	(271)	(271)
Impairment losses on loans	(27,558)	(32,367)
Unaccrued fees, Bank of Spain Circular 4/2001	(31)	(39)
Funds and provisions created	513	12,262
Excess amortisation/depreciation charge (Act 16/2012)	(4,667)	(4,667)
Revaluation of properties	2,253	2,221
Portfolio valuation adjustments	(234)	-
Limitation of the deduction of financial expenses	(1,000)	(1,000)
Financial assets at fair value through other comprehensive income	(12,309)	1,601
Tax base before offset	**(25,324)**	**127,851**
Gross tax payable	55,108	132,450
Gross tax refundable	(80,432)	(4,599)
Losses due to defaults (Articles 11, 12 of nish Corporate Income Tax Act (LIS))	**6,399**	**2,057**
Tax base before offset of tax loss carryforwards	**(18,925)**	**129,908**
Gross tax payable	55,108	134,506
Gross tax refundable	(74,033)	(4,599)
Offset of prior years' tax loss carryforwards	**(14,826)**	**(32,678)**
Tax base	**(33,751)**	**97,230**
Gross tax payable (30%-25%)	**(9,038)**	**28,649**
Gross tax payable	9,986	29,151
Gross tax refundable	(19,024)	(502)
Monitisable tax asset expenses and losses (applied to tax payable)	**14,717**	**(3,086)**
Impairment losses on loans	19,480	2,413
Pension funds and other insurance	(4,763)	(5,499)
Application of the limit on monetisable tax assets	126	5,703
Tax payable (30%-25%)	**5,805**	**31,266**
Gross tax payable	23,786	31,657
Gross tax refundable	(17,981)	(390)
Tax credits for tax loss carryforwards	(3,617)	(1,974)
Deductions and credits	(11)	(18)
Withholdings and payments on account	(35,886)	(55,022)
Tax payable/(refundable)	**(15,728)**	**(25,357)**

The breakdown of corporate income tax included on the consolidated statement of profit or loss for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	**2019**
Tax payable (30%-25%)	8,082	24,922
Deductions and credits	(1,500)	-
Adjustments to prior year corporate income tax	(12,671)	(2,867)
Consolidation adjustment, portfolio standardisation	5,414	(1,138)
Corporate income tax	**(675)**	**20,917**

The Group 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 2020 and 2019 statements of profit or loss, the Group has recognised the following amounts in equity (deferred taxes) for the following concepts:

	Thousands of Euros	
	2020	**2019**
Fair value of tangible assets	43,304	44,260
Fair value of financial assets at fair value through other comprehensive income (revaluation)	11,328	13,233
Fair value of of financial assets at fair value through other comprehensive income (undervaluation)	(2,683)	(2,100)
Portfolio Adjustment First Application IFRS 9	-	(171)
Fair value of loans and receivables and other (revaluation)	106	73
Fair value of loans and receivables and other (undervaluation)	(58,925)	(58,925)
Actuarial gains and losses	(2,597)	(2,583)

Movements in corporate income tax connected with items that may be reclassified to profit or loss presented on the statement of recognised income and expenses totalling €22,104 thousand at 31 December 2020 (a negative €17,794 thousand at 31 December 2019), solely relate to financial assets designated 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 by the Group in 2020 in respect of this ‘asset charge’ amounted to €8,164 thousand (31 December 2019: €8,935 thousand).

Monetisable tax assets at 31 December 2020 totalled €627,564 thousand (€610,880 thousand at 31 December 2019).

Royal Decree-Law 27/2018, of 28 December 2018, establishing certain tax and property registry measures, amended Corporate Income Tax Act 27/2014 with effect for tax periods commencing on or after 1 January 2018. It establishes that credits and debits to reserves, which are considered to be income and expenses respectively, insofar as they have tax effects pursuant to the Law as a result of first time application of Bank of Spain Circular 4/2017, of 27 November 2017, to credit institutions, on public and confidential financial reporting rules and formats, must be included in equal parts in the tax base for each of the first three tax years commencing on or after 1 January 2018, provided this inclusion does not mean the provisions of article 130 of the Act are applicable. The amounts included in the tax base during 2020 totalled €28,927 thousand (negative adjustment as it corresponds to credits to reserves) and €1,737 thousand (positive adjustment as it corresponds to debits to reserves). No amounts are pending inclusion.

A breakdown of tax credits for tax loss carryforwards, deductions and allowances available for offset in future years at 31 December 2020 and 31 December 2019 is as follows:

		Thousands of Euros	
Year generated	**Item**	**2020**	**2019**
2020	Tax credits for tax loss carryforwards	17,981	-
2020	Deductions and credits	1,500	-
2019	Tax credits for tax loss carryforwards	7,274	390
2019	Deductions and credits	2,020	-
2018	Tax credits for tax loss carryforwards	10,531	11,665
2018	Deductions and credits	1,452	1,453
2017	Tax credits for tax loss carryforwards	28,005	28,011
2017	Deductions and credits	660	660
2016	Tax credits for tax loss carryforwards	-	770
2016	Deductions and credits	542	1,150
2015	Tax credits for tax loss carryforwards	30,892	28,967
2014	Tax credits for tax loss carryforwards	6,636	6,868
2014	Deductions and credits	64	64
2013	Tax credits for tax loss carryforwards	122	121
2013	Deductions and credits	66	66
2012	Tax credits for tax loss carryforwards	158,472	160,990
2012	Deductions and credits	153	153
2011	Tax credits for tax loss carryforwards	423	423
2011	Deductions and credits	92	97
2010	Tax credits for tax loss carryforwards	1,138	529
2010	Deductions and credits	186	190
2009	Deductions and credits	47	49
	Total	**268,256**	**242,616**

The Group has its books open to inspection for all the years required for the various applicable taxes under prevailing tax legislation.

Due to the different interpretations that may be afforded to the tax rules applicable to the Group's operations, there could be certain contingent tax liabilities which cannot yet be quantified objectively. However, in the opinion of the Group's Board of Directors and its tax advisors, the possibility of such contingent liabilities materialising is remote and, in any event, the tax debt which may derive from the same would not have a significant effect on the accompanying annual accounts.

16. Other assets and liabilities

The details of the balance of this heading in the assets and liabilities sections on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
Other assets:		
Prepayments and accrued income	20,367	12,732
Inventories:	1,034,527	1,095,476
Amortised cost	1,443,104	1,475,982
Valuation adjustments for impairment	(408,577)	(380,506)
Other:		
Net pension plan assets (Note 14.1)	110	165
Transactions in progress	1,889	1,168
Other items	63,581	63,630
Total	**1,120,474**	**1,173,171**

	Thousands of Euros	
	2020	2019
Other liabilities:		
Accruals and deferred income	86,537	74,472
Other:		
Transactions in progress	82,205	19,668
Other items	186,399	131,789
Education and Development Fund	7,099	4,800
Total	**362,240**	**230,729**

The heading "Inventories" comprises assets, including land and other properties, that are for sale during 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 2020 and 2019, are as follows:

	Thousands of Euros	
Cost	2020	2019
Opening balance	**1,475,982**	**1,573,502**
Additions	179,554	305,087
Disposals	(164,638)	(400,440)
Transfers (Note 10) (Note 12)	(47,794)	(2,167)
Closing balance	**1,443,104**	**1,475,982**

	Thousands of Euros	
Impairment losses	2020	2019
Opening balance	**(380,506)**	**(391,250)**
Additions (Note 26)	(206,021)	(436,631)
Disposals (Note 26)	154,858	401,079
Transfers due to reclassification	-	-
Transfers, applications and other	23,092	46,296
Closing balance	**(408,577)**	**(380,506)**

In 2020 assets classified as the Group's inventories with a net book value of €125,994 thousand were derecognised on being sold (2019: €257,130 thousand). Loans were granted to finance these sales totalling €82,823 thousand (€146,589 thousand in 2019). The average percentage financed compared with the total amount of inventories sold at 31 December 2020 was 65.74% (57.01% at 31 December 2019).

The fair value of inventories recorded under this heading at 31 December 2020 and 31 December 2019 matches the book value.

17. Education and Development Fund

The incorporation of Grupo Cooperativo Cajamar does not restrict responsibility for operating and managing the Education and Development Fund to the Parent's Board of Directors; this responsibility falls to the governing board of each entity forming part of the Group, as follows:

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

- To train and educate partners and employees of the Group on cooperative principles and values, and to raise awareness of cooperativism in social and rural environments and other cooperative action of a socio-cultural nature.

- To champion action relating to raising awareness of cooperativism, inter-cooperation and cooperative integration.

- To support cultural, professional and care activities at the local level or for the community in general, to contribute to enhancing the quality of life and social well-being.

- To participate in strategies and programmes that respond to the needs of social development, protection of the environment and economic development of the Group's areas of action.

At the individual level, each Credit Cooperative forming part of Grupo Cooperativo carries out their own activities financed by the Education and Development Fund; the most significant in 2020 and 2019 being as follows:

- Development of an agri-food and social economy model that aims to foster the economic, social and environmental sustainability of the regions and agents with which they have a close relationship. This will be achieved through the use of technology, professional and personal training and the development of sustainable practices.

- 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 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 are therefore committed to forging a permanent link between research and transferring the findings thereof to society by organising 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 have been 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.

- The agri-food system is constantly evolving to cater for the changing needs of consumers and the markets. Our Group has a department that specialises in analysing the different variables affecting the sector's situation and evolution. Our knowledge of the various stages of the food chain, competition in the various sub-sectors, and the main challenges faced enable us to offer advice and solutions that are best tailored to the needs of our partners and customers. Structural and economic indicators on production, consumption, foreign trade, prices, nature of farms and commercial structures, among others, are analysed as part of this process. A close watch is also kept on the latest technologies and innovations that contribute to enhancing the sustainability of production systems. Environmental matters, such as energy efficiency, renewable energy usage, better use of inputs, and the new demands of society are factors that are having an increase impact on agri-food companies, and are variables included in our analyses.

- In order to also nurture entrepreneurial spirit and drive the development of new technologies that meet the agri-food sector's needs, the Group is backing the creation of innovative start-ups. Services provided include selecting projects with a solid knowledge base and growth potential; providing advice and mentoring on technological, business and market matters; providing support during the initial stages of development; and acting as intermediary to obtain project finance.

- As part of its drive to improve well-being, the Group has participated in several projects of various organisations to mitigate the effects of the Covid-19 pandemic that so severely affected our lives in 2020. It also continued to support action to help vulnerable people by financing projects of non-profit organisations helping a variety of beneficiaries, working as hard as possible to maintain or improve the quality of their lives during such a challenging year.

- Activities have been run for children and young people in the areas of sport and culture by backing several institutional and private-sector music, art, dance and theatre initiatives. The Bank has also provided support to the Provincial Sports Games and the programme to promote values in sport "Juega Limpio" ("Play Clean"), along with other grassroots sports organisations.

- Backing of social and economic development programmes.

- Support for initiatives undertaken by members of the Group's Solidarity Team.

The management of the Education and Development Fund falls to the governing boards of Members, or to the persons delegated by them with respect to specific actions, based on the purposes established in the basic workstreams submitted for approval by each Member's annual General Assembly.

The balances related to the Group's Education and Development Fund, at 31 December 2020 and 31 December 2019, break down as follows:

	Thousands of Euros	
	2020	**2019**
Application of the Education and Development Fund: (Note 12)		
Property, plant and equipment:	**2,186**	**2,244**
Cost	6,495	6,475
Accumulated depreciation	(4,309)	(4,231)
Other receivables	-	-
Total	**2,186**	**2,244**
Education and Development Fund:		
Appropriation:	**6,458**	**4,313**
Applied to property, plant and equipment	2,108	2,168
Applied to other investments	78	76
Expenses committed during the year	9,860	7,675
Current year maintenance expenses	(6,331)	(6,359)
Amount not committed	743	753
Other liabilities	**641**	**487**
Total	**7,099**	**4,800**

The budget for expenses and investments of the Education and Development Fund at 31 December 2020 amounted to €9,860 thousand (€7,675 thousand at 31 December 2019). 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 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Opening balance	**4,800**	**4,905**
Distribution of prior year surplus, Credit Cooperatives	3,812	4,043
Extraordinary appropriation	4,881	2,240
Maintenance expenses for the year	(6,331)	(6,359)
Other	(63)	(29)
Closing balance	**7,099**	**4,800**

18. Equity

Equity on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 breaks down as follows:

	Thousands of Euros	
	2020	2019
Capital	**1,059,028**	**1,059,028**
Paid up capital	1,059,028	1,059,028
Parent's reserves	**11,340**	**18,730**
Non-distributable reserves:	**9,748**	**7,341**
Legal reserve	9,748	7,341
Other reserves	**1,592**	**11,389**
Voluntary reserves	9,876	9,392
Other reserves	(8,284)	1,997
Parent's equity subject to solvency commitment	**1,070,368**	**1,077,758**
Equity of the Group's cooperative societies subject to solvency commitment	**3,265,286**	**3,150,064**
Equity of Cajamar Caja Rural subject to solvency commitment	**3,004,297**	**2,898,412**
Contributions to the share capital of Cajamar Caja Rural	2,879,581	2,799,750
Reserves of Cajamar Caja Rural	124,743	98,689
Mandatory reserve fund	19,984	13,379
Revaluation reserves	39,589	39,589
Voluntary reserve fund	55,042	35,622
Other reserves	10,128	10,099
Less: Treasury shares	(27)	(27)
Equity of the rest of the Group's cooperative societies subject to solvency commitment	**260,989**	**251,652**
Share capital contributions to the rest of the Group's cooperative societies	72,340	66,220
Reserves of the rest of the cooperative societies	188,677	185,460
Mandatory reserve fund	179,000	176,600
Revaluation reserves	5,805	5,805
Voluntary reserve fund	4,016	3,041
Other reserves	(144)	14
Less: Treasury shares	(28)	(28)
Reserves generated during the consolidation process	**(58,657)**	**(60,546)**
Other Consolidable Group Reserves	**(14,473)**	**3,465**
Reserves of entities accounted for using the equity method	**53,722**	**38,433**
Parent's shares (-)	**(977,349)**	**(977,349)**
Profit or loss attributable to the Parent	**23,760**	**92,495**
Dividends (-)	**-**	**(18,014)**
Dividends to Cajamar Caja Rural share capital	-	(17,781)
Dividends to the share capital of the rest of the Group's rural savings banks	-	(233)
Interim dividends (-)	**-**	**(1,634)**
Items that may be reclassified to profit or loss	**25,613**	**23,773**
Items that may not be reclassified to profit or loss	**(11,487)**	**(2,274)**
Changes in the fair value of equity instruments at fair value through other comprehensive income	(5,268)	3,929
Actuarial gains or losses on defined benefit pension plans	(6,219)	(6,203)
Total equity	**3,376,783**	**3,326,171**

The reconciliation of equity on the accompanying consolidated balance sheet with other items that may or may not be reclassified to profit or loss at 31 December 2020 and 31 December 2019, is as follows:

	Thousands of Euros		
	2020		
Equity	**3,362,657**	**3,362,657**	**Breakdown:**
Capital	**1,059,028**	**1,059,028**	**Parent's capital**
Paid up capital	*1,059,028*	*1,059,028*	*Parent's issued capital*
Share premium	**-**	**-**	**Share premium**
Equity instruments issued other than capital	**2,951,866**	**2,951,866**	**Total equity instruments**
		2,879,581	*Contributions to the share capital of Cajamar Caja Rural (Equity subject to solvency commitments)*
		(27)	*Less: Treasury shares of Cajamar Caja Rural (Equity subject to solvency commitments)*
		72,340	*Contributions to the share capital of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
		(28)	*Less: Treasury shares of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
Other equity	**-**	**-**	**Other equity**
Retained earnings	**219,009**	**219,009**	**Total other retained earnings (Reserves)**
		19,624	*Parent's reserves*
		75,026	*Mandatory, voluntary and other reserves at Cajamar Caja Rural (Equity subject to solvency commitments)*
		183,016	*Mandatory, voluntary and other reserves at the other cooperative societies (Equity subject to solvency commitments)*
		(58,657)	*Reserves generated during the consolidation process*
Revaluation reserves	**45,394**	**45,394**	**Total revaluation reserves**
		39,589	*Revaluation reserves at Cajamar Caja Rural*
		5,805	*Revaluation reserves at the rest of the Group's cooperative societies*
Other reserves	**40,949**	**40,949**	**Total other reserves**
Reserves of entities accounted for using the equity method	-	*53,722*	*Reserves of entities accounted for using the equity method*
Other	-	*(12,773)*	*Other reserves*
(-) Treasury shares	**(977,349)**	**(977,349)**	**Shares in the Parent (-) (Shares in the Parent held by the Group)**
Profit or loss attributable to owners of the Parent	**23,760**	**23,760**	**Profit or loss attributable to the Parent**
(-) Interim dividends	**-**	**-**	**Total interim dividends**
		-	**Dividends to Cajamar Caja Rural share capital**
		-	*Dividends to the share capital of the rest of the Group's rural savings banks*
		-	*Interim dividends to the Parent*
Accumulated other comprehensive income	**14,125**	**14,125**	**Total accumulated other comprehensive income**
Items that will not be reclassified to profit or loss	**(11,487)**	**(11,487)**	**Items that may not be reclassified to profit or loss**
		(5,294)	*Actuarial gains or (-) losses on defined benefit pension plans of the Parent*
		(716)	*Actuarial gains or (-) losses on defined benefit pension plans of Cajamar Caja Rural*
		(209)	*Actuarial gains or (-) losses on defined benefit pension plans of the of the rest of the Group's cooperative societies*
		(5,268)	*Changes in the fair value of equity instruments at fair value through other comprehensive income*
Items that may be reclassified to profit or loss	**25,612**	**25,612**	**Items that may be reclassified to profit or loss**
		-	*Foreign currency translation*
		14,912	*Hedging derivatives. Cash flow hedges [effective portion]*
		3,710	*Changes in the fair value of debt instruments at fair value through other comprehensive income*
		6,990	*Share of other recognised income and expense of investments in joint ventures and associates*

	Thousands of Euros		
	2019		
Equity	**3,304,672**	**3,304,672**	**Breakdown:**
Capital	**1,059,028**	**1,059,028**	**Parent's capital**
Paid up capital	*1,059,028*	*1,059,028*	*Parent's issued capital*
Equity instruments issued other than capital	**2,865,915**	**2,865,915**	**Total equity instruments**
	-	*2,799,750*	*Contributions to the share capital of Cajamar Caja Rural (Equity subject to solvency commitments)*
	-	*(27)*	*Less: Treasury shares of Cajamar Caja Rural (Equity subject to solvency commitments)*
	-	*66,220*	*Contributions to the share capital of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
	-	*(28)*	*Less: Treasury shares of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
Retained earnings	**184,828**	**184,828**	**Total other retained earnings (Reserves)**
		16,733	*Parent's reserves*
		49,001	*Mandatory, voluntary and other reserves at Cajamar Caja Rural (Equity subject to solvency commitments)*
		179,640	*Mandatory, voluntary and other reserves at the other cooperative societies (Equity subject to solvency commitments)*
		(60,546)	*Reserves generated during the consolidation process*
Revaluation reserves	**45,395**	**45,395**	**Total revaluation reserves**
		39,589	*Revaluation reserves at Cajamar Caja Rural*
		5,806	*Revaluation reserves at the rest of the Group's cooperative societies*
Other reserves	**54,008**	**54,008**	**Total other reserves**
Reserves of entities accounted for using the equity method	*38,433*	*38,433*	*Reserves of entities accounted for using the equity method*
Other	*15,575*	*15,575*	*Other reserves*
(-) Treasury shares	**(977,349)**	**(977,349)**	**Shares in the Parent (-) (Shares in the Parent held by the Group)**
Profit or loss attributable to owners of the Parent	**92,495**	**92,495**	**Profit or loss attributable to the Parent**
(-) Interim dividends	**(19,648)**	**(19,648)**	**Total interim dividends**
		(17,782)	**Dividends to Cajamar Caja Rural share capital**
		(232)	*Dividends to the share capital of the rest of the Group's rural savings banks*
		(1,634)	*Interim dividends to the Parent*
Accumulated other comprehensive income	**21,499**	**21,499**	**Total accumulated other comprehensive income**
Items that will not be reclassified to profit or loss	**(2,274)**	**(2,274)**	**Items that may not be reclassified to profit or loss**
		(5,216)	*Actuarial gains or (-) losses on defined benefit pension plans of the Parent*
		(813)	*Actuarial gains or (-) losses on defined benefit pension plans of Cajamar Caja Rural*
		(174)	*Actuarial gains or (-) losses on defined benefit pension plans of the of the rest of the Group's cooperative societies*
		3,929	*Changes in the fair value of equity instruments at fair value through other comprehensive income*
Items that may be reclassified to profit or loss	**23,773**	**23,773**	**Items that may be reclassified to profit or loss**
		(142)	*Foreign currency translation*
		14,970	*Hedging derivatives. Cash flow hedges [effective portion]*
		3,267	*Changes in the fair value of debt instruments at fair value through other comprehensive income*
		5,678	*Share of other recognised income and expense of investments in joint ventures and associates*

18.1. Capital:

18.1.1. Parent's capital

At 31 December 2020 and 31 December 2019 the Parent's capital breaks down as follows, by shareholder contribution:

	Percentage ownership	
Shareholders that form part of Grupo Cooperativo Cajamar	**2020**	**2019**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	84.87%	84.87%
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	1.51%	1.51%
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	0.87%	0.87%
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	0.73%	0.73%
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	0.63%	0.63%
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	0.76%	0.76%
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	0.52%	0.53%
Caja Rural San Jaime de Alquerías del Niño Perdido, Sociedad Cooperativa de Crédito	0.39%	0.39%
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	0.34%	0.34%
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	0.30%	0.30%
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	0.25%	0.25%
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	0.23%	0.23%
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	0.23%	0.23%
Caja Rural de Villar, Sociedad Cooperativa de Crédito	0.21%	0.21%
Caja Rural San José de BCC, Sociedad Cooperativa de Crédito	0.15%	0.15%
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	0.11%	0.11%
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	0.09%	0.09%
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	0.10%	0.10%
Shareholders that do not form part of Grupo Cooperativo Cajamar		
Caja Rural de Almendralejo, Sociedad Cooperativa de Crédito	1.56%	1.56%
Eurocaja Rural, Sociedad Cooperativa de Crédito (*)	0.09%	0.09%
Caja Rural de Guissona, S. Coop. de Crédito	0.01%	0.01%
Caja Rural de Baena Ntra. Señora de Guadalupe, Sociedad Cooperativa de Crédito Andaluza	0.03%	0.03%
Caja Rural de Utrera, Sociedad Cooperativa Andaluza de Crédito	0.03%	0.03%
Caja Rural de Cañete de las Torres Ntra. Sra. del Campo, Sociedad Cooperativa Andaluza de Crédito	0.03%	0.03%
Caja Rural Ntra. Sra. del Rosario, Sociedad Cooperativa Andaluza de Crédito	0.03%	0.03%
Caja Rural Ntra. Madre del Sol, S. Coop. Andaluza de Crédito	0.03%	0.03%
Caja Rural San José de Almassora, S.Coop de Crédito	0.09%	0.09%
Caixa Rural de Benicarló, S.Coop de Crédito	0.09%	0.09%
Caixa Rural Vinaros, S. Coop. de Crédito	0.09%	0.09%
Caixa Rural Les Coves de Vinroma, S.Coop de Crédito	0.05%	0.05%
Team & Work 5000, SL	2.83%	2.83%
Crédito Agrícola SGPS, SA	0.47%	0.47%
Garunter Locales, SL	0.47%	0.47%
Pepal 2002, SL	0.14%	0.14%
Acor Sociedad Cooperativa General Agropecuaria	0.19%	0.19%
Gespater S.L	0.28%	0.28%
Publindal, S.L.	0.42%	0.43%
Surister del Arroyo, S.L.	0.19%	0.19%
Grupo Juramenta, S.L.	0.09%	0.09%
Repalmar, S.L.	0.09%	0.09%
Frutas de Guadalentin, S.L.	0.28%	0.28%
Otros accionistas minoritarios	0.10%	0.10%

(*) Formerly Caja Rural de Castilla - La Mancha

At 31 December 2020 the Parent's capital amounts to €1,059,028 thousand (€1,059,028 thousand at 31 December 2019), made up of 1,059,028 registered shares with a par value of €1 each (1,059,028 thousand registered shares with a par value of €1 each at 31 December 2019). All shares are of the same class and series and are fully subscribed and paid up.

The shares issued by the Bank are the same class for all members of Grupo Cooperativo and the other shareholders. The restrictions on the transfer and/or pledging of shares only apply to the members of Grupo Cooperativo Cajamar by virtue of the Regulatory Agreement. The shareholders that are not members of Grupo Cooperativo may exercise their voting and dividend rights without any restriction.

Any credit cooperative wishing to join Grupo Cooperativo Cajamar must acquire an interest in the capital of Banco de Crédito Social Cooperativo, S.A.

Group Members may exercise their dividend and voting rights as shareholders of Banco de Crédito Social Cooperativo, S.A., in proportion to their shareholdings. When they exercise said rights, they must safeguard the Group's interests and take into consideration that their holding in the Parent is an instrument for configuring their participation in the Group.

Group Members are required at all times to maintain full ownership of their shares in Banco de Crédito Social Cooperativo, S.A. 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, Banco de Crédito Social Cooperativo, S.A. In this event, an adjustment must be agreed and made to the corporate governance rules included in the Regulatory Agreement of Grupo Cooperativo Cajamar (hereinafter, "the Regulatory Agreement") based on the new percentage holdings in the Parent's capital.

18.1.2. <u>Shares of the Parent (Controlling Company)</u>

The shares held by Group entities in the Parent are recorded under "Treasury shares" in equity. At 31 December 2020 this item totalled €977,349 thousand (€977,349 thousand at 31 December 2019), as follows:

	Thousands of Euros	
	2020	**2019**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	898,842	898,842
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	15,981	15,981
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	9,242	9,242
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	7,714	7,714
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	6,681	6,681
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	8,040	8,040
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	5,556	5,556
Caja Rural San Jaime de Alquerías del Niño Perdido, Sociedad Cooperativa de Crédito	4,124	4,124
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	3,606	3,606
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	3,155	3,155
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	2,676	2,676
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	2,413	2,413
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	2,416	2,416
Caja Rural de Villar, Sociedad Cooperativa de Crédito	2,257	2,257
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	1,536	1,536
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	1,147	1,147
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	948	948
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	1,017	1,017
Total	**977,349**	**977,349**

18.1.3. <u>Contributions to capital of Group Cooperative Societies</u>

Partners' contributions to the capital of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, amount to €2,879,581 thousand at 31 December 2020 (€2,799,750 thousand at 31 December 2019) and are recognised under "*Equity of the Group's cooperative societies subject to solvency commitment – Equity of Cajamar Caja Rural subject to solvency commitment – Contributions to the capital of Cajamar Caja Rural*".

This Member's minimum capital, under Article 49 of its By-laws, is set at €25,000 thousand, which is variable in character and made up of mandatory contributions of €61. The partners' contributions to the capital of Cajamar Caja Rural, Sociedad Cooperativa de Crédito 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 31 December 2020 the largest contribution equalled 0.17% of capital (0.36% at the end of 2019).

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

Capital incorporated by the Credit Cooperatives belonging to the Group amounts to €72,340 thousand at 31 December 2020 (€66,220 thousand at 31 December 2019) and is recorded under "*Equity of the Group's cooperative societies subject to solvency commitment – Equity of the rest of the Group's cooperative societies subject to solvency commitment – capital contributions to the rest of the Group's cooperative societies*".

Details of and movements in the capital of Group Cooperative Societies during 2020 and 2019 are as follows:

2020

	Thousands of Euros									
Group entity	**Entity's share capital**	**Treasury shares**	**Opening balance**	**Number of contributions**	**Additions**	**Number of contributions**	**Disposals**	**Number of contributions**	**Treasury shares**	**Closing balance**
Cajamar Caja Rural, Sdad. Coop. de Crédito	2,799,750	(27)	2,799,723	45,897,090	309,832	5,079,214	(230,001)	(3,770,501)	-	2,879,554
Caixa Rural de Torrent, Coop. de Crédito Valenciana	12,845	-	12,845	213,684	1,540	25,627	(832)	(13,835)	-	13,553
Caixa Rural de Altea, Coop. de Crédito Valenciana	5,627	-	5,627	93,623	467	7,777	(265)	(4,407)	-	5,829
Caja Rural San José de Burriana, Sdad. Coop. de Crédito	3,626	-	3,626	60,334	1,032	17,179	(173)	(2,880)	-	4,485
Caja de Crédito de Petrel, Caja Rural, Coop. de Crédito Valenciana	3,244	-	3,244	53,981	419	6,976	(218)	(3,635)	-	3,445
Caja Rural Católico Agraria, Sdad. Coop. de Crédito	10,760	-	10,760	179,038	1,462	24,328	(374)	(6,230)	-	11,848
Caja Rural de Callosa d'en Sarriá, Sdad. Coop. de Crédito	7,027	-	7,027	116,924	790	13,151	(510)	(8,483)	-	7,308
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad. Coop. de Crédito	2,952	-	2,952	49,122	682	11,348	(193)	(3,204)	-	3,442
Caja Rural de Cheste, Sdad. Coop. de Crédito	1,803	-	1,803	29,993	118	1,968	(37)	(619)	-	1,884
Caja Rural San José de Nules, Sdad. Coop. de Crédito	5,090	-	5,090	84,692	418	6,953	(132)	(2,191)	-	5,376
Caja Rural de Alginet, Sdad. Coop. de Crédito	2,475	(28)	2,447	40,723	156	2,601	(103)	(1,708)	-	2,501
Caixa Rural de Turís, Coop. de Crédito Valenciana	1,452	-	1,452	21,967	227	3,429	(37)	(559)	-	1,642
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,141	-	3,141	52,263	351	5,843	(235)	(3,903)	-	3,258
Caja Rural de Villar, Sdad. Coop. de Crédito	3,103	-	3,103	51,635	901	14,989	(113)	(1,878)	-	3,891
Caja Rural San José de Vilavella, Sdad. Coop. de Crédito	856	-	856	14,243	82	1,369	(16)	(258)	-	923
Caja Rural San Roque de Almenara, Sdad. Coop. de Crédito	856	-	856	14,240	130	2,157	(37)	(618)	-	948
Caja Rural San Isidro de Vilafamés, Sdad. Coop. de Crédito	458	-	458	6,536	31	439	(7)	(101)	-	481
Caja Rural La Junquera de Chilches, Sdad. Coop. de Crédito	905	-	905	15,052	605	10,072	(13)	(219)	-	1,497
Total	**2,865,970**	**(55)**	**2,865,915**	**46,995,141**	**319,245**	**5,235,420**	**(233,294)**	**(3,825,229)**	**-**	**2,951,866**

(*) Includes the capital contributions of the merged entity Caja Rural Albalat dels Sorells, Sdad. Coop. of credit

2019

	Thousands of Euros									
Group entity	**Entity's share capital**	**Treasury shares**	**Opening balance**	**Number of contributions**	**Additions**	**Number of contributions**	**Disposals**	**Number of contributions**	**Treasury shares**	**Closing balance**
Cajamar Caja Rural, Sdad. Coop. de Crédito	2,639,283	(27)	2,639,256	43,266,484	338,993	5,557,262	(178,526)	(2,926,656)	-	2,799,723
Caixa Rural de Torrent, Coop. de Crédito Valenciana	11,348	-	11,348	188,779	2,023	33,655	(526)	(8,751)	-	12,845
Caixa Rural de Altea, Coop. de Crédito Valenciana	4,695	-	4,695	78,115	1,102	18,336	(170)	(2,829)	-	5,627
Caja Rural San José de Burriana, Sdad. Coop. de Crédito	2,781	-	2,781	46,274	926	15,408	(81)	(1,348)	-	3,626
Caja de Crédito de Petrel, Caja Rural, Coop. de Crédito Valenciana	2,837	-	2,837	47,209	921	15,324	(514)	(8,552)	-	3,244
Caja Rural Católico Agraria, Sdad. Coop. de Crédito	8,625	-	8,625	143,514	2,607	43,378	(472)	(7,854)	-	10,760
Caja Rural de Callosa d'en Sarriá, Sdad. Coop. de Crédito	6,036	-	6,036	100,435	1,336	22,230	(345)	(5,740)	-	7,027
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad. Coop. de Crédito	2,596	-	2,596	43,198	438	7,288	(82)	(1,364)	-	2,952
Caja Rural de Cheste, Sdad. Coop. de Crédito	1,654	-	1,654	27,514	188	3,128	(39)	(649)	-	1,803
Caja Rural San José de Nules, Sdad. Coop. de Crédito	4,413	-	4,413	73,427	797	13,261	(120)	(1,997)	-	5,090
Caja Rural de Alginet, Sdad. Coop. de Crédito	2,275	(28)	2,247	37,395	405	6,739	(205)	(3,411)	-	2,447
Caixa Rural de Turís, Coop. de Crédito Valenciana	1,173	-	1,173	17,747	304	4,598	(25)	(378)	-	1,452
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	2,862	-	2,862	47,621	501	8,336	(222)	(3,694)	-	3,141
Caja Rural de Villar, Sdad. Coop. de Crédito	1,952	-	1,952	32,484	1,173	19,517	(22)	(366)	-	3,103
Caja Rural San José de Vilavella, Sdad. Coop. de Crédito	820	-	820	13,644	48	799	(12)	(200)	-	856
Caja Rural San Roque de Almenara, Sdad. Coop. de Crédito	798	-	798	13,275	104	1,730	(46)	(765)	-	856
Caja Rural San Isidro de Vilafamés, Sdad. Coop. de Crédito	452	-	452	6,451	16	229	(10)	(143)	-	458
Caja Rural La Junquera de Chilches, Sdad. Coop. de Crédito	661	-	661	10,992	265	4,409	(21)	(349)	-	905
Total	**2,695,261**	**(55)**	**2,695,206**	**44,194,558**	**352,147**	**5,775,627**	**(181,438)**	**(2,975,046)**	**-**	**2,865,915**

(*) Includes the capital contributions of the merged entity Caja Rural Albalat dels Sorells, Sdad. Coop. of credit

At 31 December 2020 the Board of Directors of Grupo Cooperativo Cajamar classified €2,951,866 thousand (€2,865,915 thousand at 31 December 2019) relating to the various capital amounts of the Members of the Cooperative Group, except for the Parent, as Group equity under the heading "Other equity instruments".

At 31 December 2020 and 31 December 2019 the capital of all the Group Credit Cooperatives, in accordance with their respective by-laws, is classified in full under equity in their financial statements.

18.1.4. Share premium

No amounts are recognised under this heading of the consolidated balance sheet at 31 December 2020 and 31 December 2019.

18.1.5. Earnings per share

In accordance with IAS 33, details of the basic and diluted earnings per share of the Parent at 31 December 2020 and at 31 December 2019 are provided below.

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Group by the weighted average number of outstanding shares for the year, excluding treasury shares.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to the Group by the weighted average number of outstanding shares for the year adjusted for the dilution effect, this being the existence of convertible debt instruments and stock options. At 31 December 2020 and at 31 December 2019 the Group has not issued any instruments with a potential dilutive effect.

	Thousands of Euros	
	2020	**2019**
Profit/(loss) attributable to the Parent, net	23,760	92,495
Weighted average number of shares	1,059,028	1,059,028
Basic earnings per share	**0.02**	**0.09**

	Thousands of Euros	
	2020	**2019**
Profit/(loss) attributable to the Parent, net	23,760	92,495
Corrections to results due to issuance of convertibles/options	-	-
Adjusted profit/(loss)	**23,760**	**92,495**
Weighted average number of shares	1,059,028	1,059,028
Corrections to weighted number of shares due to issuance of convertibles or options	-	-
Adjusted weighted average number of shares	**1,059,028**	**1,059,028**
Diluted earnings per share	**0.02**	**0.09**

18.1.6. Parent dividend distribution

The Parent may only pay out dividends against profits for the year or its unrestricted reserves if the relevant legal or by-law conditions have been met and equity is not less than capital or does not fall below capital due to the dividend payment. If there are prior-year losses that cause the Company's equity to be lower than the capital figure, profits must be used to offset those losses.

At 31 December 2020 and 31 December 2019 the Parent, in accordance with legal requirements, has sufficient funds to distribute dividends.

Nevertheless, as their direct supervisor, the ECB has recommended to financial institutions that they do not pay out or assume any irrevocable commitments to pay out dividends against 2019 and 2020 results until at least 30 September 2021.

The Group has therefore not distributed an interim dividend against expected 2020 earnings (Note 1.9).

The breakdown of the interim dividends paid out at year-end 2019 is as follows:

2019

	First dividend paid				Second dividend paid				Total
	% of nominal amount	Thousands of shares	Euros per share	Amount	% of nominal amount	Thousands of shares	Euros per share	Amount	Amount
Ordinary shares:									
Cajamar Caja Rural, S.C.C.	84.87%	898,842	0.010	8,988.42	84.87%	898,842	0.010	8,988.42	17,976.84
Caixa Rural de Torrent, C.C.V.	1.51%	15,981	0.010	159.81	1.51%	15,981	0.010	159.81	319.62
Caixa Rural de Altea, C.C.V.	0.87%	9,242	0.010	92.42	0.87%	9,242	0.010	92.42	184.84
Caja Rural San José de Burriana, S.C.C.	0.73%	7,714	0.010	77.14	0.73%	7,714	0.010	77.14	154.28
Caja de Crédito de Petrel Caja Rural, C.C.V.	0.63%	6,681	0.010	66.81	0.63%	6,681	0.010	66.81	133.62
Caja Rural Católico Agraria, S.C.C.	0.76%	8,040	0.010	80.40	0.76%	8,040	0.010	80.40	160.80
Caja Rural de Callosa d'en Sarriá, S.C.C.	0.52%	5,556	0.010	55.56	0.52%	5,556	0.010	55.56	111.12
Caja Rural San Jaime de Alquerías del Niño Perdido, S.C.C.	0.39%	4,124	0.010	41.24	0.39%	4,124	0.010	41.24	82.48
Caja Rural de Cheste, S.C.C.	0.34%	3,606	0.010	36.06	0.34%	3,606	0.010	36.06	72.12
Caja Rural San José de Nules, S.C.C.	0.30%	3,155	0.010	31.55	0.30%	3,155	0.010	31.55	63.10
Caja Rural de Alginet, S.C.C.	0.25%	2,676	0.010	26.76	0.25%	2,676	0.010	26.76	53.52
Caixa Rural de Turís, C.C.V.	0.23%	2,413	0.010	24.13	0.23%	2,413	0.010	24.13	48.26
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo, C.C.V.	0.23%	2,416	0.010	24.16	0.23%	2,416	0.010	24.16	48.32
Caja Rural de Villar, S.C.C.	0.21%	2,257	0.010	22.57	0.21%	2,257	0.010	22.57	45.14
Caja Rural San José de Vilavella, S.C.C.	0.15%	1,536	0.010	15.36	0.15%	1,536	0.010	15.36	30.72
Caja Rural San Roque de Almenara, S.C.C.	0.11%	1,147	0.010	11.47	0.11%	1,147	0.010	11.47	22.94
Caja Rural San Isidro de Vilafamés, S.C.C.	0.09%	948	0.010	9.48	0.09%	948	0.010	9.48	18.96
Caja Rural La Junquera de Chilches, S.C.C.	0.10%	1,017	0.010	10.17	0.10%	1,017	0.010	10.17	20.34
Caja Rural de Almendralejo, S.C.C.	1.56%	16,491	0.010	164.91	1.56%	16,491	0.010	164.91	329.82
Eurocaja Rural, Sociedad Cooperativa de Crédito	0.09%	1,000	0.010	10.00	0.09%	1,000	0.010	10.00	20.00
Caixa Rural La Vall San Isidro, C.C.V.	0.00%	9	0.010	0.09	0.00%	9	0.010	0.09	0.18
Caja Rural San José de Almassora, S.C.C.	0.09%	1,000	0.010	10.00	0.09%	1,000	0.010	10.00	20.00
Caixa Rural de Benicarló, S.C.C.	0.09%	1,000	0.010	10.00	0.09%	1,000	0.010	10.00	20.00
Caixa Rural Vinaros, S.C.C.	0.09%	1,000	0.010	10.00	0.09%	1,000	0.010	10.00	20.00
Caixa Rural Les Coves de Vinroma, S.C.C.	0.05%	500	0.010	5.00	0.05%	500	0.010	5.00	10.00
Caja Rural de Baena Ntra. Señora de Guadalupe, S.C.C.A.	0.03%	300	0.010	3.00	0.03%	300	0.010	3.00	6.00
Caja Rural de Utrera, S.C.C.A.	0.03%	300	0.010	3.00	0.03%	300	0.010	3.00	6.00
Caja Rural Cañete de las Torres Ntra. Sra. del Campo, S.C.C.A.	0.03%	300	0.010	3.00	0.03%	300	0.010	3.00	6.00
Caja Rural Ntra. Sra. del Rosario, S.C.C.A.	0.03%	300	0.010	3.00	0.03%	300	0.010	3.00	6.00
Caja Rural Ntra. Madre del Sol, S.C.C.A.	0.03%	300	0.010	3.00	0.03%	300	0.010	3.00	6.00
Caja Rural de Guissona, S.C.C.	0.01%	150	0.010	1.50	0.01%	150	0.010	1.50	3.00
Team & Work 5000, S.L. (Grupo TREA)	2.83%	30,000	0.010	300.00	2.83%	30,000	0.010	300.00	600.00
Crédito Agrícola, S.G.P.S., S.A.	0.47%	5,000	0.010	50.00	0.47%	5,000	0.010	50.00	100.00
Garunter Locales, S.L.	0.47%	5,000	0.010	50.00	0.47%	5,000	0.010	50.00	100.00
Pepal 2002, S.L.	0.14%	1,500	0.010	15.00	0.14%	1,500	0.010	15.00	30.00
Acor Sociedad Cooperativa General Agropecuaria	0.19%	2,000	0.010	20.00	0.19%	2,000	0.010	20.00	40.00
Gespater, S.L.	0.28%	3,000	0.010	30.00	0.28%	3,000	0.010	30.00	60.00
Publindal, S.L.	0.42%	4,500	0.010	45.00	0.42%	4,500	0.010	45.00	90.00
Surister del Arroyo, S.L.	0.19%	2,000	0.010	20.00	0.19%	2,000	0.010	20.00	40.00
Grupo Juramenta, S.L.	0.09%	1,000	0.010	10.00	0.09%	1,000	0.010	10.00	20.00
Repalmar, S.L.	0.09%	1,000	0.010	10.00	0.09%	1,000	0.010	10.00	20.00
Frutas de Guadalentín, S.L.	0.28%	3,000	0.010	30.00	0.28%	3,000	0.010	30.00	60.00
Other minority interests [Non-controlling interests]	0.10%	1,028	0.010	10.28	0.10%	1,028	0.010	10.28	20.56
Total dividends paid	**100.00%**	**1,059,028**	**0.010**	**10,590.28**	**100.00%**	**1,059,028**	**0.010**	**10,590.28**	**21,180.56**
Dividends charged to profit or loss	-	-	-	10,590.28	-	-	-	10,590.28	21,180.56
Dividend charged to reserves or share premium	-	-	-	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-	-	-	-

18.1.7. Remuneration on contributions to capital of Credit Cooperatives

The Group's Credit Cooperatives are empowered to determine the remuneration arrangement for the contributions to their own capital in the Group's Parent, Banco de Crédito Social Cooperativo, S.A., which establishes the maximum remuneration for those capital contributions. Complying with this maximum, the Entities are free to establish the rate of compensation that they consider best.

For cases where one or more Group entities do not make a positive contribution to the overall gross profit, the Parent may agree a lower yield on capital than that set as a maximum for the Group in general.

Pursuant to the European Central Bank's recommendation, the Group's rural savings banks did not charge interest on capital contributions in 2020 (Note 1.7). On the other hand, at 31 December 2019 interest on capital contributions charged to capital amounted to €36,984 thousand. Of which, €18,014 thousand was settled during the year.

In addition, Members have delegated to Banco de Crédito Social Cooperativo, S.A. the power to determine the distribution of profit or application of loss, which will lay down the appropriation criteria within the legal and by-law limits. The Governing Boards of the Members put forward their proposals for the appropriation of results in compliance with the criteria in place. Before submitting the proposals to their general assemblies, they must obtain approval from the Parent.

18.2. Retained earnings and reserves

Details of the "Reserves" heading under "Equity" on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
Parent's reserves		
Legal and statutory reserve fund	9,748	7,341
Voluntary reserves	9,876	9,392
	19,624	**16,733**
Reserves of the Group's credit cooperatives		
Mandatory reserve fund	198,984	189,979
Voluntary reserve fund and other reserves	59,059	38,662
	258,043	**228,641**
Reserves generated during the consolidation process	**(58,658)**	**(60,546)**
Total retained earnings	**219,009**	**184,828**
Revaluation reserve, Royal Decree-Law 7/1996	180	180
Revaluation reserves generated by IFRS and Bank of Spain Circular 4/2004	45,215	45,215
Total revaluation reserves	**45,395**	**45,395**
Reserves or accumulated losses on investments in joint ventures and associates	53,722	38,433
Reserves generated on sale of equity instruments (Note 8.5.2)	(12,774)	15,575
Total other reserves	**40,948**	**54,008**
Total	**305,352**	**284,231**

18.2.1. Parent's reserves

Non-distributable legal reserve

The legal reserve is established in accordance with Article 274 of the Spanish Corporate Enterprises Act, which stipulates that 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of capital. Until the legal reserve exceeds the limit indicated, it may only be used to offset losses in the event that no other sufficient reserves are available.

At 31 December 2020 and 31 December 2019 the Parent recorded €9,748 thousand and €7,341 thousand, respectively, under this account on the accompanying consolidated balance sheet.

18.2.2. *Reserves in Group Credit Cooperatives*

Reserves in the Group Credit Cooperatives at 31 December 2020 and 31 December 2019 break down as follows:

	Thousands of Euros									
	Mandatory		Voluntary		Revaluation		Other		Total reserves	
Group entity	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	19,984	13,379	55,042	35,622	39,589	39,589	10,128	10,098	124,743	98,688
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	38,158	37,636	702	441	-	-	(143)	-	38,717	38,077
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	24,467	24,142	241	144	-	-	-	-	24,708	24,286
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	18,851	18,597	208	132	1,762	1,762	-	-	20,821	20,491
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	17,487	17,401	368	238	-	-	54	53	17,909	17,692
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	11,996	11,826	-	95	2,611	2,611	109	108	14,716	14,640
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	11,075	10,891	1,700	1,626	-	-	-	-	12,775	12,517
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad Coop de Crédito	9,186	9,063	305	105	-	-	-	-	9,491	9,168
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	9,527	9,404	75	38	-	-	-	-	9,602	9,442
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	4,687	4,607	45	26	-	-	-	-	4,732	4,633
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	6,488	6,398	18	9	-	-	(30)	-	6,476	6,407
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	6,663	6,579	80	47	-	-	8	-	6,751	6,626
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,763	3,718	8	8	449	449	60	55	4,280	4,230
Caja Rural de Villar, Sociedad Cooperativa de Crédito	5,370	5,289	56	32	615	615	-	-	6,041	5,936
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	3,836	3,704	102	23	-	-	(202)	(202)	3,736	3,525
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	2,541	2,501	46	30	368	368	-	-	2,955	2,899
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	2,378	2,347	17	11	-	-	-	-	2,395	2,358
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	2,527	2,497	45	36	-	-	-	-	2,572	2,533
Total reserves	**198,984**	**189,979**	**59,058**	**38,663**	**45,394**	**45,394**	**9,984**	**10,112**	**313,420**	**284,148**

a) Mandatory Reserve Fund

The Mandatory Reserve Fund has the objective of consolidating and guaranteeing the Group. In accordance with Act 13/1989 on Credit Cooperatives amended by Act 27/1999, 16 July 1999, the allocation to the reserve represents at least 20% of the net surplus.

The Credit Cooperatives' by-laws stipulate that at least 20% of profit each year for Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana will be assigned to the Mandatory Reserve Fund, rising to 50% of the profit each year for the other Member Savings Banks (Note 1.4).

b) Revaluation reserves, Royal Decree-Law 7/1996, of 7 June 1996

The balance of this heading showed no movement during 2020 and 2019 and it relates exclusively to the account "Revaluation reserve, Royal Decree-Law 7/1996", which derives from the revaluation of some property, plant and equipment in 1996 by the acquiree Caja Rural de Málaga, Sociedad Cooperativa de Crédito (Note 1.1).

As from the date on which the balance of the account "Revaluation reserve, Royal Decree-Law 7/1996" has been examined and agreed by the tax authorities or after the three-year period for its inspection has elapsed, it may be used to offset losses arising in the current year or previous or future years without accruing tax. This balance may be taken to freely distributable reserves provided that the monetary capital gain has been realised. The capital gain will be deemed to have been realised in respect of the portion relating to the depreciation that has been recognised for accounting purposes or when the revalued assets have been transferred or written off the accounts. If the balance of this account is applied in any manner not permitted by Royal Decree-Law 7/1996, the balance becomes subject to taxation.

In the opinion of the Group's Board of Directors, once the established period has elapsed, the entire balance of this reserve will be taken to the Voluntary Reserve Fund.

This reserve may be used to increase capital, in which case it will not accrue taxes.

c) Revaluation reserves required under new legislation

The balance of this account relates to the reserve required for the revaluation of property, plant and equipment carried out in accordance with the provisions of IFRS 1, and Transitional Provision One, section B, of Bank of Spain Circular 4/2004, and subsequent amendments, according to which at 1 January 2004 any item included under property, plant and equipment may be measured at fair value, subject to certain conditions.

18.2.3. Reserves of entities accounted for using the equity method

Details of the contribution of reserves in entities accounted for using the equity method at 31 December 2020 and at 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Cajamar Vida, S.A. de Seguros y Reaseguros	43,993	39,256
Agrocolor S.L.	760	-
Balsa Insa, S.L.	(4,753)	(4,753)
Parque Innovación y Tecnología de Almería, S.A.	(3,316)	(3,379)
Murcia Emprende	132	-
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	6,142	5,173
Biocolor S.L.	(46)	-
GCC Consumo EFC, S.A.	10,804	2,304
Rest of associated entities	6	(168)
Total	**53,722**	**38,433**

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 3.15). 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.

The eligible capital and capital requirements of Grupo Cooperativo Cajamar on a phase-in basis at 31 December 2020 and 31 December 2019 break down as follows:

	Thousands of Euros	
	2020	**2019**
Eligible own funds	**3,533,405**	**3,432,173**
CET 1 Capital	**3,145,405**	**3,044,173**
Eligible CET 1 instruments	3,531,590	3,459,296
Share capital	*3,033,545*	*2,947,594*
Reserves from profit or loss	*498,045*	*511,702*
Tax credits	(386,185)	(415,123)
TIER 2 Capital	**388,000**	**388,000**
Pillar I capital adequacy requirements	**1,824,981**	**1,868,631**
Credit risk	1,689,930	1,735,488
Operating risk	124,591	121,812
CVA	2,295	2,342
Securitisations	8,165	8,989
Capital adequacy ratio	**15.49%**	**14.69%**
CET 1 ratio	**13.79%**	**13.03%**

At 31 December 2020 the Group's phase-in capital adequacy ratios were: CET1, 13.79% (13.03% at 31 December 2019) and Total Capital, 15.49% (14.69% at 31 December 2019), comfortably above the supervisor's requirements at that date. The fully-loaded CET1 ratio at 31 December 2020 stood at 13.06% (12.32% at 31 December 2019), and the fully-loaded Total Capital ratio stood at 14.77% (13.98% at 31 December 2019). The Group therefore has surplus capital over and above the stipulated requirements.

Against the backdrop of the coronavirus (Covid-19) pandemic, the Supervisory Review and Evaluation Process (SREP) resulted in a change to the additional Pillar II capital requirement, distributing the 2.5% buffer between the Total Capital, Tier 1 and CET1 capital requirements. Consequently, the capital ratio of Pillar I, Pillar II and the capital conservation buffers is: 8.41% – CET1, 4.5% – Pillar I, 2.5% – capital conservation buffers and 1.41% – Pillar II; 10.38% – Tier 1 Capital, 6% – Pillar I, 2.5% – capital conservation buffers and 1.88% – Pillar II; and 13% – Total Capital requirements, 8% – Pillar I, 2.5% – capital conservation buffers, and 2.5% – Pillar II.

Regulation 2017/2395 of the European Parliament and of the Council of 12 December 2017 introduced an amendment to the CRR allowing institutions to gradually mitigate between 2018 and 2022 the negative impact of increasing provisions under IFRS 9 on the CET1, which in the Group's case entails a 78 basis-point reduction in the fully-loaded CET1 ratio (Note 1.4). Also in response to Covid-19, Regulation (EU) 2020/873 (known as the "CRR quick fix") was enacted, amending certain aspects of this transitional provision and the extent of said treatment.

In this regard, the Group decided to apply this transitional rule and therefore the phase-in capital ratios are calculated taking into account this stipulated transitional treatment and subsequent amendments thereto, while the fully-loaded capital ratios include the full impact of this new accounting standard.

Continuing the trend of prior years, the Group's Total Capital ratio was primarily achieved through: the generation of profits, with a business model mainly focused on the agri-food sector and the retail segment; contributions from new partners; and the reduction in risk-weighted assets. The positive effect of the deduction of software following the publication of Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020, establishing the prudential treatment of software, has also had a positive effect.

Changes in capital ratios, as is always the case, depend on matters such as delivery of the Group's business plan, new regulations regarding capital requirements, the impact of new accounting requirements, particularly in respect of asset impairment provisions, and the outcome of potential lawsuits and the estimation of the related provisions.

The 2020-2022 business plan approved by the Group's Board of Directors includes an active capital management policy using effective measures to diversify the Group's capital base to enhance the quality and stability of the cooperative members, raising the professional profile of the holders of capital and their diversity.

The Group also expects to generate a level of profit enabling it to bolster reserves eligible as CET1 capital, and to pare back risk-weighted assets by reducing its stock of non-performing assets, as provided for in its "Non-performing asset reduction plans".

Pursuant to Articles 12.14 and 19 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 communiqué was issued by the Bank of Spain on 2 June 2020 setting out the minimum requirements for own funds and eligible liabilities (MREL) established by the Single Resolution Board for BCC – as the Group's Parent – to be met no later than 1 January 2023. With the imminent transposition of the Bank Recovery and Resolution Directive 2 (BRRD2) into Spanish law, the deadline for compliance will be extended to 1 January 2024.

The MREL was set at 11.42% of total liabilities and own funds (TLOF) equivalent to 21.76% in risk-weighted assets terms, based on the financial and prudential information available at 31 December 2018. An additional requirement is that 8.66% of TLOF must be subordinated instruments.

For transparency purposes and to outline the reconciliation of accounting balances on the balance sheet and the balances included in the regulatory perimeter for calculating capital requirements, the table below provides a reconciliation of the Group's consolidated equity and its capital for capital adequacy purposes at 31 December 2020 and 31 December 2019:

	Thousands of Euros	
	2020	2019
Own funds	**3,362,657**	**3,304,672**
Capital	1,059,028	1,059,028
Retained earnings, revaluation reserves and other reserves	305,352	284,231
Other capital instruments	2,951,866	2,865,915
(-) Treasury shares	(977,349)	(977,349)
Profit or loss attributable to the Parent	23,760	92,495
(-) Dividends and remuneration	-	(19,648)
Accumulated other comprehensive income	**14,126**	**21,499**
Total equity	**3,376,783**	**3,326,171**
(-) Adjustments to eligible results: Appropriation to the Education and Development Fund	(3,187)	(4,881)
(-) Exposures weighted at 1.250% with respect to securitisation funds	(8,180)	(14,046)
(-) Goodwill	(54,741)	(65,689)
(-) Defined benefit pension fund assets	(110)	(165)
(-) Ineligible results	-	(18,963)
(-) Intangible assets net of associated tax liabilities	(85,050)	(113,750)
(+) Eligible subordinated debt	388,000	388,000
(-) Deferred tax assets (DTAs)	(238,104)	(221,474)
(+) Temporary impact on reserves of application of IFRS 9	175,945	175,086
(+/-) CET 1 adjustments due to prudential filters	(17,951)	(18,116)
Total adjustments	**156,622**	**106,002**
Total own funds for capital adequacy purposes	**3,533,405**	**3,432,173**

Lastly, the Group had a fully-loaded leverage ratio of 5.41% at 31 December 2020, 50 basis points lower than that posted by the Group at 31 December 2019 (5.91%). This ratio remains well above the minimum requirement of 3%.

20. Accumulated other comprehensive income

The breakdown of valuation adjustments by Group entity at 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	2020	2019
Cajamar Caja Rural, S.C.C	(5,724)	(4,974)
Banco de Crédito Social Cooperativo, S.A.	9,717	15,068
Cajamar Vida, S.A. de Seguros y Reaseguros	5,394	4,363
Cimenta2 Gestión e Inversiones, S.A.U	3,154	5,744
Cajamar Seguros Generales, S.A.	1,596	1,315
Caja de Crédito de Petrel,Caja Rural, C.C.V.	(48)	(46)
Caixa Rural de Turís C.C.V.	(29)	(20)
Caja Rural de Alginet, S.C.C.V.	(15)	(45)
Caja Rural San Roque de Almenara, S.C.C.V.	(4)	(4)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	8	12
Caixa Rural Altea, S.C.C.V.	(28)	(24)
Caja Rural San Jose de Burriana, C.C.V.	140	216
Caixa Rural de Callosa de Sarria, C.C.V.	(12)	-
Caja Rural de Cheste, S.C.C.	(10)	(10)
Caja Rural la Junquera de Chilches, C.C.V.	-	1
Caja Rural San José de Nules, S.C.C.V.	3	3
Caja Rural de Torrent, S.C.C.	(68)	(207)
Caja Rural San Isidro de Vilafamés, C.C.V.	(4)	(3)
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	2	3
Caja Rural de Villar, C.C.V.	(5)	(5)
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	(2)	10
Caixa Rural Vila-Real, S.C.C.	61	102
Total	**14,126**	**21,499**

20.1. Items that will not be reclassified to profit or loss

The balance of this heading mainly comprises 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 8.5.3).

Changes in 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Opening balance	**(2,274)**	**(15,947)**
Net changes in actuarial gains or (-) losses on defined benefit pension plans	(15)	227
Net changes in the fair value of equity instruments at fair value through other comprehensive income, net	(9,198)	13,446
Closing balance	**(11,487)**	**(2,274)**

20.2. Items that may be reclassified to profit or loss

Details of this heading on the accompanying consolidated balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Opening balance	**23,773**	**7,384**
Net changes in foreign currency translation	143	43
Net changes in cash flow hedges	(58)	2,321
Net changes in debt instruments at fair value through other comprehensive income	443	10,946
Net changes in share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	1,312	3,079
Closing balance	**25,613**	**23,773**

21. Minority interests

No amounts are recognised under this heading of the consolidated balance sheet at 31 December 2020 and 2019.

22. Commitments, financial guarantees given and other commitments given

22.1. 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” (Note 6.2) at 31 December 2020 and 31 December 2019 grouped by counterparty are as follows, including the limits and outstanding amounts thereof:

	Thousands of Euros	
	2020	**2019**
Drawdowns on loan commitments	4,734,941	3,783,951
Forward forward deposits	-	-
	4,734,941	**3,783,951**

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 €3,736 thousand at 31 December 2020 (31 December 2019: €2,510 thousand) (Note 14.2).

The average interest rate offered on these commitments is 1.62% at 31 December 2020 (1.87% in 2019).

22.2. Financial guarantees given

The breakdown of financial guarantees given at 31 December 2020 and 31 December 2019, the nominal values of which are recorded in memorandum accounts, is set out below:

	Thousands of Euros	
	2020	**2019**
Financial guarantees given other than credit derivatives	**283,839**	**254,321**
Financial collateral	283,839	254,321
Irrevocable contingent letters of credit	-	-
Other financial guarantees	-	-
Credit derivatives	**-**	**-**
Total	**283,839**	**254,321**

A significant part of these amounts will mature without any payment obligation arising for the Group 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 Group.

The income obtained from guarantee instruments are recorded under the heading “Fee and commission income – Financial guarantees given” on the consolidated statement of profit or loss and are 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 2020 and 31 December 2019 totalled €16,004 thousand and €14,358 thousand, respectively.

The present value of future flows yet to be received for these contracts is €15,942 thousand at 31 December 2020 and €15,737 thousand at 31 December 2019.

The coverage for future payments associated with financial items is recognised in the account “Provisions for commitments and collateral given” on the liability side of the balance sheet, and as at 31 December 2020 and 31 December 2019 totalled €3,486 thousand and €1,110 thousand, respectively (Note 14.2).

22.3. Other commitments given

Details of other commitments given at 31 December 2020 and at 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Irrevocable documentary credits	15,593	10,779
Other non-financial guarantees	457,882	441,255
Securities subscribed pending disbursement	50	50
Other contingent commitments	79,446	314,445
Total	**552,971**	**766,529**

The coverage for future payments associated with 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 as at 31 December 2020 and 31 December 2019 totalled €3,775 thousand and €3,710 thousand, respectively (Note 14.2).

The income obtained from guarantee instruments are recorded under the heading "Fee and commission income" on the consolidated statement of profit or loss and are calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. Unpaid fees and commissions at 31 December 2020 totalled €30,743 thousand (€32,332 thousand at 31 December 2019).

The present value of future flows yet to be received for these contracts is €31,189 thousand at 31 December 2020 and €32,298 thousand at 31 December 2019.

23. Related party transactions

In the case of risk transactions involving related parties, the Group has developed procedures for the granting, authorisation and monitoring of this type of transactions using transparent criteria included in the *Credit Risk Control and Management Procedures and Policies Manual* (Note 6).

At 31 December 2020 and 31 December 2019 no significant transactions were carried out under non-market conditions with parties related to the Group. Balances generated as a result of transactions with related parties are as follows:

	Thousands of Euros									
	Outstanding balances (balance sheet)									
	Parent and entities with joint control or significant influence		**Subsidiaries and other entities of the same group**		**Associates and joint ventures**		**Key management of the institution or its parent**		**Other related parties**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Selected financial assets	**-**	**-**	**-**	**-**	**308,111**	**351,734**	**4,718**	**5,515**	**40,905**	**41,144**
Equity instruments	-	-	-	-	-	-	-	-	67	66
Debt securities	-	-	-	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	308,111	351,734	4,718	5,515	40,838	41,078
Of which: non-performing	-	-	-	-	*204*	*394*	-	-	-	*79*
Selected financial liabilities	**-**	**-**	**-**	**-**	**54,931**	**76,294**	**2,743**	**2,868**	**46,043**	**49,252**
Deposits	-	-	-	-	54,931	76,294	2,743	2,868	46,043	49,252
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Nominal amount of loan commitments, financial guarantees and other commitments given	**-**	**-**	**-**	**-**	**108,221**	**84,333**	**198**	**230**	**4,570**	**10,671**
Loan commitments, financial guarantees and other commitments received	-	-	-	-	-	-	-	-	-	-
Notional amount of derivatives	-	-	-	-	-	-	-	-	-	-
Accumulated impairment and accumulated 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	-	-	-	-	3,729	3,655	14	19	299	265
Interest expenses	-	-	-	-	29	84	2	2	5	23
Dividend income	-	-	-	-	-	-	-	-	-	-
Fee and commission income	-	-	-	-	186	166	2	2	42	60
Fee and commission expenses	-	-	-	-	7	6	-	-	-	-
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Gains or (-) losses on derecognition of non-financial assets	-	-	-	-	-	-	-	-	-	-
Impairment or (-) reversal of impairment of non-performing exposures	-	-	-	-	-	-	-	-	-	(3,368)
Provisions or (-) reversal of provisions for non-performing exposures	-	-	-	-	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2020 and 31 December 2019 with parties related to the Group are as follows:

Outstanding balances	Thousands of Euros – Related parties 2020	2019
Credits:		
Amount	353,667	398,327
Interest rate	0.00% to 7.23%	0.00% to 8.08%
Collateral	Personal and mortgage	Personal and mortgage
Remaining term	1 to 35 years	1 to 36 years
Deposits:		
Amount	103,717	128,414
Interest rate	0.0% to 0.58%	0.0% to 1.03%
Remaining term	1 to 24 months	1 to 24 months

24. Directors' remuneration

Remuneration, including all items, accrued to the Board directors and executives of the Group's Parent, Banco de Crédito Social Cooperativo, S.A., at 31 December 2020 and 31 December 2019 is analysed below:

Thousands of Euros – 2020	Fees-Premiums	Fixed compensation	Social Security expenses	Post-employment benefits	Other remuneration (*)
Board directors	1,705	1,412	51	86	76
Executives	-	2,063	132	151	155
Total	**1,705**	**3,476**	**183**	**237**	**231**

2019	Fees-Premiums	Fixed compensation	Social Security expenses	Post-employment benefits	Other remuneration (*)
Board directors	1,648	1,190	49	1,816	104
Executives	-	2,232	172	354	202
Total	**1,648**	**3,422**	**221**	**2,170**	**306**

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

Excutives' remuneration at 31 December 2020 includes the remuneration of nine directors included in the Bank of Spain's Register of Senior Officers (12 at 31 December 2019). Board directors' remuneration at 31 December 2020 and 31 December 2019 includes the remuneration of three executive board members.

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 2020 and 31 December 2019.

Remuneration accrued to the members of the Group's Board of Directors for fees and attendance premiums at 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros			
	2020		2019	
	Fees	Attendance per diems	Fees	Attendance per diems
Ms. Marta De Castro Aparicio	155	50	147	46
Mr. Juan Carlos Rico Mateo	59	21	57	23
Mr. Hilario Hernandez Marques	55	10	122	21
Ms. Amparo Ribera Mataix	63	21	135	46
Mr. Jose Antonio Garcia Perez	59	23	57	23
Mr. Bernabe Sanchez Minguet Martinez	59	36	55	35
Ms. Maria Teresa Vazquez Calo	62	29	59	26
Mr. Antonio Canton Gongora	137	41	130	41
Mr. Manuel Yebra Sola	80	36	75	38
Mr. Luis Rodriguez Gonzalez	157	38	145	41
Mr. Carlos Pedro De La Higuera Perez	25	8	55	23
Mr. Juan Bautista Mir Piqueras	117	12	117	16
Mr. Rafael Garcia Cruz	59	36	36	24
Mr. Antonio José Carranceja Lopez de Ochoa	107	37	38	17
Ms. Ana Nuñez Alvarez	74	14	-	-
Mr. Luis Francisco Fernandez-Revuelta Perez	20	8	-	-
	1,287	**419**	**1,228**	**420**

Termination commitments: There are contractual guarantees in the event of unfair dismissal or equivalent termination, guaranteeing minimum benefits of two to four years' salary.

At 31 December 2020 the Group had a public liability insurance policy for its directors; the premium paid to the insurance company totals €272 thousand.

25. Quantitative and qualitative information on the mortgage market and reporting transparency

In accordance with Royal Decree 716/2009, of 24 April 2009 (Note 1.4), implementing Act 2/1981, of 25 March 1981, the Group's Board of Directors 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 mortaged 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 Group.
- The criteria that appraisal firms have to fulfil to obtain official approval from the Group.
- 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.

In the general management and control of liquidity risk policies, rules are in place guaranteeing the existence of enough liquidity to always attend the payment obligations of the Group.

25.1. Information on the mortgage market

The information regarding the special accounting recognition of the mortgage loans and credits issued by the Group as well as the financial instruments and other transactions related to the mortgage market is shown, in accordance with Act 2 /1981, of 25 March 1981, regulating the mortgage market, modified by Act 41/2007, of 7 December 2007, and in accordance with the information required by Royal Decree 716/2009, of 24 April 2009, implementing certain aspects of the mentioned act.

The nominal and discounted values of the mortgage loans and credits backing the issuance of mortgage covered bonds and securities at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	Nominal amount	
	2020	**2019**
1. Total loans	**19,149,957**	**19,548,125**
2. Participation mortgages issued	**948,198**	**1,108,282**
Of which: capitalised loans	*919,854*	*1,074,981*
3. Mortgage transfer certificates issued	**2,837,411**	**3,228,085**
Of which: capitalised loans	*2,835,450*	*3,225,892*
4. Mortgage loans securing financing received	**-**	**-**
5. Loans backing mortgage covered bond and note issuances (1 - 2 - 3 - 4)	**15,364,348**	**15,211,758**
Ineligible loans	3,946,639	4,034,625
Fulfils requirements to be eligible, except the threshold stipulated in article 5.1 of Royal Decree 716/2009	1,624,751	2,078,334
Other ineligible loans	2,321,888	1,956,291
Eligible loans	11,417,709	11,177,133
Loans backing mortgage covered bond issuances	-	-
Loans eligible for backing mortgage covered note issuances	11,417,709	11,177,133
Ineligible amounts	350,723	321,939
Eligible amounts	11,066,986	10,855,194
	Discounted value	
Memorandum		
Loans backing mortgage covered bond issuances	-	-

The nominal value of the available amounts (undrawn committed amounts), of the mortgage loans backing the issuance of mortgage covered bonds and securities, differentiating those which are potentially eligible, at 31 December 2020 and 31 December 2019, is as follows:

	Thousands of Euros	
	Available principals	
	2020	**2019**
Loans backing mortgage covered bonds and securities issuances	**258,912**	**267,117**
Potentially eligible	105,151	114,292
Ineligible	153,761	152,825

The nominal value of all the ineligible mortgage loans and credits that breach the limits established in Royal Decree 716/2009 (Article 5.1) but do, however, comply with all the other requirements to be eligible, indicated in Article 4 of the royal decree, amounts to €1,624,751 thousand at 31 December 2020 (€2,078,334 thousand at 31 December 2019).

The disclosures regarding the loans backing the issuance of mortgage covered bonds and securities, specifying those considered eligible, for the years ended 31 December 2020 and 31 December 2019, are as follows:

	Thousands of Euros			
	2020		2019	
	Loans backing mortgage bonds and securities issuances	Of which: eligible loans	Loans backing mortgage bonds and securities issuances	Of which: eligible loans
Total	**15,364,348**	**11,417,709**	**15,211,758**	**11,177,133**
Origin of the transactions				
Generated by the institution	13,877,152	10,111,510	13,698,654	9,846,283
Subrogated from other institutions	1,362,888	1,224,610	1,415,018	1,270,320
Other	124,308	81,589	98,086	60,530
Currency				
Euro	15,364,348	11,417,709	15,211,758	11,177,133
Other currencies	-	-	-	-
Payment status				
Not past-due	13,333,565	10,361,858	12,761,334	9,985,306
Other status	2,030,783	1,055,851	2,450,424	1,191,827
Average residual term				
Up to 10 years	3,043,970	2,334,405	3,082,851	2,268,795
From 10 to 20 years	7,033,077	5,266,782	6,998,398	5,159,538
From 20 to 30 years	4,900,690	3,658,989	4,530,527	3,407,047
Over 30 years	386,611	157,533	599,982	341,753
Interest rate				
Fixed interest rate	872,396	561,503	658,220	452,452
Floating interest rate	10,736,526	8,193,520	10,826,471	8,112,588
Mixed interest rate	3,755,426	2,662,686	3,727,067	2,612,093
Holders				
Legal persons and self-employed (business activities)	5,347,753	3,206,565	5,469,829	3,115,772
Of which: real estate construction and development (including land)	*706,726*	*296,881*	*809,085*	*319,035*
Other households	10,016,595	8,211,144	9,741,929	8,061,361
Type of collateral				
Completed buildings/assets	**13,293,282**	**10,149,236**	**13,119,692**	**9,876,186**
Housing	10,727,609	8,674,779	10,555,215	8,445,555
Of which: government-subsidised housing	*513,883*	*421,925*	*543,038*	*434,215*
Offices and commercial premises	945,761	629,427	1,004,133	670,289
Other buildings and constructions	1,619,912	845,030	1,560,344	760,342
Buildings/assets under construction	**445,725**	**311,427**	**431,377**	**307,982**
Housing	258,166	202,424	251,782	196,544
Of which: government-subsidised housing	*61*	*61*	*194*	*69*
Offices and commercial premises	21,701	17,232	20,630	13,759
Other buildings and constructions	165,858	91,771	158,965	97,679
Land	**1,625,341**	**957,046**	**1,660,689**	**992,965**
Consolidated urban land	169,050	71,967	170,197	75,131
Other land	1,456,291	885,079	1,490,492	917,834

The following table shows, for the years ended 31 December 2020 and 31 December 2019, the relationship between the amount of the eligible mortgage loans and credits and the appraisal values comprising the last available appraisal of the respective mortgaged properties (Loan-to-value, LTV).

	Thousands of Euros					
	2020					
	Principal drawn down based on the amount of the latest appraisal available (loan to value)					
	LTV < = 40%	**40%< LTV <= 60%**	**60%< LTV**	**60%< LTV <= 80%**	**LTV > 80%**	**TOTAL**
Loans eligible for mortgage covered bond and security issuances						**11,417,709**
Housing	2,137,373	2,838,528		2,189,299	627,366	7,792,566
Other properties	1,584,676	1,503,045	537,422			3,625,143

	Miles de euros					
	2019					
	Principal drawn down based on the amount of the latest appraisal available (loan to value)					
	LTV < = 40%	**40%< LTV <= 60%**	**60%< LTV**	**60%< LTV <= 80%**	**LTV > 80%**	**TOTAL**
Loans eligible for mortgage covered bond and security issuances						**11,177,133**
Housing	2,106,316	2,812,061		2,173,164	612,424	7,703,965
Other properties	1,590,702	1,533,019	349,447			3,473,168

The movements in the mortgage portfolio backing the issuance of eligible and ineligible mortgage covered bonds and securities is as follows:

	Thousands of Euros	
	Eligible loans	**Ineligible loans**
Balance at 31 December 2018	**10,616,411**	**5,291,879**
Disposals during the period:	**1,386,709**	**2,591,970**
Outstanding principal collected in cash	1,122,012	435,565
Early cancellations	41,927	11,544
Subrogations by other institutions	34,065	74,970
Other disposals	188,705	2,069,891
Additions during the period:	**1,947,431**	**1,334,716**
Generated by the institution	558,661	1,024,194
Subrogations from other institutions	19,110	42,384
Other additions	1,369,660	268,138
Balance at 31 december 2019	**11,177,133**	**4,034,625**
Disposals during the period:	**1,449,003**	**1,489,693**
Outstanding principal collected in cash	1,157,373	333,519
Early cancellations	42,334	9,561
Subrogations by other institutions	34,467	49,083
Other disposals	214,829	1,097,530
Additions during the period:	**1,689,579**	**1,401,707**
Generated by the institution	517,805	1,055,811
Subrogations from other institutions	24,005	38,875
Other additions	1,147,769	307,021
Balance at 31 december 2020	**11,417,709**	**3,946,639**

The qualitative and quantitative information at 31 December 2020 and 31 December 2019 on the assets received in lieu of payment of debts, broken down by the purpose of the initially granted finance, is provided below:

	Thousands of Euros (*)					
	31 december 2020					
	Gross Debt	**Initial impairments (I)**	**Gross book value**	**subsequent impairments(II)**	**Sum impairments (I+II)**	**Net book value**
Real estate assets from financing provided to construction and real estate development companies	**1,829,858**	**(591,297)**	**1,238,561**	**(398,686)**	**(989,983)**	**839,875**
Completed buildings and other constructions	*579,568*	*(158,047)*	*421,521*	*(66,712)*	*(224,759)*	*354,809*
Housing	415,938	(114,552)	301,386	(36,312)	(150,864)	265,074
Other	163,630	(43,495)	120,135	(30,400)	(73,895)	89,735
Buildings and other constructions under construction	*224,940*	*(89,022)*	*135,918*	*(30,296)*	*(119,318)*	*105,622*
Housing	223,991	(88,846)	135,145	(30,028)	(118,874)	105,117
Other	949	(176)	773	(268)	(444)	505
Land	*1,025,350*	*(344,228)*	*681,122*	*(301,678)*	*(645,906)*	*379,444*
Consolidated urban land	468,601	(155,625)	312,976	(137,704)	(293,329)	175,272
Other land	556,749	(188,603)	368,146	(163,974)	(352,577)	204,172
Real estate assets from mortgage financing to acquire homes	**509,086**	**(166,367)**	**342,719**	**(48,812)**	**(215,179)**	**293,907**
Other foreclosed real estate assets or those received as payment in lieu of debt	**604,890**	**(191,659)**	**413,231**	**(49,485)**	**(241,144)**	**363,746**
Foreclosed capital instruments or those received as payment in lieu of debt	**-**	**-**	**-**	**-**	**-**	**-**
Capital instruments in entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	**-**	**-**	**117**	**(4)**	**(4)**	**113**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	**-**	**-**	**-**	**-**	**-**	**-**

(*) Includes real estate investments with a gross debt of €340,824 thousand, accumulated impairment of €145,567 thousand and a net book value of €195,258 thousand.

	Miles de Euros (*)					
	31 december 2019					
	Gross Debt	Initial impairments (I)	Gross book value	subsequent impairments(II)	Sum impairments (I+II)	Net book value
Real estate assets from financing provided to construction and real estate development companies	**1,872,286**	**(592,974)**	**1,279,312**	**(377,854)**	**(970,828)**	**901,458**
Completed buildings and other constructions	*638,799*	*(171,759)*	*467,040*	*(69,178)*	*(240,937)*	*397,862*
Housing	458,393	(124,557)	333,836	(37,884)	(162,441)	295,952
Other	180,406	(47,202)	133,204	(31,294)	(78,496)	101,910
Buildings and other constructions under construction	*216,562*	*(85,986)*	*130,576*	*(24,459)*	*(110,445)*	*106,117*
Housing	215,732	(85,843)	129,889	(24,253)	(110,096)	105,636
Other	830	(143)	687	(206)	(349)	481
Land	*1,016,925*	*(335,229)*	*681,696*	*(284,217)*	*(619,446)*	*397,479*
Consolidated urban land	459,038	(151,969)	307,069	(124,535)	(276,504)	182,534
Other land	557,887	(183,260)	374,627	(159,682)	(342,942)	214,945
Real estate assets from mortgage financing to acquire homes	**545,640**	**(177,094)**	**368,546**	**(43,484)**	**(220,578)**	**325,062**
Other foreclosed real estate assets or those received as payment in lieu of debt	**573,019**	**(177,325)**	**395,694**	**(41,393)**	**(218,718)**	**354,301**
Foreclosed capital instruments or those received as payment in lieu of debt	-	-	-	-	-	-
Capital instruments in entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	**117**	**(4)**	**(4)**	**113**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	-	-	-	-

(*) Includes real estate investments with a gross debt of €282,179 thousand, accumulated impairment of €117,902 thousand and a net book value of €164,276 thousand

The Group has policies and strategies in place to recover the liquidity of this kind of assets, which are detailed in Note 6 of these annual accounts.

At 31 December 2020 and 31 December 2019 there are no substitute assets subject to mortgage covered security issues.

All of the mortgage security issues have been placed without a public offer. Their aggregate nominal value classified according to their residual maturity date at 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros		Years	
	Nominal amount		Average residual term	
	2020	2019	2020	2019
Mortgage covered bonds issued	-	-		
Of which: recognised under liabilities	-	-		
Mortgage covered notes issued	**5,750,000**	**5,250,000**		
Of which: recognised under liabilities	*1,250,000*	*2,000,000*		
Debt securities. Other issuances	**5,750,000**	**5,250,000**		
Residual term up to one year	1,000,000	1,250,000		
Residual term > 1 year to 2 years	1,750,000	1,000,000		
Residual term > 2 years to 3 years	500,000	1,750,000		
Residual term > 3 years to 5 years	1,750,000	1,250,000		
Residual term > 5 year to 10 years	750,000	-		
Residual term > 10 years	-	-		
Participation mortgages issued	**919,854**	**1,074,981**	**23**	**22**
Issued through a public offering	-	-	-	-
Other issuances	919,854	1,074,981	23	22
Mortgage transfer certificates issued	**2,835,450**	**3,225,892**	**23**	**23**
Issued through a public offering	-	-	-	-
Other issuances	2,835,450	3,225,892	23	23

At 31 December 2020 and 31 December 2019 no mortgage covered bond issues existed.

25.2. 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 hereon.

Details of the financing for real estate construction and development as well as the corresponding impairment allowances at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros					
	Gross amount		Excess above the value of collateral		Specific allowance	
	2020	2019	2020	2019	2020	2019
Financing for real estate construction and development (including land)(businesses in Spain) (e)[010]	**715,877**	**823,544**	**226,346**	**267,929**	**(172,920)**	**(207,155)**
Of which: Non-performing	*352,797*	*415,936*	*193,065*	*227,007*	*(167,838)*	*(196,557)*
Memorandum items:						
Assets in default	396,818	363,553				

	Thousands of Euros	
	2020	2019
Loans and advances to customers excluding public administrations (business in Spain) (book value)	31,200,511	29,157,589
Total assets (total businesses) (book value)	53,617,061	47,406,455
Impairment and provisions for performing exposures (total businesses)	(250,890)	(250,534)

The gross amount, without deducting impairment allowances, of the transactions classified according to the associated guarantees securing the finance at 31 December 2020 and 31 December 2019 breaks down as follows:

	Thousands of Euros	
	2020	2019
Not real estate mortgage secured	**12,536**	**21,634**
Real estate mortgage secured (broken down by type of asset received as collateral)	**703,341**	**801,910**
Completed buildings	*452,301*	*503,203*
Housing	325,827	355,254
Other	126,474	147,949
Buildings under construction	*34,079*	*44,120*
Housing	26,928	36,607
Other	7,151	7,513
Land	*216,961*	*254,587*
Consolidated urban land	81,434	91,682
Other land	135,527	162,905
Total	**715,877**	**823,544**

Details of retail loans for home purchases at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros			
	2020		2019	
	Gross book value	Of which: Non-performing	Gross book value	Of which: Non-performing
Lending for home purchases	**11,776,080**	**408,831**	**11,786,375**	**497,095**
Not real estate mortgage secured	32,464	907	38,605	1,385
Real estate mortgage secured	11,743,616	407,924	11,747,770	495,710

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros					
	2020					
	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 book value	**2,877,354**	**3,658,382**	**3,244,562**	**1,270,858**	**692,460**	**11,743,616**
Of which: Non-performing	*19,468*	*34,519*	*87,367*	*78,285*	*188,285*	*407,924*

	Thousands of Euros					
	2019					
	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 book value	**2,855,758**	**3,694,551**	**3,162,917**	**1,274,528**	**760,016**	**11,747,770**
Of which: Non-performing	*21,816*	*36,606*	*101,140*	*90,704*	*245,444*	*495,710*

25.3. Quantitative information related to funding needs and strategies

The Assets and Liabilities Committee (ALCO) is responsible for managing the Group's liquidity. The principles, instruments and limits used to manage risk are described in Note 6 – Risk management.

At 31 December 2020 the Group had a coverage ratio for the retail and medium- and long-term loan portfolio of 108.23% (compared to 105.17% at 31 December 2019), while 117.61% (115.07% at year-end 2019) of funding needs are covered through stable funding sources.

In 2020 Grupo Cooperativo Cajamar completed two placements of covered bonds of €1,000 million and €750 million, respectively, fully retained and assigned to replenish collateral in the asset pledge facility with the Bank of Spain. The Group completed no placements in the wholesale market in 2019.

Moreover, at 31 December 2020 the Group holds liquid assets (eligible for financing transactions with the European Central Bank) with a nominal value of €19,711 million (31 December 2019: nominal value of €15,920 million). It also has the capacity to issue collateralised financial instruments (covered bonds and public-sector covered bonds) of €3,909 million (31 December 2019: €3,586 million).

Details of funding needs and strategies at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
Stable financing needs		
Loans and advances to customers	28,714,947	25,951,573
Loans to Group and related entities	45,475	51,816
Securitised loans	4,130,795	4,923,830
Specific funds	(137,997)	(761,643)
Foreclosed assets	1,994,511	2,043,551
Total loans and advances to customers	**34,747,731**	**32,209,127**
Participation mortgages	**101,357**	**118,938**
Total financing needs	**34,849,088**	**32,328,065**

	Thousands of Euros	
	2020	2019
Stable sources of financing		
Customers covered 100% by Deposit Guarantee Fund	22,617,503	20,413,121
Customers not covered 100% by Deposit Guarantee Func	12,638,042	10,148,551
Total retail customer deposits	**35,255,545**	**30,561,672**
Mortgage covered bonds and notes	1,250,000	2,000,000
Public sector covered notes	-	-
Senior debt	-	-
State-guaranteed issues	-	-
Subordinated, preference and convertible issues	388,300	390,400
Other medium and long-term financial instruments	115,101	130,090
Securitisations sold to third parties	599,656	792,997
Other financing maturing in more than one year	-	-
Commercial paper	-	-
Long-term wholesale financing	**2,353,057**	**3,313,487**
Equity	**3,376,783**	**3,326,170**
Total stable sources of financing	**40,985,385**	**37,201,329**

The maturities of wholesale debt at 31 December 2020 are as follows:

	Thousands of Euros			
	2021	2022	2023	>2023
Issuances:				
Mortgage covered bonds and notes(*)	-	750,000	500,000	-
Public sector covered notes	-	-	-	-
Senior debt	-	-	-	-
State-guaranteed issues	-	-	-	-
Subordinated, preference and convertible issues(*)	100,000	288,300	-	-
Securitisations sold to third parties(**)	43,474	40,966	35,028	480,189
Other medium and long-term financial instruments	115,100	-	-	-
Other financing maturing in more than one year	-	-	-	-
Commercial paper	-	-	-	-
Total wholesale issuance maturities	**258,574**	**1,079,266**	**535,028**	**480,189**

(*) 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 the issuance capacity available at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
Liquid assets		
Eligible assets (nominal amount)	19,711,049	15,919,810
Eligible assets (market value and ECB haircut)	19,475,359	15,362,190
Of which:		
debt with general governments	12,779,060	*9,607,280*
Pledged assets (market value and ECB haircut)	12,314,593	7,027,566
Unpledged assets (market value and ECB haircut)	7,160,766	8,334,623
Issuance capacity:		
Mortgage covered notes	3,103,589	3,434,155
Public sector covered notes	805,470	152,256
Available issues backed by the State government	-	-
Total issuance capacity	**3,909,059**	**3,586,411**

25.4. Disclosures regarding refinanced and restructured transactions

Pursuant to Annex IX of Bank of Spain Circular 4/2017, of 27 November 2017, on credit institutions' financial reporting rules, the Group 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 Group 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 the 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 category.
- The borrower has no other transaction with amounts more than 30 days past due at the end of 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 Group will consider the following:

- That the transaction is supported by an inadequate payment plan, i.e when there is repeated failure to comply with payment plan terms.
- That clauses are included that delay the repayment of transactions through regular payments.
- That they include contract terms that extent the time for the regular repayment of installations on the transaction

The Group will verify the following before reclassifying transactions from the non-performing category to performing exposures under special monitoring:

- That the debtor's equity and financial position has been redressed and that it is expected it will not experience further financial difficulties;

- That at least a year has elapsed since the refinancing or restructuring;
- That the debtor has fully repaid the accrued installments of principal and interest, thereby reducing the renegotiated principal; and
- That the debtor has no transactions with amounts past due by more than 90 days on the date of reclassification to performing exposures under special monitoring.

The Group'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 2020 and 31 December 2019, according to the content of Bank of Spain Circular 6/2012, of 28 September 2012, and the policies established by the Group are as follows:

31 december 2020	Thousands of Euros – TOTAL						
	Unsecured		Secured				
					Maximum amount of the secured that can be considered		
	Number of transactions	Gross book value	Number of transactions	Gross book value	Real estate mortgage secured	Rest of secured loans	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	6	1,736	1	1,508	1,031	-	-
Other financial corporations and self-employed (financial business activity)	8	78	8	496	391	-	(105)
Non-financial corporations and self-employed (non-financial business activity)	2,090	111,459	3,295	811,748	636,209	8,964	(291,389)
Of which: financing for real estate construction and development (including land)	*2*	*528*	*393*	*323,248*	*221,628*	*5*	*(139,182)*
Other households	5,586	46,475	6,271	568,183	496,952	134	(179,286)
Total	**7,690**	**159,748**	**9,575**	**1,381,935**	**1,134,583**	**9,098**	**(470,780)**
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 the secured that can be considered		
	Number of transactions	Gross book value	Number of transactions	Gross book value	Real estate mortgage secured	Rest of secured loans	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	4	486	-	-	-	-	-
Other financial corporations and self-employed (financial business activity)	4	39	4	291	217	-	(85)
Non-financial corporations and self-employed (non-financial business activity)	944	56,378	1,978	563,504	404,650	2,753	(270,121)
Of which: financing for real estate construction and development (including land)	*2*	*528*	*319*	*294,075*	*193,229*	*5*	*(137,328)*
Other households	2,335	21,104	3,569	344,336	287,168	51	(160,451)
Total	**3,287**	**78,007**	**5,551**	**908,131**	**692,035**	**2,804**	**(430,657)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

31 december 2019

	Thousands of Euros						
	TOTAL						
	Unsecured		Secured				
					Maximum amount of the secured that can be considered		
	Number of transactions	Gross book value	Number of transactions	Gross book value	Real estate mortgage secured	Rest of secured loans	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	5	1,895	2	12,535	5,593	-	-
Other financial corporations and self-employed (financial business activity)	4	49	8	436	434	-	(87)
Non-financial corporations and self-employed (non-financial business activity)	1,879	119,933	3,679	935,107	720,976	13,707	(313,536)
Of which: financing for real estate construction and development (including land)	*5*	*2,986*	*486*	*395,108*	*271,818*	*49*	*(174,152)*
Other households	5,039	43,470	6,827	628,722	538,082	175	(187,506)
Total	**6,927**	**165,347**	**10,516**	**1,576,800**	**1,265,085**	**13,882**	**(501,129)**
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 the secured that can be considered		
	Number of transactions	Gross book value	Number of transactions	Gross book value	Real estate mortgage secured	Rest of secured loans	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	2	-	-	-	-	-	-
Other financial corporations and self-employed (financial business activity)	4	49	2	105	105	-	(56)
Non-financial corporations and self-employed (non-financial business activity)	942	47,879	2,421	683,382	492,150	2,820	(282,393)
Of which: financing for real estate construction and development (including land)	*4*	*2,715*	*410*	*356,620*	*234,516*	*49*	*(167,404)*
Other households	2,516	22,960	4,487	439,928	362,697	58	(166,258)
Total	**3,464**	**70,888**	**6,910**	**1,123,415**	**854,952**	**2,878**	**(448,707)**
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 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
Public administrations	468	-
Financial intermediaries	-	-
Other legal persons and sole proprietors	35,709	25,046
Of which: Financing for construction and property development	*8,022*	*424*
Other natural persons	5,896	16,026
Total	**42,073**	**41,072**

Note 6 to the accompanying annual accounts provides details of the policies applied by the Group in terms of refinancing and restructuring transactions, showing the measures and criteria used.

26. Breakdown of the consolidated statement of profit or loss

The most significant headings on the accompanying consolidated statement of profit or loss at 31 December 2020 and 31 December 2019 are as follows:

- **Interest income and Interest expenses**

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

	Thousands of Euros	
	2020	2019
Interest income		
Cash equivalents at credit institutions	55	138
Other loans and advances	530,687	541,418
Debt securities (Note 8.2.3) (Note 8.3.2) (Note 8.4.1) (Note 8.5.1) (Note 8.6.4)	91,427	95,810
Non-performing transactions	20,211	28,308
Hedging derivatives	12,944	5,620
Other assets:		
Yields on pension plan assets (Note 14.1)	860	844
Interest income on liabilities	44,272	30,313
Other	2,906	1,843
Total	**703,362**	**704,294**
Interest expense and similar charges		
Sight deposits at credit institutions	(2,048)	(3,841)
Other deposits	(26,905)	(45,624)
Debt securities issued (Note 8.7.4)	(22,702)	(24,355)
Subordinated liabilities (Note 8.7.4.2)	(31,695)	(32,162)
Other liabilities:		
Pension fund interest expense (Note 14.1)	(935)	(945)
Asset interest expenses	(5,090)	(4,363)
Financial costs of liabilities associated with operating lease	(1,790)	(2,073)
Other	(1,553)	(1,135)
Total	**(92,718)**	**(114,498)**

- **Dividend income**

Details of this heading on the consolidated statements of profit or loss at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	2019
Equity instruments (Note 8.5.2)	8,878	8,705
Total	**8,878**	**8,705**

- **Profit/(loss) of entities measured using the equity method**

The contribution to profit or loss of entities measured using the equity method (Notes 2.7. and 11) on the consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Cajamar Vida, S.A. de Seguros y Reaseguros	28,337	28,736
Cajamar Seguros Generales, S.A.	2,410	2,418
Apartamentos Media Luna S.L.	-	-
Agrocolor S.L.	119	(32)
Parque de innovación y tecnológico de Almería	(355)	63
Murcia emprende, S.C.R., S.A.	(177)	(143)
Biocolor, S.L.	(51)	300
Proyecta Ingenio, S.L.	(10)	(9)
GCC Consumo EFC S.A	4,532	7,102
Giesmed Parking S.L.	34	-
Rest of associated entities	-	-
	34,839	**38,435**

- **The headings "Fee and commission income" and "Fee and commission expenses"** on the accompanying consolidated statement of profit or loss show the amount of all fees and commission received and paid by the Group accrued during the year, except for those that form part of the effective interest rate for financial instruments. The criteria followed to take these items to profit or loss are explained in Note 3.16.

  The details of products generating fee and commission income or expenses at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
Fee and commission income	2020	2019
Securities:	**1,400**	**650**
Transfer orders (Note 29)	1,400	650
Custody [by type of customer]:	**1,027**	**1,055**
Other (Note 29)	1,027	1,055
Payment services	**152,468**	**171,488**
Current accounts	69,766	74,043
Credit cards	20,876	29,561
Debit cards and other card payments	39,416	39,797
Transfers and other payment orders	7,289	7,816
Other fee and commission income in relation to payment services	15,121	20,274
Customer resources distributed but not managed [by type of product] (Note 29):	**66,452**	**59,500**
Collective investment	27,241	21,188
Insurance products	39,211	38,312
Loan commitments given	**12,602**	**11,807**
Financial guarantees given	**10,626**	**9,695**
Loans granted	**1,995**	**10,205**
Foreign currency	**888**	**1,137**
Other fee and commission income	**12,158**	**9,915**
Total	**259,616**	**275,452**
Fee and commission expenses		
Securities	(8,698)	(6,646)
Clearing and settlement	-	-
Asset management	(66)	(115)
Custody	-	-
Payment services	(10,303)	(13,519)
Of which: Debit and credit cards and other cards	(10,249)	(13,445)
Loan administration activities	(24)	(25)
Loan commitments received	-	-
Financial guarantees received	(6,840)	(3,508)
Distribution of products by external providers	(2,451)	(1,736)
Other fee and commission expenses	(6,250)	(4,644)
Total	**(34,632)**	**(30,193)**

- **Gain and losses on assets and liabilities**

Details of this heading on the consolidated statements of profit or loss at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019(*)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**136,933**	**209,430**
Financial assets at amortised cost	128,020	206,079
Financial assets at fair value through other comprehensive income	8,135	1,893
Financial liabilities at amortised cost	778	1,458
Gains or losses on financial assets and liabilities held for trading, net	**(963)**	**266**
Other gains or (-) losses	(963)	266
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**79,573**	**85,981**
Other gains or (-) losses	79,573	85,981
Gains or losses from hedge accounting, net	**(1)**	**-**
Total	**215,542**	**295,677**

(*) Figures restated as described in Note 2.5 – Comparability

- **Other operating income**

Details of this heading on the consolidated statements of profit or loss at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	2020	**2019**
Changes in fair value in tangible assets measured using the fair value model	-	-
Investment property (Note 12)	7,874	8,395
Operating leases that are not investment properties	-	-
Other:	-	-
Sales and other revenue from non-financial services rendered	9,730	10,213
Other recurring income	*10,560*	*12,620*
Other non-recurring income	*7,302*	*1,265*
Other items	*432*	*749*
Income from insurance and reinsurance contracts issued	-	-
Total	**35,898**	**33,242**

- **Other operating expenses**

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

	Thousands of Euros	
	2020	**2019**
Mandatory contributions to social projects and funds (Note 17)	(1,353)	(3,803)
Investment property (Note 12)	(841)	(868)
Operating leases that are not investment properties	-	-
Contribution to the Deposit Guarantee Fund (Note 3.17)	(43,978)	(40,178)
Contribution to the Single Resolution Fund (Note 3.28)	(13,166)	(10,237)
Other:		
Change in inventories – Cost of sales	-	-
Change in inventories – Property overheads	-	-
Other items	(20,598)	(11,535)
Expenses from insurance and reinsurance contracts issued	**-**	**-**
Total	**(79,936)**	**(66,621)**

- **Staff expenses**

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

	Thousands of Euros	
	2020	**2019**
Salaries and bonuses to current personnel	(229,124)	(231,023)
Social Security payments	(76,155)	(76,370)
Appropriations to defined benefit plans (Note 14)	(2,111)	(2,106)
Appropriations to defined contribution plans (Note 14)	(12,931)	(13,102)
Severance indemnities	(805)	(1,450)
Training expenses	(424)	(2,098)
Share-based payments	-	-
Other staff expenses	(5,818)	(5,557)
Total	**(327,368)**	**(331,706)**

The average number of employees of the Group's credit institutions and of Grupo Cooperativo Cajamar, broken down by gender in accordance with Organic Act 3/2007, of 22 March 2007, is as follows:

	Credit institutions		**Grupo Cooperativo Cajamar**	
	2020	**2019**	**2020**	**2019**
Average payroll				
Male	2,698	2,734	3,133	3,114
Female	2,821	2,844	3,120	3,107
Total	**5,519**	**5,578**	**6,253**	**6,221**

The average number of employees at the Group, broken down by professional category, is as follows:

	2020		**2019**	
	Male	**Female**	**Male**	**Female**
Executives	31	7	30	6
Department heads and graduates	2,249	1,530	2,066	1,291
Administrative officers	667	1,301	767	1,489
Administrative assistants	185	280	249	319
Sundry positions	1	2	2	2
Total	**3,133**	**3,120**	**3,114**	**3,107**

At 31 December 2020 and 2019 the number of employees at the Group, broken down by professional category, is as follows:

	2020		**2019**	
	Male	**Female**	**Male**	**Female**
Executives	31	7	30	6
Department heads and graduates	2,295	1,623	2,092	1,341
Administrative officers	605	1,224	741	1,447
Administrative assistants	176	246	246	312
Sundry positions	1	2	1	2
Total	**3,108**	**3,102**	**3,110**	**3,108**

The average number of individuals employed at 31 December 2020 and 31 December 2019 with disabilities equal to or over 33% impairment (or equivalent qualification), by professional category, is as follows:

	2020		2019	
	Male	Female	Male	Female
Executives	-	-	-	-
Department heads and graduates	28	23	24	22
Administrative officers	19	32	21	37
Administrative assistants	2	4	1	4
Sundry positions	-	-	-	-
Total	**49**	**59**	**46**	**63**

Remuneration in kind granted to the Group'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 2020 and 31 December 2019:

	Thousands of Euros	
	2020	2019
Loans and advances	1,421	916
Other remuneration in kind	900	1,114
Total remuneration in kind	**2,322**	**2,030**

- **Other administrative expenses**

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

	Thousands of Euros	
	2020	2019
From property, fixtures and supplies	(27,655)	(29,449)
IT	(40,577)	(34,309)
Communications	(8,463)	(10,156)
Advertising	(5,582)	(6,230)
Court and attorney's fees	(1,191)	(1,643)
Technical reports	(8,887)	(6,991)
Surveillance and security carriage services	(5,529)	(6,106)
Insurance and self-insurance premiums	(1,973)	(1,211)
Governance and control bodies	(3,161)	(3,610)
Entertainment and travel expenses	(1,704)	(2,827)
Membership fees	(1,614)	(1,076)
Passing on of central service expenses to foreign branches	-	-
Subcontracted administrative services	(38,582)	(41,750)
Levies and other taxes:		
On properties	(3,310)	(3,598)
Other	(16,876)	(14,975)
Donations to foundations	-	-
Other expenses	(18,577)	(21,635)
Total	**(183,681)**	**(185,566)**

- **Amortisation and depreciation**

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

	Thousands of Euros	
	2020	**2019**
Property, plant and equipment		
For own use (Note 12)		
IT equipment and related fixtures	(12,120)	(10,417)
Furniture, vehicles and other fixtures	(21,070)	(19,921)
Buildings	(8,327)	(8,287)
Other tangible assets	(316)	(318)
Leased out under an operating lease		
Activated rights-of-use on lease agreements (Note 12)	(8,656)	(8,700)
Investment property (Note 12)		
Furniture, vehicles and other fixtures	(200)	(158)
Buildings	(4,237)	(4,793)
Other intangible assets	**(8,096)**	**(4,246)**
Total	**(63,022)**	**(56,840)**

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

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

	Thousands of Euros	
	2020	**2019**
Pensions and other post-employment defined benefit obligations (Note 14.1)	17	17
Other long-term employee benefits (Note 14.1)	(419)	(17)
Pending legal issues and tax litigation	-	(328)
Commitments and guarantees given	(3,667)	4,577
Loan commitments granted	(1,226)	(339)
Financial guarantees granted	(2,414)	154
Other commitments granted	(27)	4,762
Other contingent risks	(27)	4,762
Other provisions (Note 14.4)	(38,262)	(57,611)
Total	**(42,331)**	**(53,362)**

- **Impairment or reversal of impairment of financial assets and other non-financial assets (net)**

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

	Thousands of Euros	
	2020	**2019**
Financial assets not designated at fair value through profit or loss	**(314,195)**	**(333,633)**
Debt securities (Note 8.5.1) (Note 8.6.4)	(286)	(474)
Loans and advances (Note 8.6.3)	(313,909)	(333,534)
Equity instruments (Note 8.5.2)	-	375
Investments in subsidiaries, joint ventures and associates (Note 11)	**-**	**-**
Total	**(314,195)**	**(333,633)**
Non-financial assets		
Property, plant and equipment	(698)	-
Investment property (Note 12)	(4,454)	13,581
Goodwill (Note 13)	(10,948)	(10,976)
Other (Note 16)	(51,162)	(35,552)
Total	**(67,262)**	**(32,947)**

- **Gains or losses on derecognition of non-financial assets**

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

	Thousands of Euros	
	2020	**2019**
Gains on disposals		
Property, plant and equipment (Note 12)	326	532
Investment property (Note 12)	2,282	5,891
Intangible assets (Note 13)	1,480	1,480
Other gains	5,950	14,137
Total	**10,038**	**22,040**
Losses on disposals		
Property, plant and equipment (Note 12)	(1,232)	(12,077)
Investment property (Note 12)	(3,654)	(3,743)
Intangible assets (Note 13)	(171)	(954)
Other losses	(19,169)	(32,604)
Total	**(24,226)**	**(49,378)**
Total gains or losses	**(14,188)**	**(27,338)**

- **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 consolidated statements of profit or loss are as follows:

	Thousands of Euros	
	2020	**2019**
Gains on disposals		
Property, plant and equipment	49	49
Investment property	231	192
Property, plant and equipment foreclosed	5,753	5,885
Total	**6,033**	**6,126**
Losses on disposals		
Property, plant and equipment	(11)	(103)
Investment property	(622)	(815)
Property, plant and equipment foreclosed	(12,084)	(14,783)
Total	**(12,717)**	**(15,701)**
Impairment losses on non-current assets held for sale (Note 10)	**(10,563)**	**(3,275)**
Total gains or losses	**(17,247)**	**(12,850)**

27. Segment information

- **Segmenting by lines of business**

The Group's core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Group segment and manage its operations through different business lines.

- **Geographical segmenting**

The Group carries out its activities almost entirely in Spain and the type of customer is similar throughout Spain. Therefore, the Group considers that there is a single geographical segment for the entire operation.

28. Information regarding the deferral of payments to suppliers

Final Provision Two of Act 31/2014, of 3 December 2014, amending the Spanish Corporate Enterprises Act to improve corporate governance, amends Additional Provision Three of Act 15/2010, of 5 July 2010, which amended Act 3/2004, of 29 December 2004, 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 repeals 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 2010. 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 consolidated statement of profit or loss. This note therefore does not include information regarding payments for financial transactions that constitute the corporate purpose of the Group or to asset suppliers that may exist which, in any case, have been made in accordance with the deadlines established in the relevant agreements and by 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 2012, 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 Group’s commercial transactions, at 31 December 2020 and 31 December 2019 are as follows:

	Days	
	2020	**2019**
Average period of payment to suppliers	28.16	15.55
Ratio of transactions paid	28.16	15.53
Ratio of transactions pending payment	21.10	32.05
	Thousands of Euros	
	2020	**2019**
Total payments made	540,736	635,003
Total payments pending	21	563

29. 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 consolidated statements of profit or loss, are as follows:

	Thousands of Euros	
2020	**Customer funds**	**Fees and commission**
Brokerage services (products marketed by the Group) (Note 26)		
Collective investment	3,122,216	27,241
Insurance products	1,504,358	39,211
Total	**4,626,574**	**66,452**
Deposit of securities owned by third parties (Note 26)		
Debt securities and equity instruments	1,184,285	2,427
Other financial instruments entrusted by third parties	-	-
Total	**1,184,285**	**2,427**

	Thousands of Euros	
2019	**Customer funds**	**Fees and commission**
Brokerage services (products marketed by the Group) (Note 26)		
Collective investment	2,893,771	21,188
Insurance products	1,503,449	38,312
Total	**4,397,220**	**59,500**
Deposit of securities owned by third parties (Note 26)		
Debt securities and equity instruments	1,213,210	1,705
Other financial instruments entrusted by third parties	-	-
Total	**1,213,210**	**1,705**

Exchange risk

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

	Thousands of Euros	
	2020	**2019**
Assets		
Cash, cash balances at central banks and other on demand deposits	70,312	62,392
Financial assets at fair value through other comprehensive income	-	6,441
Financial assets at amortised cost	20,362	46,020
Other assets	215	263
Total	**90,889**	**115,116**

	Thousands of Euros	
	2020	**2019**
Liabilities		
Financial liabilities at amortised cost	113,150	101,497
Total	**113,150**	**101,498**
Net Position	**(22,261)**	**13,618**

The net amount of exchange differences recognised on the consolidated statement of profit or loss totalled €1,530 thousand at 31 December 2020 (€3,160 thousand at 31 December 2019).

"Accumulated other comprehensive income" in equity at 31 December 2020 does not include any exchange difference, while an exchange loss of € 142 thousand (net of the tax effect) was included at 31 December 2019.

Audit fees

The fees paid for the statutory audit and other services provided by the audit firm and others related to the Group at 31 December 2020 and 31 December 2019 are as follows:

2020	Thousands of Euros			
Entity	Audit fees	Audited-related fees	Other services	Total
KPMG	1,058	141	154	1,353

2019	Thousands of Euros			
Entity	Audit fees	Audited-related fees	Other services	Total
PricewaterhouseCoopers	1,198	152	108	1,458

The audit fees recognised under the "Audit fees" heading include those for: the audit of the separate and consolidated annual accounts of Banco de Crédito Social Cooperativo, S.A., and the other Rural Savings Banks comprising the Group and subsidiaries; and the audit of the quarterly consolidated statement of profit or loss revisions. The "Audit-related fees" heading comprises the fees for preparing a number of technical reports on the implementation of and/or revisions to various laws applicable to the Group. "Other services" comprise the fees for preparing reports offering advice on the regulatory framework and reporting systems.

Fees charged by other auditors at 31 December 2020 for statutory audit and other audit-related services totalled €29 thousand.

Unclaimed balances and deposits

In accordance with the matters indicated in Article 18 of Act 33/2003, of 3 November 2003, on public institution finances, the balances and deposits at the Group that have been unclaimed in accordance with that article were zero at 31 December 2020; this amount may vary between said date and the date the financial statements are definitively presented to the competent authority (no amount at 31 December 2019).

Customer Service

This section fulfils Article 17.2 of Order ECO/734/2004 on customer service departments and the customer ombudsman of financial institutions 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 2002, on Measures to Reform the Financial System and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from other 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.

All the Grupo Cooperativo Cajamar financial entities listed in Annex II of the Group's Customer Protection Regulation form part of the Customer Service Department. The regulation governs how the Customer Service Department operates and was approved by the Parent's Board of Directors. Members are all those comprising the Group at 31 December 2020.

Noteworthy is the number of proceedings initiated in 2020 amounting to 10,302, including 224 files with the Bank of Spain Institutions' Conduct Department and nine 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.

Proceedings initiated in respect of claims against entities break down as follows: (i) Cajamar Caja Rural, 95.4%; (ii) Caixa Rural Torrent, 1%; (iii) Caixaltea, 0.9%; (iv) none against Banco de Credito Cooperativo or Caja Rural Vilafames; and (v) 2.7% against the other 14 entities.

Moreover, it is worth looking at how the cases processed during the year were resolved: (i) 75% were in favour of the entities; (ii) 16% were in favour of the claimant; (iii) the Customer Service Department issued no decision on the claims filed in 8% of cases; and (iv) 1% of customers withdrew their claims in 2020.

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: (i) 49% related to loans and advances; (ii) 23% to deposit transactions; (iii) 10% to other bank products; (iv) 10% to various products; (v) 4% to collection and payment services; (vi) 3% to insurance and pension funds; and (vii) 1% to investment services.

Finally, looking at the reasons for claims – also as per the Bank of Spain's classification: 52% of cases settled were related to fees and commission; 19% to discrepancies in entries; 9% to various matters; 7.5% to interest; 5.5% to disagreements with the service ex post; 4% to other contractual clauses/documentation; 1.5% to disagreements with the service ex ante; 1% to data protection; and lastly, 0.5% to accidents.

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.

Directors' duty of loyalty

In accordance with the provisions of Article 229 of the revised text of the Corporate Enterprises Act, as per the wording thereof stipulated in Act 31/2014, of 3 December 2014, amending the revised text of the Corporate Enterprises Act in order to improve corporate governance and enhance the transparency of public limited companies, the directors have reported to the Bank that during 2020, they and the persons related to them, as defined in Article 231 of the revised text of the Corporate Enterprises Act:

- Have not carried out transactions with the Group, not taking into account ordinary operations conducted under standard business conditions and of little relevance, being understood as those not requiring disclosure for the purposes of presenting fairly the equity, financial position and the results of the entity.

- Have not used the Group's name or invoked their status as directors to improperly influence the performance of private operations.

- Have not made use of corporate assets, including confidential company information for private purposes.

- Have not taken advantage of the Group's business opportunities.

- Have not obtained benefits or remuneration from parties other than the Group or its associates in the performance of their duties, excepting cases of mere courtesy.
- Have not performed activities on their own account or for others that involved effective competition, whether specific or potential, with the Group or which otherwise placed them in a situation of ongoing conflict with the Group's interests.

30. Subsequent events

After 31 December 2020 the Group recognised the sale of a portfolio of debt securities with a nominal value of €9,774 million, resulting in gains of €461 million.

Irrespective of the information set out above and in this report, from 31 December 2020 to 9 March 2021, the date on which the accompanying consolidated annual accounts were authorised for issue by the Group's Board of Directors, there were no significant events that must be disclosed in the notes to the accompanying annual accounts in order for them to give a true and fair view of the Group's equity, its financial position, the results of its operations, changes in equity and cash flows.

Appendix I Breakdown of shareholdings at 31 December 2020

Details of Group entities whose balance sheets and statements of profit or loss are fully consolidated are as follows:

								Thousands of Euros						
				% shareholding					Equity					
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Entidades del Grupo													
Cajamar Caja Rural, S.C.C. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Credit cooperative	61.85%	-	-	-	-	40,313,975	2,879,581	124,744	10,653	-	(5,724)
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Credit cooperative	0.64%	-	-	-	-	309,374	5,830	24,708	156	-	(28)
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Credit cooperative	0.44%	-	-	-	-	169,229	7,308	12,775	111	-	(12)
Caixa Rural de Turís, C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Credit cooperative	0.18%	-	-	-	-	57,975	1,642	6,751	39	-	(29)
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Credit cooperative	0.09%	-	-	-	-	65,577	923	3,736	24	-	2
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	Credit cooperative	0.15%	-	-	-	-	126,284	3,258	4,280	30	-	(2)
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Mayor, 10. Villarreal. Castellón.	Credit cooperative	0.54%	-	-	-	-	411,459	11,847	14,716	137	-	61
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Credit cooperative	0.44%	-	-	-	-	223,078	3,445	17,908	109	-	(48)
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Credit cooperative	0.19%	-	-	-	-	100,875	2,529	6,476	79	-	(15)
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Credit cooperative	0.24%	-	-	-	-	127,294	1,884	9,603	55	-	(10)
Caja Rural de Torrent, S.C.C. (b)	Avda. Al Vedat, 3. Torrent. Valencia.	Credit cooperative	1.09%	-	-	-	-	599,912	13,554	38,718	428	-	(68)
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Credit cooperative	0.21%	-	-	-	-	86,172	3,891	6,041	52	-	(5)
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 6, Chilches. Castellón.	Credit cooperative	0.08%	-	-	-	-	32,572	1,497	2,572	19	-	0
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Vilafames. Castellón.	Credit cooperative	0.06%	-	-	-	-	29,836	482	2,395	15	-	(4)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Credit cooperative	0.25%	-	-	-	-	116,255	3,441	9,491	62	-	8
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Credit cooperative	0.51%	-	-	-	-	234,052	4,485	20,821	128	-	140
Caja Rural San José de Nules, S.C.C.V. (a)	C/ Mayor, 66. Nules. Castellón.	Credit cooperative	0.20%	-	-	-	-	132,281	5,376	4,732	56	-	3
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Credit cooperative	0.08%	-	-	-	-	42,578	948	2,955	22	-	(4)
Alquileres Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	610	23,639	1,235	(545)	110	-	-
BCC Eurovía Informática, A.I.E. (a)	Avda. de la Innovación, 1 (PITA). Almería.	Rendering of technology services	-	99.00%	1.00%	100.00%	3	633	3	-	-	-	-
BCC Gestión Integral de Infraestructuras, A.I.E. (a)	Avenida Nuestra Señora de Montserrat, número 11, Almería.	Rendering of general services	-	98.00%	2.00%	100.00%	3	226	3	-	-	-	-
BCC Operaciones y Servicios Administrativos, S.L.U. (a)	Plaza 3 de abril, 2, Almería.	Operational, management and	-	-	100.00%	100.00%	12	806	12	36	200	-	-
BCC Recursos Humanos y contact Center, S.L.U. (a)	Avda. de la Innovación, 1 (PITA). Almería.	HR advisory services and consulting	-	-	100.00%	100.00%	41	494	4	116	107	-	-
Cajamar Mediación Operador de Banca Seguros Vinculado, S.L.U.	Plaza de Juan del Águila Molina, 5. Almería.	Insurance brokerage	-	-	100.00%	100.00%	60	10,873	60	229	210	-	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	-	100.00%	100.00%	1,657,565	2,772,189	60	1,588,229	58,400	10,876	14,108
Cimentados3, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	-	876,738	60	-	(63,728)	(78,480)	-
Cimenta Desarrollos Inmobiliarios, S.A.U.	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	44,608	53,159	60	(3)	(62)	44,613	-
Inmuebles Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	6,707	48,586	16,250	(8,144)	(1,377)	(21)	-
Sunaria Capital, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Holding company	-	100.00%	-	100.00%	4,023	5,775	3,000	600	527	-	-
							1,713,632	**46,971,898**	**2,972,668**	**1,893,940**	**6,562**	**(23,012)**	**8,373**

Details of associates accounted for using the equity method at 31 December 2020 are as follows:

				% shareholding					Equity				
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Entidades Asociadas													
Agrocolor, S.L.	Carretera de Ronda, 11-bj. Almería.	Agro-food quality certification	-	-	32.37%	32.37%	18	4,281	390	1,823	407	-	96
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Integrated pest control	-	-	22.19%	22.19%	329	1,495	1,920	13	(6)	(443)	-
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	49.99%	6,604	108,103	9,015	8,029	4,820	(4,021)	3,193
Cajamar Vida, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	49.99%	33,732	931,309	9,015	33,354	56,674	(47,059)	10,788
GCC Consumo Establecimiento Financiero de Crédito, S.A. (d)	Paseo de los Melancólicos, 14. Madrid.	Specialised credit institution (EFC)	-	49.00%	-	49.00%	34,643	733,529	70,294	22,049	9,248	406	-
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Property sales.	-	-	20.00%	20.00%	1,803	9,732	3	36	169	9,014	-
Habitat Utiel, S.L.	C/ Pascual y Genil, 17. Valencia	Real estate development	-	-	25.00%	25.00%	2	383	6	-	-	(3)	-
Murcia emprende S.C.R., S.A. (e)	C/ Alfaro, 1. Murcia.	Venture capital	-	-	22.06%	22.06%	530	2,398	2,557	-	(206)	3	-
Parque Científico- Tecnológico de Almería, S.A. (e)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	Management of commercial premises	-	-	30.13%	30.13%	8,370	47,145	31,040	(612)	(1,177)	(10,418)	8,958
Promociones Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Real estate development	-	-	24.50%	24.50%	-	3,262	12	130	(4)	(7)	-
Proyecta Ingenio, S.L.	C/ Jesus Durbán Remón, 2, 1º. Almería.	Agriculture procedure and quality advisory se	-	-	24.90%	24.90%	5	527	60	61	(101)	-	-
Renovables la Unió, S.C.P.	C/ Mar,22. Valencia.	New technologies	-	-	40.00%	40.00%	84	210	210	-	-	-	-
							86,120	**1,842,375**	**124,522**	**64,884**	**69,823**	**(52,526)**	**23,034**

(a) Company audited by KPMG Auditores, S.L.
(b) Company audited by Auren Auditores SP, S.L.P.
(c) Company audited by Ernst & Young, S.L.
(d) Company audited by Mazars Auditores S.L.P.
(e) Company audited by Deloitte Auditores, S.L.

Appendix I Breakdown of shareholdings at 31 December 2019

Details of Group entities whose balance sheets and statements of profit or loss are fully consolidated are as follows:

								Thousands of Euros					
				% shareholding					Equity				
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Entidades del Grupo													
Cajamar Caja Rural, S.C.C. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Credit cooperative	59.86%	-	-	-	-	36,222,501	2,799,750	98,688	66,197	(17,781)	(4,974)
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Credit cooperative	0.64%	-	-	-	-	268,514	5,627	24,285	621	(17)	(24)
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Credit cooperative	0.42%	-	-	-	-	160,601	7,027	12,517	408	(36)	-
Caixa Rural de Turís, C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Credit cooperative	0.18%	-	-	-	-	53,320	1,452	6,626	164	(6)	(20)
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Credit cooperative	0.10%	-	-	-	-	58,225	856	3,525	242	(2)	3
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	Credit cooperative	0.15%	-	-	-	-	109,806	3,141	4,230	108	(13)	10
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Mayor, 10. Villarreal. Castellón.	Credit cooperative	0.50%	-	-	-	-	390,575	10,760	14,640	419	(39)	102
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Credit cooperative	0.45%	-	-	-	-	196,199	3,244	17,691	407	(7)	(46)
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Credit cooperative	0.20%	-	-	-	-	87,319	2,475	6,407	182	(10)	(45)
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Credit cooperative	0.24%	-	-	-	-	117,199	1,803	9,442	230	(4)	(10)
Caja Rural de Torrent, S.C.C. (b)	Avda. Al Vedat, 3. Torrent. Valencia.	Credit cooperative	1.08%	-	-	-	-	553,341	12,845	38,077	1,027	(40)	(207)
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Credit cooperative	0.18%	-	-	-	-	76,157	3,103	5,936	172	(11)	(5)
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 6, Chilches. Castellón.	Credit cooperative	0.07%	-	-	-	-	29,590	905	2,532	62	(3)	1
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Vilafames. Castellón.	Credit cooperative	0.06%	-	-	-	-	27,071	458	2,358	58	(1)	(3)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Credit cooperative	0.25%	-	-	-	-	99,918	2,952	9,168	257	(17)	12
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Credit cooperative	0.51%	-	-	-	-	205,193	3,626	20,491	476	(9)	216
Caja Rural San José de Nules, S.C.C.V. (a)	C/ Mayor, 66. Nules. Castellón.	Credit cooperative	0.19%	-	-	-	-	129,129	5,090	4,633	191	(23)	3
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Credit cooperative	0.08%	-	-	-	-	37,651	856	2,899	77	(3)	(4)
Alquileres Alameda 34, S.L. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	99.29%	99.29%	596	28,271	1,235	(624)	82	(3)	-
BCC Eurovía Informática, A.I.E. (a)	Avda. De la Innovación, 1 (PITA). Almería.	Rendering of technology services	-	99.00%	1.00%	100.00%	3	756	3	-	-	-	-
BCC Gestión Integral de Infraestructuras, A.I.E. (a)	Avenida Nuestra Señora de Montserrat, número 11, Almería.	Rendering of general services	-	98.00%	2.00%	100.00%	3	243	3	-	-	-	-
BCC Operaciones y Servicios Administrativos, S.L.U.	Plaza 3 de abril, 2, Almería.	Operational, management and	-	-	100.00%	100.00%	12	544	12	36	123	-	-
BCC Recursos Humanos y contact Center, S.L.U.	Avda. De la Innovación, 1 (PITA). Almería.	HR advisory services and consulting	-	-	100.00%	100.00%	41	435	4	116	104	-	-
Cajamar Mediación Operador de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance brokerage	-	-	100.00%	100.00%	60	11,573	60	229	186	-	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	-	100.00%	100.00%	1,599,165	4,505,858	1,400,060	61,970	126,258	10,876	16,566
Cimentados3, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	-	853,722	60	-	(74,509)	(3,971)	-
Cimenta Desarrollos Inmobiliarios, S.A.U.	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	-	100.00%	100.00%	60	58	60	(2)	-	-	-
Inmuebles Alameda 34, S.L.	Paseo Alameda, 34. Valencia.	Real estate development	-	-	99.62%	99.62%	8,032	71,619	16,250	(8,144)	(11)	(11)	-
Sunaria Capital, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Holding company	-	100.00%	-	100.00%	4,023	5,448	3,000	600	900	-	-
							1,611,995	**44,300,836**	**4,286,717**	**338,326**	**124,431**	**(11,131)**	**11,575**

Details of associates accounted for using the equity method at 31 December 2019 are as follows:

Company	Domicile	Business	% mutualisation	% shareholding			Net book value	Assets	Equity				Other equity
				Direct	Indirect	Total			Capital	Reserves	Profit/(loss)	Other items	
Entidades Asociadas													
Agrocolor, S.L.	Carretera de Ronda, 11-BJ. Almería.	Agro-food quality certification	-	-	32.37%	32.37%	18	3,841	390	1,650	363	-	98
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Integrated pest control	-	-	22.19%	22.19%	379	1,971	1,920	13	(8)	(211)	-
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	49.99%	6,604	99,243	9,015	7,488	4,837	(357)	2,631
Cajamar Vida, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	49.99%	33,732	985,652	9,015	30,553	57,471	-	8,725
GCC Consumo Establecimiento Financiero de Crédito, S.A. (d)	Calle Retama nº 3. Madrid.	Specialised credit institution (EFC)	-	49.00%	-	49.00%	34,643	817,442	70,294	4,702	14,493	406	-
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Property sales.	-	-	20.00%	20.00%	2,025	10,217	3	47	(3)	10,113	-
Habitat Utiel, S.L.	C/ Pascual y Genil, 17. Valencia	Real estate development	-	-	25.00%	25.00%	2	383	6	-	-	(3)	-
Murcia emprende S.C.R., S.A. (e)	C/ Alfaro, 1. Murcia.	Venture capital	-	-	22.06%	22.06%	696	3,202	5,399	39	(211)	(2,072)	-
Parque Científico- Tecnológico de Almería, S.A. (e)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	Management of commercial premises	-	-	30.13%	30.13%	8,914	47,551	31,040	(612)	(1,041)	(9,001)	9,209
Promociones Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Real estate development	-	-	24.50%	24.50%	-	3,262	12	130	(4)	(7)	-
Proyecta Ingenio, S.L.	C/ Jesus Durbán Remón, 2, 1º. Almería.	Agriculture procedure and quality advisory	-	-	24.90%	24.90%	5	541	60	60	(62)	-	-
Renovables la Unió, S.C.P.	C/ Mar,22. Valencia.	New technologies	-	-	40.00%	40.00%	84	210	210	-	-	-	-
							87,103	**1,973,515**	**127,364**	**44,070**	**75,835**	**(1,129)**	**20,663**

(a) Company audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Company audited by Auren Auditores SP, S.L.P.
(c) Company audited by Ernst & Young, S.L.
(d) Company audited by Mazars Auditores S.L.P.
(e) Company audited by Deloitte Auditores, S.L.

Appendix II Details of branches by geographical area

Province		Nº branch offices 2020	Nº branch offices 2019
ANDALUCIA		247	258
	Almería	109	111
	Cádiz	9	9
	Córdoba	8	8
	Granada	20	22
	Huelva	5	5
	Jaén	7	6
	Málaga	80	90
	Sevilla	9	7
ARAGÓN		5	5
	Huesca	2	2
	Zaragoza	3	3
ASTURIAS		3	3
BALEARES		22	23
CANARIAS		49	53
	Las Palmas	34	36
	Santa Cruz de Tenerife	15	17
CANTABRIA		2	2
CASTILLA LA MANCHA		15	16
	Albacete	6	6
	Ciudad Real	4	4
	Cuenca	3	4
	Guadalajara	1	1
	Toledo	1	1
CASTILLA LEÓN		62	65
	Avila	4	4
	Burgos	3	3
	León	10	10
	Palencia	11	13
	Salamanca	2	2
	Segovia	2	2
	Soria	1	1
	Valladolid	26	27
	Zamora	3	3
CATALUÑA		37	37
	Barcelona	28	28
	Gerona	3	3
	Lérida	1	1
	Tarragona	5	5
COMUNIDAD VALENCIANA		290	313
	Alicante	75	81
	Castellón	54	59
	Valencia	161	173
EXTREMADURA		4	3
	Badajoz	3	3
	Cáceres	1	-
GALICIA		5	4
	A Coruña	3	3
	Ourense	1	1
	Lugo	1	-
LA RIOJA		2	2
MADRID		36	36
MURCIA		124	130
NAVARRA		4	4
PAIS VASCO		1	-
	Álava	1	-
CEUTA		1	1
MELILLA		1	1
		910	956

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

Appendix III Details of financial agents by geographical area

1. **List of authorised persons in accordance with section 1** of Bank of Spain Circular 4/2010, of 30 July 2010, for credit institutions and agreements concluded for the habitual rendering of financial services:

Province	Name	Scope of action	Date of power-of-attorney
ALICANTE			
	ALBERTO SANCHEZ SANCHEZ	HONDON DE LAS NIEVES Y LA ROMANA	12/19/2019
	MARCELINO PEDRO ERN AGUD	SELLA/RELLEU/TORREMANZANAS	12/28/2016
	RUBEN LEAL MIRETE	BIAR	1/30/2020
ALMERIA			
	AGUSTIN MUNOZ EXPOSITO	ILLAR/HUECIJA/ALICUN/TERQUE	3/4/2013
	DANIEL PEREZ BENITEZ	VELEZ-BLANCO	3/4/2013
	EMILIO MANUEL VEGA LOPEZ	OHANES/PADULES/ISTINCION	3/4/2013
	ENCARNACION VALERO DEL POZO	GUAZAMARA	1/20/2016
	GABRIEL FRANCISCO RUBIO MARTINEZ	BEDAR/TABERNO	1/20/2016
	GREGORIO TORRENTE MARTINEZ	MARIA	9/28/2016
	JAVIER GONZALEZ LAO	GERGAL /NACIMIENTO	12/28/2016
	JOSE ANTONIO BENITEZ ROMERO	ORIA	12/28/2016
	JOSE ANTONIO ESPINOSA TORRES	CABO DE GATA, PUEBLO BLANCO-NIJAR	12/28/2016
	JOSE ANTONIO GODOY GARCIA	FONDON/FUENTE VICTORIA	12/28/2016
	JOSE MARTINEZ CARMONA	PATERNA DEL RIO/BAYARCAL	1/12/2017
	MARIA CRISTINA LALINDE LLANO (	LA ALFOQUIA/ALMANZORA	3/7/2017
	MIGUEL MANAS CABEZAS	ULEILA DEL CAMPO/1008.1 AGENCIA ITINERANTE	8/3/2017
	NATALIA GARCIA YESTE	ABRUCENA	12/14/2017
	ROQUE MIRAS NAVARRO	FINES	1/16/2018
	DOMINGO JESUS GUILLEN GARCIA	CHIRIVEL	4/6/2018
	JOSE LUIS EGEA VENTEO	ALBOLODUY/FELIX/RIOJA	6/12/2018
AVILA			
	DIANA GONZALEZ LOZANO	AVILA Y VALLADOLID	10/9/2019
	JENNIFER ALONSO NINO	SAN PEDRO DEL ARROYO	9/25/2018
	SONIA GARCIA RODRIGUEZ	LAS NAVAS DEL MARQUES	6/16/2019
CASTELLON			
	CARLOS RODRIGO BALMES	CATI/SALSADELLA	9/28/2016
	DAVID GARCIA GIL	VISTABELLA/LA POBLA DE TORNESA	12/28/2016
	FERNANDO TRAVER SALES	ELS IBARSOS/SERRA DE ENGARCERAN	12/28/2016
	GUSTAVO GALLEN PRADES	VILLAHERMOSA DEL RIO/FIGUEROLES	1/29/2019
	JAVIER MESTRE CERVERA	FORCALL	12/4/2018
	JOAQUIN VICENTE MIRALLES MIRALLES	TALES	9/14/2017
	MARCO ANTONIO FABREGAT EDO	CINCTORRES	7/12/2017
	MONICA MIGUEL PORCAR	USERAS/COSTUR	12/28/2016
	ROSA ANA IBANEZ BARREDA	BENLLOCH/CULLA	12/28/2016
	VISITACION REYES GIL CORTES	MONTANEJOS	12/4/2018
	YOLANDA MATEO PEREZ	SONEJA Y VIVER	1/30/2020
	CONSUELO FABREGAT FERRER	CANET LO ROIG/ROSELL	12/28/2016
	EDUARDO ENRIQUE GUZMAN MARTI	PROVINCIA CASTELLON	30/09/2020
CUENCA			
	DANIEL LLORIA MARTINEZ	ALIAGUILLA/TALAYUELAS	9/28/2016
MALAGA			
	FRANCISCO JAVIER MUNOZ ARLANDI	ISTAN/BENAHAVIS	5/23/2019
	ISABEL BERLANGA MONTERO	CASARABONELA	1/30/2020
	JOAQUIN JOSE ATENCIA LOPEZ	EL BORGE	6/28/2018
	JOSE ANTONIO MATEOS COZAR	CORTES DE LA FRONTERA	1/30/2020
	JOSE SANCHEZ MENDEZ	EL BURGO	12/19/2019
	LORENZO MARIN TORRES	RIOGORDO	8/3/2017
	RAQUEL BERBEL CAPILLA	ALCAUCIN/TOTALAN	3/4/2013
	YOLANDA BEJAR LUQUE	COMARES/ALFARNATE	12/28/2016
	ALFONSO VERA MORA	SIERRA YEGUAS	18/09/2020
MURCIA			
	ALFONSO MANUEL TERUEL GARCIA	LOS NIETOS	8/20/2019
	DIEGO VALERA PUCHE	ALJUCER	12/4/2018
	ENRIQUE GARCIA SANCHEZ	LOS GARRES	12/4/2018
	FRANCISCO GONZALEZ SAAVEDRA	JAVALI VIEJO	12/28/2016
	FRANCISCO TOMAS MIRA PEREZ	GUADALUPE	1/30/2020
	GONZALO SEIQUER GIL	COBATILLAS	1/30/2020
	JOAQUIN ALFONSO ALMAIDA BERNAL	SANTO ANGEL	12/4/2018
	JOSE IGNACIO ORTIZ VICENTE	TORRE ALTA	5/19/2020
	JOSE VICENTE HUERTAS MINGUEZ	ALGEZARES	12/4/2018
	MARIAN STAN	ISLA PLANA	2/27/2019
	MIGUEL ANGEL GIMENEZ PEREZ	ZARCILLA DE RAMOS	5/23/2019
	PEDRO GASPAR NICOLAS CASES	LOS DOLORES	1/17/2019
	PEDRO JOSE MARTINEZ ROBLES	ARCHIVEL	1/17/2019
	PEDRO JOSE VIDAL GARCIA	LA ALCAINA	12/4/2018
	SALVADOR MANUEL CAMPILLO NAVARRO	ALUMBRES	5/19/2020
	JUAN MUNOZ CLEMENTE	MIRANDA	11/25/2020
PALENCIA			
	CESAR CASAS MARTINEZ	DUENAS	12/19/2020
	FRANCISCO JOSE GARCIA DIEZ	CERVERA DE PISUERGA	12/28/2016
	MIGUEL PEREZ RODRIGUEZ	HERRERA DE PISUERGA/OSORNO	12/4/2018
	PILAR GUTIERREZ FRANCO	BALTANAS	12/19/2019
VALENCIA			
	ALBERTO RUANA COTINO	LA POBLA DE FARNALS	9/25/2018
	ALFONSO JIMENEZ LOPEZ	SERRA/MARINES	10/5/2017
	CARLOS VIDAL MICO	CASTELLO DE RAUGAT	5/19/2020
	DELMUNDO MILA RODRIGUEZ CRIADO	CAMPORROBLES	12/4/2018
	DIEGO AGUADO SORIA	CATADAU	5/19/2020
	ENRIQUE TORMO ORTS	ANTELLA	1/17/2019
	FRANCISCO MEDINA ORTAL	EL PERELLO	2/25/2020
	JESUS VICENTE RODENAS CARRETERO	CAUDETE DE LAS FUENTES/SIETE AGUAS	12/28/2016
	JOSE ANGEL MOMPO ARELLANO	ALFFARRASI/BELGIDA	2/27/2019
	JOSE ANTONIO BLASCO ROVIRA	ALFARP	3/12/2020
	JOSE ANTONIO SANZ MARTINEZ	VALENCIA	8/1/2018
	JOSE ENRIQUE PLANCHADELL HERRERO	FAVARA/LLAURI LA FONT	4/6/2018
	JOSEP ANTONI GARCIA MIRAGALL	RIOLA	2/25/2020
	JUSTO MANUEL RUIZ MEGIAS	VILLAGORDO DEL CABRIEL/CUEVAS DE UTIEL	8/3/2017
	MANUEL GASCON CALVO	ESTIVELLA	8/27/2020
	ELENA BLASCO CALATAYUD	MACASTRE/ALBORACHE	10/5/2017
	MARIA JOSE MOROS PEREZ	ALCUBLAS/LOSA DEL OBISPO	4/6/2018
	MARIA VICENTA SANMARTIN GIL	BOLBAITE	12/19/2019
	MIGUEL TOMAS SALOM CANAS	ALCANTERA DEL XUQUER	12/4/2018
	NESTOR NAVARRO PERELLO	YATOVA/CARPESA	8/20/2019
	NICOLAS CARRION GARCIA	REAL COOP-LLAURADORS	2/27/2019
	PASCUAL CARRATALA MINGUEZ	SUMACARCER/GAVARDA	5/19/2017
	RAFAEL BENAVENT COLOMA	EL PALMAR-CAUDETE	5/19/2017
	ROBERTO DALIA CIRUJEDA	FONTANARS/ALFAFARA	4/18/2017
	ROSA MARIA PALAU GARCIA	Bicorp	12/4/2018
	VICENTE LUIS PARRA MARTINEZ	JARAFUEL	9/28/2016
	ANTONIO AVENDANO CABALLERO	MONTESA	18/09/2020
VALLADOLID			
	ALBERTO RODRIGUEZ LOPEZ	SERRADA	5/19/2017
	ALEJANDRO PUERTAS DEL OLMO	CAMPASERO	12/4/2018
	ANDRES HERNANDEZ MAESTRO	COGECES DEL MONTE	12/4/2018
	ANTONIO RODRIGUEZ FERRIO	MOJADOS	12/4/2018
	CESAR HERGUEDAS RECIO	Pedrajas	9/25/2018
	CRISTOBAL MARTIN HURTADO	ALAEJOS	3/7/2017
	EDUARDO PARDO GARCIA (sust.dt.norte-may a sept.)	AGENCIAS DT NORTE	6/12/2018
	JORGE GANAN FERNANDEZ	ALDEAMAYOR/PUENTEDUERO	12/28/2016
	NOEMI RODRIGUEZ ALLENDE	CARPIO	12/28/2016
	PEDRO REDONDO-SANCHEZ-AVILA	VILLANUBLA/FUENSALDANA	12/28/2016
	RAUL CALZADA ALVAREZ	BOECILLO	4/18/2017
	KARINA DIAZ DURO	CERVERA DE PISUERGA	6/13/2019
	JESUS ANGEL QUIJADA LERONES	BALTANAS	11/18/2020

2. **List of persons authorised to recruit customers or promote and market transactions and services in accordance with section 2** of Bank of Spain Circular 4/2010, of 30 July 2010, for credit institutions and agreements concluded for the habitual rendering of financial services:

At the end of 2020 the Group did not maintain agreements with persons authorised to recruit customers or to promote and market operations and services.

Appendix IV Details on the fundamentals of the Group's financial entities at 31 December 2020

	Thousands of Euros							
Group companies	**Assets**	**Liabilities**	**Equity**	**Net interest income**	**Gross income**	**Operating profit/(loss)**	**Profit/(loss) before tax**	**Profit/(loss) for the period**
Cajamar Caja Rural, S.C.C	40,313,975	37,304,721	3,009,254	417,312	746,980	(11,931)	23,487	10,653
Caja Rural de Torrent, S.C.C.	599,912	547,280	52,632	5,084	10,499	716	548	428
Caixa Rural Vila-Real, S.C.C.	411,459	384,697	26,762	3,216	9,518	414	177	137
Caixa Rural Altea, S.C.C.V.	309,374	278,708	30,666	3,385	9,255	306	215	156
Caja Rural San Jose de Burriana, C.C.V.	234,052	208,477	25,575	1,599	3,550	233	170	128
Caja Rural San José de Nules, S.C.C.V.	132,281	122,114	10,167	1,536	3,090	157	67	56
Caixa Rural de Callosa de Sarria, C.C.V.	169,229	149,048	20,181	2,712	4,691	247	144	111
Caja de Crédito de Petrel, Caja Rural, C.C.V.	223,078	201,663	21,415	1,641	3,306	263	146	109
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	126,284	118,718	7,565	1,643	3,674	115	44	30
Caja Rural de Cheste, S.C.C.	127,294	115,762	11,531	1,073	1,659	80	80	55
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	116,255	103,253	13,002	1,316	1,338	87	83	62
Caja Rural de Alginet, S.C.C.V.	100,875	91,806	9,069	856	2,212	101	103	79
Caja Rural de Villar, C.C.V.	86,172	76,193	9,979	652	1,304	75	70	52
Caixa Rural de Turís, C.C.V.	57,975	49,573	8,402	559	973	65	48	39
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	65,577	60,891	4,686	354	684	30	31	24
Caja Rural San Roque de Almenara, S.C.C.V.	42,578	38,657	3,921	433	664	56	27	22
Caja Rural San Isidro de Vilafamés, C.C.V.	29,836	26,948	2,888	77	397	19	19	15
Caja Rural la Junquera de Chilches, C.C.V.	32,572	28,483	4,089	346	588	32	25	19

Appendix IV Details of the fundamentals of the Group's financial entities at 31 December 2019

	Thousands of Euros							
Group companies	**Assets**	**Liabilities**	**Equity**	**Net interest income**	**Gross income**	**Operating profit/(loss)**	**Profit/(loss) before tax**	**Profit/(loss) for the period**
Cajamar Caja Rural, S.C.C	36,222,501	33,280,622	2,941,879	435,030	705,446	(35,934)	74,707	66,197
Caja Rural de Torrent, S.C.C.	553,341	501,640	51,701	5,479	11,412	1,454	1,274	1,027
Caixa Rural Vila-Real, S.C.C.	390,575	364,694	25,882	3,429	4,619	798	482	419
Caixa Rural Altea, S.C.C.V.	268,514	238,021	30,493	3,596	5,363	939	748	621
Caja Rural San Jose de Burriana, C.C.V.	205,193	180,393	24,800	1,737	4,108	618	598	476
Caja Rural San José de Nules, S.C.C.V.	129,129	119,234	9,895	1,646	3,729	297	235	191
Caixa Rural de Callosa de Sarria, C.C.V.	160,601	140,685	19,917	2,672	4,731	696	484	408
Caja de Crédito de Petrel, Caja Rural, C.C.V.	196,199	174,910	21,289	1,794	4,108	530	533	407
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	109,806	102,331	7,475	1,684	2,743	198	124	108
Caja Rural de Cheste, S.C.C.	117,199	105,737	11,461	1,063	2,004	313	286	230
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	99,918	87,547	12,372	1,338	761	309	300	257
Caja Rural de Alginet, S.C.C.V.	87,319	78,309	9,010	1,073	2,201	220	227	182
Caja Rural de Villar, C.C.V.	76,157	66,962	9,195	701	1,090	214	208	172
Caixa Rural de Turís, C.C.V.	53,320	45,104	8,216	606	914	225	203	164
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	58,225	53,602	4,624	413	1,399	308	303	242
Caja Rural San Roque de Almenara, S.C.C.V.	37,651	33,826	3,825	493	1,063	117	96	77
Caja Rural San Isidro de Vilafamés, C.C.V.	27,071	24,201	2,870	98	481	74	72	58
Caja Rural la Junquera de Chilches, C.C.V.	29,590	26,093	3,497	384	1,875	73	83	62

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
(GRUPO COOPERATIVO CAJAMAR)

Annual Banking Report
(Year 2020)

General information

This report is drawn up in compliance with Article 87 of Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions. In accordance with said law, credit institutions are required to report to the Bank of Spain and publish annually, specifying for the countries in which they are established, the following consolidated information:

a) Name, nature and geographical location of the activity
b) Turnover
c) Number of full-time employees
d) Gross profit before taxes
e) Corporate income tax
f) Grants and public aid received

a) Name, nature and geographical location of the activity

Note 1 to Grupo Cajamar's consolidated annual accounts for 2020 describes the Entity's nature, corporate purpose and registered office. The most relevant aspects of that information are set out below:

a.1) Nature of the entity:

The Parent of Grupo Cooperativo Cajamar (hereinafter, "the Group" or "GCC") is Banco de Crédito Social Cooperativo, S.A., which is responsible for management and oversight of the Group. It is responsible for laying down the management instructions to be followed by the Group Entities and for providing them with support.

Banco de Crédito Social Cooperativo, S.A. is a duly registered private bank governed by the regulations on credit institutions and private banking. On 18 February 2014 it was entered in the Register of Banks and Bankers under code number 0240, with tax ID number A86853140. Its registered office is at Paseo de la Castellana 87, 28046 Madrid (Spain).

Banco de Crédito Social Cooperativo, S.A. was incorporated by the 32 founding shareholders in 2014 under a public deed executed before the Madrid notary Mr. José Enrique Cachón Blanco on 28 January 2014, filed as entry 293 in his records. The deed was also entered as Entry 1, Page M-573805, Folio 131, Volume 31,884 in the Madrid Companies Register on 10 February 2014. The shareholders that granted the deed were given the powers to do so by the Bank of Spain under an authorisation issued on 27 January 2014 by the Directorate General for Financial Regulation and Stability, in the terms laid down in Royal Decree 1245/1995 (repealed on 15 February 2015 by Royal Decree 84/2015, of 13 February 2015, which implements Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions).

As Parent, pursuant to the Regulatory Agreement of Grupo Cooperativo Cajamar, the Bank performs all the duties assigned to it in the Group and issues mandatory instructions to all Group entities. It must act, at all times, in adherence to the principles of independence, impartiality, professionalism and technical rigour.

The Bank is essentially governed by Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions (Spanish Official State Gazette (BOE) 156 of 27 June 2014) and Royal Decree 84/2015, of 13 February 2015, which implements Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions, as well as relevant and supplementary regulations.

Grupo Cooperativo Cajamar

Cooperative groups are incorporated in accordance with Cooperative Act 27/1999, of 26 July 1999, 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 law 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, Article 80.8 of Directive 2006/48/EC of the European Parliament and of the Council, of 14 June 2006, – currently repealed by 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 relevant transposition legislation in Spain, in particular Bank of Spain Circular 3/2008, of 22 May 2008 (partially repealed by Circular 2/2016, of 2 February 2016) and subsequent amendments, regarding the calculation and control over minimum own funds establish the purposes, objectives and rules for so-called Institutional Protection Systems (IPS), that Act 36/2007, of 16 November 2007, transposed into Spanish legislation and Royal Decree 216/2008, of 15 February 2008, (currently repealed) implemented as a regulation. Based on these bodies of legislation, the Bank of Spain issued Circular 3/2008, of 22 May 2008, Points Two and Fifteen of which stipulate the conditions under which the Bank of Spain would consider an IPS exists and would authorise the relevant conditions.

On the basis of the aforementioned regulations and considerations, the resolution to establish Grupo Cooperativo Cajamar was approved on 25 February 2014 through the signing of the “Grupo Cooperativo Cajamar Regulatory Agreement”. Grupo Cooperativo Cajamar has been incorporated for legal purposes as a “cooperative group” in order to strengthen the Members and enable balance sheets to be consolidated and business strategies, management policies and risk control, solvency and liquidity 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 Circular 3/2008 and Circular 2/2016, solvency commitments are established which are reciprocal, direct and unconditional. They are designed to avoid situations of insolvency on the one hand, and to assess the Groups' 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.

Additionally, Banco de Crédito Social Cooperativo, S.A., based on the content of the Regulatory Agreement, is responsible for overseeing the solvency and liquidity of the Group and of each of the Members, as well as for agreeing on measures to be adopted to support a Member Entity. In such an event, Banco de Crédito Social Cooperativo, S.A.'s Board of Directors would execute binding instructions aimed at ensuring the solvency and liquidity of the Group and the Members, if so required by the Bank of Spain or the single European supervisor in accordance with prevailing legislation.

The entities belonging to Grupo Cooperativo Cajamar – as members – as well as their dates of incorporation approved by their general assemblies and the dates they were authorised to join the Group by the Bank of Spain Executive Committee are detailed as follows:

Entity	Meeting date	Bank of Spain authorisation date
Banco de Crédito Social Cooperativo, S.A	1/28/2014	6/6/2014
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	11/28/2013	6/6/2014
Caixa Rural Altea, Cooperativa de Credit Valenciana	11/27/2013	6/6/2014
Caja Rural San José de Burriana, Coop. de Crédito V.	11/28/2013	6/6/2014
Caixa Rural de Callosa d´En Sarriá, Cooperativa de Crédito Valenciana	11/28/2013	6/6/2014
Caixa Rural San José de Nules, S. Coop. de Crédito V.	11/28/2013	6/6/2014
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	11/28/2013	6/6/2014
Caja Rural de Alginet, S. Coop. de Crédito V.	11/28/2013	6/6/2014
Caja Rural San Jaime De Alquerías Niño Perdido, Coop. de Crédito V.	11/28/2013	6/6/2014
Caja Rural de Villar, Coop. de Crédito V.	11/28/2013	6/6/2014
Caixa Rural San Josep de Vilavella, S. Coop. de Crédito V.	11/28/2013	6/6/2014
Caja Rural San Roque de Almenara, S. Coop. de Crédito V.	11/28/2013	6/6/2014
Caja Rural La Junquera de Chilches, Coop. de Crédito V.	11/28/2013	6/6/2014
Caja Rural San Isidro de Vilafamés, Coop. de Crédito V.	11/28/2013	6/6/2014
Caja Rural Católico Agraria, Coop. de Crédito V.	11/28/2013	6/6/2014
Caixa Rural Sant Vicente Ferrer de la Vall D´Uixo, S. Coop. de Crédit V.	11/28/2013	6/6/2014
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	11/29/2013	6/6/2014
Caixa Rural de Turís, Cooperativa de Crédito Valenciana.	11/28/2013	6/6/2014
Caixa Rural de Torrent, Cooperativa de Crédit Valenciana	11/28/2013	6/6/2014

a.2). Corporate purpose:

The Group's corporate purpose is to engage in all kinds of activities, operations and services in the banking business in general, which are in accordance with applicable law, including the provision of investment services and ancillary services, in the terms laid down in Securities Market regulations. Its corporate purpose includes the following activities:

- Carry out operations of all kinds related to securities and documentary credit, notwithstanding the provisions of legislation governing securities markets and collective investment.
- Carry out credit and surety operations, for both lending and funding purposes, of any class, on its own behalf or for third parties.
- Acquire or transfer for its own account or on commission, shares, bonds and other public or private, national or foreign securities, banknotes and coins of all countries and make public offerings for the acquisition and sale of securities.
- Receive and place on deposit or in administration, cash, securities and all kinds of shares. The Bank shall not be deemed to be authorised to draw down of the deposits over which it has custody in any manner.
- Carry out all kinds of operations with current accounts, term deposits or any other kind of account.
- Accept and grant administrations, representations, delegations, commissions, agencies or other actions in the interests of those who use the Bank's services.
- Perform all other activities that private banks are allowed to engage in under applicable legislation.

The activities that make up its corporate purpose may be performed wholly or partly indirectly, in any form permitted by law and, in particular, through the ownership of shares or interests in companies whose purpose is identical or analogous, accessory or complementary to such activities.

When administrative authorisation or public registration is required for the provision of investment services and ancillary services, such activities may not commence until all administrative requirements have been fulfilled under applicable regulations.

The Credit Cooperatives participating in Grupo Cooperativo have the corporate purpose to serve the financial needs of their members and third parties, performing the activities of a credit institution. To this end they may carry out any lending or deposit-taking activity, provide banking or quasi-banking services, and perform any investment services or ancillary services that credit institutions are authorised to perform in securities market legislation, prioritising the financial demands of members. They may lend to non-members up to legally applicable limits.

a.3). Registered Office and geographical location of the activity

The registered office of Grupo Cooperativo's Parent is at Paseo de la Castellana 87, 28046 Madrid (Spain) and it may establish branches, agencies and representative offices anywhere in Spanish territory and abroad, in accordance with applicable legislation.

The Parent has various work and operating centres although at present there are no branches open to the public or its clientèle in general. It carries out its activities within the framework of Grupo Cooperativo Cajamar, of which it is the Parent. However, the other Group entities operate a network of branches across the country.

Appendix II to the consolidated annual accounts for 2020 provides details of branches by geographical location.

b) Turnover

At 31 December 2020 Grupo Cooperativo Cajamar's turnover amounted to €1,052.38 million. All of its activity takes place in Spanish territory and therefore the Group's entire business is restricted to a single geographical segment.

For the purposes of this report, turnover is regarded as gross income, as defined and presented in the Group's consolidated annual accounts at 31 December 2020.

At 31 December 2020, the net return on the Group's assets was 0.04%, understood as the ratio of net profit after tax (€23.76 million) to total assets (€53,617.06 million).

c) Number of full-time employees

At 31 December 2020 there were 6,101 full-time employees all working within Spanish national territory.

d) Gross profit before taxes

At 31 December 2020, the Group recorded a gross profit before taxes of €23.08 million.

e) Corporate income tax

Tax recoverable of €0.67 million was recorded by the Group at 31 December 2020. Applying this figure and the expense arising from mandatory contributions to the Cooperative Development Fund, the Group made a net profit after tax of €23.76 million.

f) Grants and public aid received

At 31 December 2020 the Group has not received any grants and/or specific public aid or aid related to banking. Certain insignificant grants related to continuous personnel training have been received.

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
(GRUPO COOPERATIVO CAJAMAR)

Consolidated Annual Accounts and Consolidated Directors' Report (2020)

GRUPO COOPERATIVO CAJAMAR

Macroeconomic environment

- The economic ramifications of the pandemic have been patent since early 2020, with **GDP** slumping by 5.3% and 17.9% in the first and second quarters of the year, respectively, during the state of alarm and lockdown of the economy. The effects were less pronounced in the second half of the year when the measures implemented were relaxed over the summer, leading to positive growth rates of 16.4% in the third quarter and 0.4% in the fourth quarter of the year, according to the flash Quarterly National Accounts.

- The year-on-year (YOY) change in GDP in the last quarter was -9.1% compared to 1.7% in the same period of 2019. Domestic demand and export demand contributed negatively to GDP growth, primarily because of the YOY declines of 8.4% in final household spending, 14.3% in gross capital formation, 20.6% in exports and 14.1% in imports of goods and services.

- In volume terms, the Spanish economy shrank 11.0% in 2020 after six years of growth. It was consequently the hardest hit economy in the eurozone, the average growth rate of which was 6.8%.

- The country's economic outlook is still highly dependent on how the pandemic evolves, which is extremely uncertain, primarily with regard to vaccination times. The fiscal stimuli and, especially, the European recovery fund will have a positive impact, although this is still difficult to quantify. In any of the projected scenarios, the sharp contraction of GDP in 2020 will be followed by a relatively sharp rebound over the next three years. In a baseline scenario, pre-Covid-19 GDP could be reached by mid-2023. The recovery will largely depend on the strength of domestic demand and buoyant exports.

- The YOY change in the rate of **inflation (CPI)** in December was a negative -0.5%, 1.3 percentage points lower than in 2019 – something not seen since 2016. After hitting a high of 1.1% in January, it gradually fell to lows of -0.9% in May and -0.8% in October and November, affected by the decreases in energy products and fuels, while food, beverage and tobacco prices rose. This had a positive impact on *core inflation* of 0.1%. The *harmonised price index*, on the other hand, ended the year at -0.6% compared to 0.8% the year before and -0.3% in the Monetary Union.

- The number of **people registered with the Social Security** dropped by 360,105 to 19 million, after reaching an all-time high in 2019. This interrupts the upward trend, especially the 347,954 decrease in people under the General Regime, while registered self-employed professionals only rose by 4,762. The sectors hardest hit by the state of alarm and restrictions due to the public health crisis, such as *services and industry*, saw the number of Social Security registered workers decline by 323,278 and 45,700 over the year. Other sectors, related with essential services, posted a 1.0% increase. These figures do not include the 756 thousand people who have been furloughed (temporarily laid off), who have an uncertain future, or the 349 thousand self-employed professionals receiving extraordinary benefits.

- After falling for seven consecutive years, the number of **jobless** has increased 22.9% to 3,888,137. This is one of the worst consequences of the health crisis, affecting all sectors of the economy, particularly *services* where 506,084 more people were out of work.

- For the first time since 2012, the **unemployment rate** has climbed by 2.4 percentage points to 16.1% – this year-end rate was last reached in 2017 and leaves Spain one of the worst affected by the health crisis on the continent because of the high concentration of jobs in the battered service sector and the fact the country already had one of the highest rates before Covid-19 struck.

- The **twelve-month Euribor** ended the year at an historic low of -0.50% after falling the furthest in the last five years during which it has sat in negative territory. Over the year, it reached -0.08% in May – a value not seen since December 2016 – before falling steadily the rest of the year but still remaining 24 basis points down on December 2019. The **three-month Euribor** followed a similar path, rising to -0.25% in April before dropping to an historic low of -0.54% at year-end compared to -0.40% a year before. Despite the uncertainty, it is expected that interest rates will remain in negative territory for several years.

- The **ECB** is continuing to drive the recovery, leaving the **intervention rate** unchanged at 0.0% and extending the *asset purchase programme* on the premise of ensuring very favourable borrowing terms continue until the end of the crisis. Elsewhere, the **Fed** slashed its intervention rate by 150 basis points in March, leaving it at 0.25% the rest of the year. Its aim is to keep the rate at this level for at least three years to support the recovery and boost employment. To achieve this, the Fed pin points inflation as a key factor, indicating that it would only raise interest rates again when inflation reaches an average value of 2.0%. This is expected to happen in 2023.

- The **dollar** remained strong against the euro in 2020 at 1.22 compared to 1.11 in December 2019. However, the change in policy in the US may improve trade relations with Europe as far as customs tariffs are concerned, resulting an expected rise in debt that could weaken the dollar in 2021. Other uncertainties in the international arena have also waned, such as the effectiveness of the Covid-19 vaccines and the likelihood of a final Brexit solution. In Europe, the support offered through the *recovery fund* will enable the economy to be kick started.

- Market instability due to the impact of the health crisis is evident in the **Ibex-35** index, which plunged 15.5% YOY – the worst-performing index of the leading economies in 2020. The weight of the tourism sector in Spain's economy has contributed to this. Following an across-the-board fall of 22.4% in March to below 6,800 points, the index rose to 8,073.70 points towards the back end of the year. With encouraging news from across the Atlantic and the roll-out of vaccines, technology companies recovered well, unlike banks, energy companies and construction firms which make up a significant portion of the national index.

- The **other resident sector NPL ratio of depository institutions** continued to decrease, albeit more slowly than in other years (-1.1 p.p. in 2019) to 4.4% in December 2020 (4.8% in December 2019), because of a reduction in doubtful assets (3.8% per annum) and, especially, a 3.5% increase in loans after 10 years on the decline. It has been possible to help customers meet their cash needs throughout 2020 through Covid-19 assistance products backed by ICO guarantees and legal and sector moratoria (repayment holidays) offered to them, and by adjusting the repayment schedules in light of the impact of the pandemic.

- The **banking sector** ended a bad year with lower profits and even losses, at a time of rock bottom interest rates and lower fees and commissions and profitability. Against such a challenging backdrop, the banking sector has reacted appropriately to the situation and reinforced provisions and solvency.

- The sector is faced with many question marks in 2021. The speed with which the economy rebounds will be crucial to how the pandemic has affected the insolvency risk of businesses and individuals. This may also determine how quickly the extraordinary measures put in place during 2020 are withdrawn, which will affect both customers who have benefited from more flexible repayment schedules and banks that are subject to restrictions such as on shareholder remuneration. It is likely that the processes of sector concentration and mergers in 2020 will continue into 2021, along with the subsequent workforce streamlining. Equally, the sector will forge ahead with digital transformation processes and make decisive progress in the area of sustainability and corporate social responsibility.

Business performance

- The unprecedented global health crisis has reaffirmed, more than ever, the cooperative values of Grupo Cooperativo Cajamar, in a group where people are key. On the one hand, the Group has continued to provide and manage the financial services of its 3.5 million customers and partners, even during the tightest of lockdown restrictions, as the essential service provider it is, while always ensuring the health of all staff across the organisation. On the other, the Group has continued to contribute to society following cooperation, social economy and sustainable development principles.

- During a year of immense economic and social uncertainty, Grupo Cajamar and the other significant institutions in Spain's banking sector have demonstrated the synergies unlocked through a combination of strong digital and technological capabilities and effective organisational ability to mitigate the impacts of the health crisis.

- As part of this digital transformation, the Group has boosted use of online and mobile banking, given customers access to its remote managers (Connect with my manager" service), and increased the number of transactions that can be performed without having to visit a branch (online service). It also implemented a raft of measures to avoid the new threats in relation to technology risks and cyber resilience. The result of this has been a 14.0% increase in digital customers to 934 thousand, a 33.2% rise in mobile banking customers, and a 31% increase in wefferent users.

- Inevitably, initial plans have had to be rethought in light of the current situation, clearly focusing objectives on providing the finance and repayment holidays needed to ensure the solvency and liquidity of our partners and customers, concentrate all our efforts on reducing the volume of non-performing assets, and using earnings to bolster our loan loss allowances, which has reduced profits.

- In this sense, lending to customers has been increasing more quickly, especially on-balance sheet retail funds, which have slightly improved the business gap and driven down the LTD ratio to an historical low of less than 90%.

- **On-balance sheet retail funds** more than doubled over the year by €4,694 million to €35,255 million, principally thanks to faster YOY growth of demand deposits of 24.9% at year-end 2020 compared to 10.7% a year before. Because of their availability, these deposits are more attractive to customers than traditional deposits or mutual funds because of the economic uncertainty.

- Despite the stock market slump in the first quarter due to the outbreak of Covid-19 and its impact on the **mutual fund** assets and **pension plan** vested rights, successful commercial management and encouraging news about vaccines in 2020 resulted in a steady improvement over the year, with the aforesaid growing by 7.9% and 5.2%, respectively, YOY.

- Especially from the second quarter onwards, steady growth in the Group's **performing loans and advances to customers** over the last few years began to accelerate to almost double digits (9.9%), equating to a rise of €2,898 million since 2019.

- The Group has voluntarily paid pensions and unemployment benefit early, provided access to finance chargeable to furlough benefits, and formalised state-backed loans and advances totalling €1,812 million. It has also granted legal and sector moratoria on repayments of €986 million, €582 million of which was still in place at year-end. It is a linchpin in the provision of financial advice to our strategic segments, micro businesses, SMEs and large corporates, as well as households who have been harder hit by the lockdown and measures introduced by the Government to alleviate the fallout of Covid-19.

- Moreover, the Group's loan book – a large proportion of which comprises loans to the agri-food sector (in which it boasts a 15% market share) – has been a cornerstone of the efforts to lend more and has mitigated the impact of the economic recession on the Group's business, playing a key role in production and supply to the markets.

- **Gross loans and receivables**, totalling €34,204 million, was up 8.5% over the year, with the focus on gradually diversifying the risks of the loan book and ultimately achieve a balance between home loans, loans in the agri-food segment, and business loans.

- After a major drive to pare back non-performing assets in recent years, the Group's **NPL ratio** was 4.77%, which is similar to the sector average at year-end. This is a 1.3 p.p. improvement over the last 12 months and almost an 11-p.p. improvement over the last five years, thanks to more lending and a further reduction in **non-performing loans** of 14.9%.

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

- Despite the economic recession and a practically paralysed property market in the first half of the year, **foreclosed assets** were down 3.9% YOY, with the stock a quarter of what it was four years ago and the coverage ratio up at 50.0%.

- At 31 December 2020 the **NPL coverage ratio** was at a record level of 58.9%, 9.8 p.p. higher than a year before, while the **allowance for loans and advances to customers** amounted to €977 million.

- Decent business performance and successful management of assets and liabilities have led to the Group enjoying a comfortable liquidity position, with an LCR of 235.2% and an NSFR of 128.6%. This during a year of increased take-up of the ECB's auctions to benefit from the financial advantages offered by the new funding conditions through TLTRO-3. This programme of auctions also helps ensure the various economic agents have adequate access to bank finance during these uncertain times because of the impact of the Covid-19 pandemic

- On 26 November 2020 S&P granted Grupo Cajamar a credit rating of 'BB-' for long-term debt and 'B' for short-term debt, with a stable outlook. On the same date, the ratings agency DBRS granted Grupo Cajamar a credit rating of 'BB (High)' for long-term debt and 'R-3' for short-term debt, with a negative outlook.

Branches and staff

- The Group has a network of 910 **branches** across Spain, 46 fewer than the year before, manned by an average workforce of 5,519 staff in the credit institutions in the Group who provided a specialist professional service. Some 51.1% of these workers are female.

- Three new branches opened their doors during the year in the provinces of de Álava, Cáceres and Lugo, while the Group's niche market position was bolstered by the addition of five new sales offices in Córdoba, Jaén, Murcia, Valencia and Seville.

- Furthermore, reflecting its cooperative nature and its commitment to the social economy, the Group has six mobile units, which deliver services to 42 towns and villages (of between 170 and 1,500 inhabitants) in scantly populated areas in the province of Almería and the autonomous community of Valencia, as well as 145 agencies serving 145 villages at risk of financial exclusion.

- In such a challenging year fraught with so many difficulties, the Group received *Great Place to Work* certification, demonstrating that staff consider it to be a good employer with a high number of them answering the survey (over 70%).

- In response to the extraordinary situation caused by Covid-19, the Group has prioritised the health and safety of its customers and staff. All the occupational risk prevention measures recommended and established by official bodies have been implemented and are still in place to reduce the risk of and/or avoid customers and staff from being exposed to Covid-19.

- These include increasing remote working where possible, especially for at-risk groups and central services, providing staff with laptops, using video conferencing, providing personal protective equipment (hand sanitiser, screens, masks, Covid-19 tests, etc.), and establishing a customer service protocol.

Capital

- The **Group's capital** amounts to €3,034 million, up 2.9% YOY, thanks to the confidence placed in the Group by its 1,459,536 cooperative **members**. Membership has grown by 29,450 since the previous year, during a year in which, from a European perspective, the ECB recommended to financial institutions not to pay out or assume any irrevocable commitments to pay out dividends against 2019 and 2020 results. This recommendation will be reviewed in September 2021.

- Following the recommendation, the Group has therefore not distributed an interim dividend and does not expect to pay out a dividend against 2020 earnings.

Risk management

- Note 6 of the Risk Management Policies and Objectives Report, which forms part of the annual accounts, provides a detailed analysis of the situation at the end of the year and how the different types of risk (credit, market, liquidity, interest rate, operational and currency) to which the Bank is exposed have been managed in 2020.

Results

- In 2020 financial institutions' bottom lines have been clearly affected by the recession and drop in commercial activity caused by Covid-19, with recurring income down. This has required them to prudentially set aside larger allowances and bolster the coverage for credit risk and non-performing assets.

- In this context, where margins are being squeezed, the Group has been able to increase its **interest margin** by 3.5% YOY (0.6% in 2019) by cutting interest expenses, the contribution of the fixed-income portfolio, and our loyal customer base.

- **Fees and commissions** dropped by 8.3% from the previous year, affected by the state of alarm during which free access to alternative and digital channels has been increased, inactive account and payment service charges eliminated or refunded, and penalty charges cut to facilitate our customers' access to financial services. Meanwhile, the stock market slump, economic uncertainty, decline in tourism, and labour market instability have all led to a decrease in the fees and commissions of mutual funds and card transactions, credit card ATM withdrawals and point-of-sale terminal transactions.

- Despite the difficulties, **gross income** amounted to €1,052 million thanks to sustained growth in the interest margin and the €216 million gain posted in **Gain and losses on assets and liabilities**, primarily from extraordinary fixed-income portfolio sales.

- Tight controls over administrative expenses, cut by 1.2% YOY, the efficient distribution of the commercial network and the introduction of new cost-streamlining models have reduced the ratio of operating expenses to average total assets during the year, resulting in a cost-to-income ratio of 54.5%.

- Income generated throughout the year were first used to increase allowances for impairment losses on financial and non-financial assets by €424 million and set aside an additional €75 million allowance for the impact of Covid-19, with a view to minimising future insolvency risk.

- Lastly, after deducting the allowance for taxes, the Group posted a **profit for the year** of €23.8 million (74.3% lower than in December 2019), safeguarding the Group's solvency and helping it to fulfil its commitment to the community and the promotion of sustainable development through the Education and Development Fund.

Solvency

- At 31 December 2020 the phase-in **capital adequacy ratio** was 15.5% (14.8% fully loaded), after increasing by 0.8 p.p. YOY. This is 250 b.p. higher than the requirement of 13.0% established in the Supervisory Review and Evaluation Process (SREP), even during the coronavirus pandemic.

- The **CET1 ratio**, meanwhile, stands at 13.8% (13.1% fully loaded), compared to 13.0% in December 2019. This highlights the high quality of the Group's own funds and equates to a surplus of €1,227 million over the minimum of 8.41% required by the supervisor for the year.

- This improved solvency is fruit of a YOY increase in **eligible own funds** of 2.9% to €3,533 million thanks to the increase in Tier 1 capital and the positive impact of the deduction of software, along with the optimisation of risk-weighted assets associated with the increase in loan loss allowances.

- The minimum requirement for own funds and eligible liabilities (MREL) was set at 11.42% of total own funds and liabilities or 21.76% of risk-weighted assets, taking into account the prudential and financial information available at 31 December 2018. An additional requirement is that 8.66% of total own funds and liabilities must be subordinated instruments.

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

Given the changes the banking sector is undergoing at present, one of the Bank's most important strategies is the **digital transformation**, aimed at turning the branches into advice centres, expanding alternative channels, improving customer service, changing working methods and developing applications of new technologies that provide a better service to our customers more efficiently.

Open banking. New channel to access financial services

- Adaptation of the APIs to meet the new requirements of the EBA and Bank of Spain.
- Implementation of the Strong Customer Authentication (SCA) Plan for e-commerce card payments, primarily to protect online payment services.
- Continuation of the roll-out of the latest versions of Berlin Group.
- Migration to the new 3DS2 protocols.

- Customer communication campaigns to inform them of the impact of the new directive.
- Contribution of enhancements in fraud reports.
- Adaptation of the EDITRAN infrastructure to PSD2 requirements.
- Analysis and participation in initiatives for execution in the 2021 plan that will generate added value for our customers and Grupo Cajamar.

New remote banking services

There has been a focus in 2020 on increasing the possibilities of contracting new remote banking services and expanding the raft of services provided through the Grupo Cajamar mobile app.

- **Grupo Cajamar app.**
  - Adaptations to the introduction of PSD2 in e-commerce transactions.
  - Wefferent mortgage simulation and application process.
  - Provision of Cajamar Consumo personal loans.
  - Management of Online Deposit.
  - Others: Not require PIN to be entered when making mobile payments for purchases of up to €50, changing mobile number for e-banking, "I've forgotten my password", obtaining information on account holders and authorised persons, and changing instant transfer limit to a maximum of €100,000.
- **Applying for products online.** Taking out accident insurance, requesting instant farming loans, general credit card applications, taking out consumer loans over the phone, improvements to mortgage request process and process for registering a new customer using video identification.
- **Electronic Office.** This will allow customers who are not registered for online banking to receive messages from the Bank, access their documents and sign documents virtually.
- **Multichannel signing.** Enables branches to provide customers via online banking or the mobile app with the documents they need to be signed, including those not connected with arranging new products.

  High availability infrastructure has also been implemented in our online signing system, FirmaMóvil, minimising the chances of this service stopping working.

- **Improvements to the website**. The last year has been key for the Bank's customer communications because of Covid-19, with it publishing the measures offered, a repayment holiday application form and contact to avoid branch visits.
- **ATMs.** Enhancements to improve self-service, enabling customers to: scan tax barcodes, view cheques paid in, unblock online accounts, cancel transfers, defer credit card payments, choose currency of charges for withdrawals using foreign bank cards etc.
- **Online banking.**
  - Factoring. View and send remittances of a consumer factoring facility.

- Reverse factoring. New Web Remittances module to create, manage and send reverse factoring remittances and accept remittances in the new format.
- Cards. View deactivated cards, pay on credit with deferred payment, and defer instalments for direct debits or settlements.
- Adaptation to instant transfers of up to €100,000.
- Global Payment Initiative (gpi): Tracking of international SWIFT transfers.
- New version of Web Remittances.

- **Strengthening of remote banking security.** The increased popularity of remote banking services has led to a rise in attempted fraudulent acts.

Innovation

Key projects completed include:

- **Tierra.** A marketplace for the farming world has been developed by Cajamar in partnership with IBM. This project aims to digitalise the agri-food sector by creating a website where members of the sector can find tools to innovate, improve and find partners and suppliers who will help them tackle the challenges faced by the sector.

- **New Wi-Fi infrastructure.** Replacement of Wi-Fi infrastructure at different sites to provide Wi-Fi for corporate devices, enabling visitors and event participants to connect.

- **Chatbot.** Working with IMB, a chatbot service has been created to automatically reply to the most common enquiries from customers. It includes a specific block of information on Covid-19. The chabot has been developed based on IBM's IA Watson service and is the first step towards an end-to-end assistant.

- **Concept testing.** Involvement in different concept testing to identify in a hand's on way possible applications for new concepts. These are the basis for subsequent projects to develop new services or enhance internal circuits.

- **Technical/budget reports** setting out BCC's work **in the field of technology innovation and/or research and development**.

- **Financial Disruption and Fintech Observatory.** Attendance at events related with innovation, continuous analysis of new sector trends, and in-house support with selecting different types of non-proprietary solutions.

Remote customer service

The increase in remote banking services has to be accompanied by improvements in remote customer service to ensure the close support the Bank has traditionally offered continues.

- **Service Cloud:**
  - Service Cloud in branches: System for submitting requests and enquiries available for all customers through the "My manager/Cajamar Conecta" service available through online banking and the app, achieving the goal of all customer contact channels being integrated in Service Cloud.

- Web forms. The "More information" and other web forms were changed so that cases are generated and sent to the appropriate recipients to deal with them, thereby eliminating the need to send emails.

- **Chat.** A chat facility has been included in the "Tu Caja Responde" service.

Tackling digital fraud

- **Revamp of digital fraud protocols.** Open line to enhance the efficiency and communication, reporting and management processes in and out of house to avoid registering and accounting fraudulent transactions performed through digital channels.

- **Controls in collaboration with digital security providers.** Collaboration with companies in the digital security sector that specialise in analysing information on digital fraud and real and future attack methodologies, to enable the Group to devise coordinated strategies based on the analysis performed to establish new layers of digital security.

- **Analysis of digital fraud behaviours.** Establishment of a protocol for analysing reported cases of fraud to provide an attack pattern and how this evolves, as well as develop better internal and external digital security measures to put in place.

- **Improvements to systems for analysing online transaction security.** Continuous tweaks and enhancements to parameters of systems for analysing online security.

Digital management and monitoring.

- **Digital benchmarking.** The specific products, programme and operations of leading online businesses have been examined and analysed, particularly of the measures put in place by the leading financial institutions during the state of alarm caused by Covid-19, the creation of a "digital shop window". and reports on several areas of interest such as financial aggregators, personal financial management (PFM), usability in bill payment operations, mutual fund/broker product options and arrangement and carbon footprint.

- **Self-service and digital guides.** 2020 self-service model, further promoting electronic banking over and above in-branch and ATM banking through several campaigns to encourage businesses to use them more and increase the number of active customers. Use of FirmaMóvil has also been promoted as opposed to FirmaSMS.

Digital culture.

- **Digital ambassadors.** Twelve online meetings, 28 chats, nine challenges and four pilot projects have taken place.

- **In-house and external digital awareness-raising.** With actions such as the nine articles published in ComunicaT about digitalisation and "Tips & Tricks" infographics, the co-creation of the Digital Module in the "Finances that help you grow" programme, the online "Switch On-Off" event analysing the impact of virtual and augmented reality on people and society, or the online chat about solving complex problems.

- **Digital school.** Grupo Cajamar's new online training school, offering a programme of courses on the digital world structured in levels and modules**.** An agreement was reached with La Rioja

University to develop the modules taught by qualified lecturers from the university.

- **Modern selling – Digital Sales.** Attracting customers and opening up new online selling opportunities through LinkedIn – Salesnavigator.

- **Gamification.** Cross-cutting initiative involving in-house projects and interfaces with other structures:
    - "Grupo Cajamar Challenges". Gamification tool that measures using rankings the level of engagement of digital ambassadors through challenges.
    - Support for the Sustainability area to create a tool for the "Finances that help you grow" programme for young people.

Innovation and technology

2020-21 Cyber Resilience Plan to put security measures in place to detect, prevent and respond to threats. Raft of ideas and projects to enhance protection and responses to cyber attacks as quickly as possible and with the least impact.

ARES: Development of the new Core Banking service. Functional and technological development of Grupo Cajamar's Core Banking service. Core Banking is the cornerstone of the services the Bank provides its customers. It is a complex system centralising all the information and services needed to serve the business.

PICASSO. Functional and technological development of the Bank's information systems, the features of which are as follows:

- Alignment with new CORE requirements;
- Single customer view; No data redundancy;
- Maximum granularity of information;
- Accounting ring: information must be reconciled to accounting records;
- Quality: Quality controls to ensure completeness and consistency of information.
- Data democratisation;
- Data dictionary: management of metadata and documentation of traceability;
- Data governance: managing data as an asset (MDM/Data Governance); and
- Scaleability/simplicity.

IRB - Calculation of allowances using internal models. Necessary adaptations to our systems to comply with the advanced internal ratings-based (IRB) approach requirements, by implementing, analysing, evaluating and re-estimating the models stipulated in the standard.

Discretionary portfolio management. Implementation of service to manage investments of high and medium wealth customers who sign up to the service.

2020 Insurance Plan. Agreement of 2020 Annual Plan to improve insurance arrangements with companies and Generali, with a view to establishing an agreed and coordinated Strategic Insurance Plan to enhance the entire business.

Increase the use of PRICING in systems. Expansion and development of the current Risk-Adjusted Return On Capital (RAROC) model, applying the Pricing Strategy in the loan approval process through the Financial Terminal, and necessary adjustments to the "Price Grid" application.

Projects to roll out the MyValue Personal Finances (PFM) service. Offering highly effective functions such as:

- Categorisation: classification of customer transactions into categories.
- Aggregation: enabling the automated collation of card and account transactions that the user performs through other institutions and display them in their Cajamar service.
- Predictions and recommendations enabling users to take better decisions.

PSD2: Consolidation of the Third-party Payment Provider (TPP) channel. Intended to reinforce IT infrastructure to provide service to TPPs vis-à-vis PSD2, enabling third parties to intervene in payment processes, and to implement developments to comply with the directive.

Value proposal for affluent segment. For management of the private banking segment to create new services and improve existing ones: combifund products, creation of a new brand called PB (Private Banking), a portfolio simulator, a private banking microsite, a fixed-income sales drive, and a campaign to reward customers for transferring their fund portfolios.

Foreign Trade administration tool. General review of the tool to improve it and resolve administrative and commercial deficiencies identified.

Revamp of Payment Services platform. Technological revamp of Payment Services, including designing an alerts system to better foresee possible service incidents, designing a payment services microservice platform interfaced with other internal and external platforms, and reengineering of processes to modernise and migrate all the processes currently performed outside the functional area to a payment services knowledge structure.

Working capital finance – automatic approvals. Continuing on from and supplementing the project to develop a new working capital finance roll-over circuit, this project is intended to automate the arrangement of working capital finance in a specific explicit or tacit perimeter of transactions that have expired.

Development of operational weakness indicators. Developments involve the necessary adaptations to our systems to comply with the internal ratings-based (IRB) approach requirements, by implementing, analysing, evaluating and re-estimating the models stipulated in the standard.

Revamp of the risk report. Create a new risk report to simplify, speed up and automate actions to boost process efficiency and quality when drawing up and processing risk reports.

Establishment of a model to generate pre-approved limits (natural persons) and pre-classified limits (corporate bodies). Devising a method to pre-approve loans for customers who are natural persons using a data file, with a view to enhancing the payment capacity calculation models, and to calculate and assign pre-classified limits for corporate bodies.

Enhancement of the suspicious transactions detection system. In order to better detect customers suspected of money laundering and/or terrorist financing.

Automation of financial market product arrangement (swaps and caps) Automation of the process for arranging swaps and adaptation of the swap and cap arrangement process to the Financial Product Classification Order, including delivery of the Pre-agreement Information File for caps, using a new procedure and circuit.

Marketing Policy

New marketing tools and technological systems were developed in 2020 to nurture customer loyalty, including:

APP drawdowns and telephone service. Initiate formalisation of Cajamar Consumo transactions through a BCC platform to obtain authorisations over the telephone for the Cajamar Consumo platform to then pick up the transactions. Also, inclusion of line of credit drawdowns in the Grupo Cajamar BCC platform.

Joint projects with Cetelem. Notably, actions to avoid duplication of Cajamar Consumo documentation, legal changes in the subscription process and payment on credit and card payments.

Financial Simulator. Simulator to provide customers with a tailor-made offer that might be converted into a commercial offer.

Migration to FOC V3, Joint Holder and Insurance. Evolution to V3 of the online process for obtaining personal loans. Also, inclusion of joint holder and insurance functionalities.

Collections Chain workflow. Development for treatment-based management in Cajamar Consumo's collections chain.

Private Banking project. The private banking project has been expanded with nine new staff hires, the customer portfolio has been redistributed and assigned, and the mutual fund open architecture proposal redesigned. An Asset Assignment and Financial Markets Committee has also been set up.

Personal Banking project. Piloting of personal bankers in regional divisions to focus exclusively on managing the wealth of customers in the personal banking segment.

Launch of discretionary management service. Implementation of first phase of the mutual fund model discretionary portfolio management service, comprising the standard service. This will enable the Group to offer a wide range of investment services to customers; the bulk of the Group's competitors offer this service.

Adaptation to comply with MiFID II. Various actions have been taken to adapt to this new directive, which has involved drawing up and implementing new policies, generating preliminary, contractual and post-contractual information on MiFID products and services, and putting controls in place across the whole commercialisation process.

Sales conversations for MiFID products. Actions to improve and expand the functionalities of the Conversation sales tool that serves as a dynamic guide to hold orderly sales conversations with customers and enable the Group to comply with MiFID II requirements and stipulations regarding traceability and record-keeping.

Review of the sales model and GAC adaptation. Design and definition of the key pillars of Grupo Cajamar's customer management model to get to know customers better and therefore boost profitability, loyalty, results and customer satisfaction.

Events manager. Detection of triggers from different sources to manage user and customer events. Journal, Cajamar website, financial terminal, ATMs, APPs, etc. and initiate actions when an event arises.

Relationship maps. The stages of the Savings Map (non-MiFID products) were completed in 2020: GROW, REPORT, GUIDE and DISCOVER. The roll-out proposal, customer selection and training on relationship maps of Properties has also started.

Affinitas. Launch in production environment of Affinitas data model, advanced customer segmentation based on consumption behaviour trends.

Average payment period to suppliers

Note 28 to the annual accounts provides information regarding the deferral of payments to suppliers.

Treasury share acquisitions

Grupo Cooperativo Cajamar holds a total of treasury shares totalling €977,349 thousand; this figure did not change during 2020.

Events after the reporting period

At 31 December 2020 the Group recognised the sale of a portfolio of debt securities with a nominal value of €9,774 million, resulting in gains of €461 million.

Irrespective of the information set out above and in this report, from 31 December 2020 to 9 March 2021, the date on which the accompanying annual accounts are issued by the Group's Board of Directors, there were no significant events that must be disclosed in the notes to the accompanying annual accounts in order for them to fairly reflect the Group's equity, financial situation, results, changes in equity and cash flows.

Outlook for the Group

Thanks to the gradual recovery of the economy as from this year, it is expected that in 2021, Grupo Cooperativo Cajamar will continue:

- Strengthening its position as the leading credit institution in Spain's agri-food sector and a key agent of economic development and social progress in the areas in which it operates.
- Achieving sustained growth in total volume of funds under management.
- Continuing with its administrative cost containment policy.
- Managing its stock of non-performing assets.
- Steadily improving its productivity, profitability and recurring efficiency.
- Increasing its solvency.
- Managing its liquidity in the most efficient way, so as to maintain a comfortable liquidity position at all times.

- Strengthening the Group's commitment to service, with a view to becoming a major player at national level and a pioneer in digital and technological transformation as a means to greater efficiency.

Alternative performance measures glossary

Grupo Cooperativo Cajamar uses in its directors' reports, quarterly results presentations published on its website, issue prospectuses, presentations to investors and internally in its business monitoring reports, business indicators as per the applicable accounting standards (IFRS), although it also uses additional, unaudited measures commonly used in the banking sector (Alternative Performance Measures or APMs), as indicators about the business and the economic-financial position of the Group, which allows for comparison with other entities.

These measures (APMs) are calculated in accordance with the European Securities and Markets Authority Guidelines (ESMA/2015/1415es, of 5 October 2015), to facilitate the reporting transparency for the protection of investors 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
1	Foreclosed assets	Amount of foreclosed real estate assets, excluding real estate investments (gross).
2	Non-performing loans	Doubtful loans and advances to customers.
3	Average total assets (ATMs)	Average of the end-of-quarter figures since the previous December, inclusive.
4	Group's capital	Capital + Equity instruments issued other than capital - Treasury shares.
5	Debt securities from customers	Portfolio of senior debt securities of big enterprises.
6	Gross loans and advances to customers	Outstanding balance of loans and advances to customers (general government, other financial corporations, non-financial corporations and households) - Money market transactions + Credit risk hedges.
7	Performing loans to customers	Gross loans and advances to customers less non-performing loans and advances to customers.
8	Gains or (-) losses on financial assets and liabilities	Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net + Gains or (-) losses on financial assets and liabilities held for trading, net + Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net + Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net + Gains or (-) losses from hedge accounting, net
9	Business gap	Difference between the numerator and the denominator of the Loan to deposits ratio
10	Operating expenses	Staff expenses + Other administrative expenses + depreciation.

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

	Measure	Definition and method of calculation
11	Gross loans	Gross loans and advances to customers + Money market transactions + Debt securities of customers.
12	Impairment losses on financial assets	Impairment losses or (-) reversal of impairment losses and gains or (-) losses from modification of cash flows of financial assets not measured at fair value through profit or loss.
13	Impairment losses on non-financial assets	Impairment or (-) reversal of impairment on financial assets + Impairment or (-) reversal of impairment on investments in joint ventures and associates.
14	Cost-income ratio (%)	Operating expenses / Gross income
15	Loan to deposits ratio (%)	Net loans and advances to customers/ (customer deposits + net securitisations issued + intermediary loans and advances + other on-balance-sheet customer funds)
16	On-balance sheet retail funds	Demand accounts, time deposits and other funds (e.g. customer repos, retail promissory notes, etc.).
17	Partners	Owners of at least one contribution to the capital of the credit cooperatives forming part of Grupo Cooperativo Cajamar (natural persons and legal entities).
18	Foreclosed assets coverage ratio	Foreclosed assets coverage / Foreclosed assets.
19	NPL coverage ratio (%)	Provisions for loans and advances to customers / Non-performing loans.
20	NPL ratio (%)	(Non-performing loans + Non-performing contingent exposures) / (Gross loans and advances to customers + Contingent liabilities).

Sustainability Report – Statement of Non-Financial Information

In compliance with Law 11/2018 of 28 December on Non-Financial Information and Diversity – amending the Commercial Code, the recast Capital Companies Act approved by Legislative Royal Decree 1/2010 of 2 July and Law 22/2015 of 20 July on Auditing – the Cajamar Cooperative Group has prepared, in a report separate from this Consolidated Group Directors' Report, a statement of non-financial information, which contains the non-financial information referred to in the aforementioned regulations. Said statement of non-financial information is part of this management report and is available on the Grupo Cooperativo Cajamar website in the section on Corporate Information - Sustainability, under the heading "Grupo Cooperativo Cajamar Sustainability Report".

Annual Corporate Governance Report

ANNUAL CORPORATE GOVERNANCE REPORT OF OTHER ENTITIES (OTHER THAN SAVINGS BANKS, STATE-OWNED TRADING COMPANIES AND PUBLIC ENTITIES) THAT ISSUE SECURITIES THAT ARE TRADED ON REGULATED MARKETS.

ISSUER DETAILS

Financial year-end:	31 December 2020
Company tax ID (CIF):	F04743175

Company name:

CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CRÉDITO

REGISTERED ADDRESS:

PLAZA DE JUAN DEL AGUILA MOLINA, 5 (04006) ALMERÍA

A. OWNERSHIP STRUCTURE

A.1. List of your entity's most significant shareholders or unitholders at year-end:

Name of shareholder or unitholder	% of total capital
No data	

A.2. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the bank, unless they are insignificant or arise from ordinary trading or exchange activities.

Related names or company names	Type of relationship	Brief description
No data		

Sections A.1, A.2 and A.3 do not apply to the Bank as there are no significant shareholders or any with a "notable influence" (which entails the possibility of appointing or removing a member of the Bank's Governing Board or proposing their appointment or removal).

A.3. Indicate, as applicable, any commercial, contractual or corporate relationships between the significant shareholders or unit trust shareholders and the entity, unless they are insignificant or arise from ordinary trading or exchange activities.

Related names or company names	Type of relationship	Brief description
No data		

A.4. State whether there is any restriction on transferability of securities and/or any restriction on voting rights. In particular, state the existence of any kind of restrictions that could present obstacles to the takeover of the company by means of share purchases on the market, as well as any authorisation or notification requirements applicable to acquisitions or transfers of the company's financial instruments under industry regulations:

| ✓ | Yes

| | No

Description of the restrictions
• Capital acquisitions and transfers: The Credit Cooperative Law establishes that the total amount of each shareholder's contribution may not exceed 20% of the capital for legal entities and 2.5% for natural persons. Under no circumstances may legal entities that are not cooperative entities hold more than 50% of the capital.

According to the Bank's Bylaws, the shares may only be transferred in inter vivos acts to other shareholders or those who become shareholders within three months.

In mortis causa transfers, the rightful owner may apply for admission as a member. If the rightful owner does not apply for admission or if the application is denied, he/she will be entitled to liquidate the inherited shares.

- Exercising of voting rights

According to the Bylaws of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, (hereinafter, "the Savings Bank" or "the Bank") each shareholder, present or represented, may vote at Preparatory Meetings, except:

A) When a shareholder is subject to a disciplinary measure entailing the suspension of voting rights.

B) When the shareholder is expelled from a meeting by the Chairman due to his or her antisocial behaviour.

C) When the shareholder must abstain from voting because of a conflict of interest.

No single attendee may represent the voting rights of other shareholders that exceed 30% of the voting rights present and represented at the General Assembly.

The attendees who hold offices in the Bank will cast their own votes and, where applicable, those of two other shareholders they represent. The obligation to abstain from voting as described in C) above applies to office holders.

B. GENERAL MEETING OR EQUIVALENT BODY

B.1. Indicate the quorum for a general meeting or equivalent body set forth in the bylaws. Describe how it differs from the system of minimum quorums set forth in the Corporate Enterprises Act (LSC) or the applicable regulations.

As a credit cooperative, the Bank follows the rules that apply to credit cooperatives, and the quorum requirement for General Assemblies is as specified in those rules.

In accordance with the provisions of section 1, Article 17 of the Bylaws, "bearing in mind the high number of members of the Bank, its presence in multiple autonomous communities and the consequent difficulty faced by members to attend the General Assembly, the authority of this body will be exercised through an Assembly formed by Delegates designated in Preparatory Meetings and by the persons holding management positions".

As regards the Preparatory Meetings, Article 23 section 5 of the Bylaws stipulates the following:

The quorum for holding Preparatory Meetings will meet the following rules:

A) At first call not less than 51% of the total voting rights falling to members of the Cooperative assigned to the relevant Meeting must be present or represented.

B) At second call the members present – including those that are represented – must hold 5% of all member votes assigned to the Meeting, but if the total number of members with the right to attend is less than 100, at least six members with voting rights must attend and when the assigned members exceed 500 at least 25 cooperative members with voting rights must be present or represented. […]"

Article 25, section 2 of the Bylaws stipulates that the General Assembly will be validly called to order provided that the following requirements are met:

"A) More than three-quarters of all of the Preparatory Meeting established in this Article must have been effectively held beforehand.

B) In order to call the meeting to order at first call, more than one half of the total number of delegates elected at the previously held meetings must be present together with all members that hold positions at the Bank. On second call only more than 40% of the delegates elected and members holding positions must be present. […]".

B.2. Explain the system for adopting corporate resolutions. Describe how it differs from the system set forth in the LSC or the applicable regulations.

The Savings Bank, as a credit cooperative, is bound by the rules that apply to such entities and there are differences between the legally established system and the Group's own internal rules. Article 26 of the Bylaws establishes the applicable legal provisions with respect to this area.

Accordingly, and in order to exactly describe the manner of adopting resolutions, Article 26 is transcribed below:

"Article 26º System of majorities at the General Assembly

1. The General Assembly will adopt resolutions, as a general rule, with a majority of more than 50% of the votes validly cast, and for these purposes blank votes and abstentions are not computable. Resolutions that are of an electoral nature, to designate members and alternates for governing and other bodies will be decided by a majority of the number of votes cast.

Under no circumstances may a casting vote exist.

2. A majority of two thirds of voting rights present and represented will be required to:

a) Adopt resolutions concerning membership of a cooperative group of those regulated in Law, concerning their deregistration, the creation of a new cooperative group and in general with respect to whatsoever agreements should be adopted in relation to the relationship with a Cooperative Group.

b) Amend these Bylaws.

c) Approve the merger, universal assignment, spin-off or the dissolution of the Bank, except when the latter must take place due to legal reasons for which an ordinary majority of the General Assembly is sufficient.

d) Sell or assign the Bank, or any portion thereof, by any means, which gives rise to a substantial modification of the Cooperative's equity, financial, organisational or functional structure, as defined by the provisions of Article 16º.2.g) of these Bylaws.

e) Reactivate the Bank.

f) Issue debentures or other securities if required by applicable legislation.

g) Agree to revoke or remove the Governing Board, Controllers or Resource Committee, or any of their members early, except in cases of flagrant crimes, very serious infractions confirmed by the Ministry of Economy and Competitiveness or the existence of a situation that requires the immediate removal of the relevant responsible person.

h) Any other issues for which this majority is required by current regulations."

B.3. Briefly indicate what resolutions were adopted at the general meetings or equivalent bodies held during the year referred to in this report and the percentage of votes with which they were adopted.

On 25 June 2020 the Bank held an ordinary General Assembly in which the following motions were unanimously passed, per the meeting agenda, except where a lower percentage is explicitly indicated:

- Approval of the Individual Annual Accounts and Individual Directors' Report for the financial year ended 31 December 2019, authorised for issue by the Governing Board in the meeting held on 09 March 2020, approval of the proposal for the distribution of available surpluses and of basic guidelines on the use and application of the Education and Development Fund.

- Suspension of the current share-based payment scheme until new resolutions are adopted in this regard, with no payments being made until at least 1 October 2020, with the Governing Board authorised until 31 December 2021 to adopt any resolutions on share-based payments it deems appropriate, within the framework established by the competent supervisors and/or regulators, and notification of any resolutions to BCC as this lies within its remit as Parent of the Group.

- Authorisation for the Governing Board to issue as many financial instruments as are permitted by legislation in force at any given time.

- Authorisation for the Governing Board to grant powers relating to the management of the Education and Development Fund until the 2021 ordinary General Assembly.

- Appointment of the Cajamar Governing Board: 96% votes for, 0.7% against, and 3.3% void.

  Appointment of the Cajamar Resources Committee: 97% votes for, 0% against, and 3% void.

- Granting of powers to the Governing Board, the Board chairperson and the Board secretary, as well as the substitutes as per the Bylaws.

- Appointment of three members and alternates to approve the minutes within 15 days of the Assembly, along with the Chairman.

B.4. State whether in the general meetings or equivalent assemblies held during the year there was any item of business that was not approved by the shareholders.

In the only Assembly held in 2020 all the items on the agenda were approved by the members.

B.5. Indicate the address and mode of accessing your entity's webpage with information on corporate governance.

The information on corporate governance is accessible through the section "Corporate governance and remuneration policy" (https://www.cajamar.es/es/comun/informacion-corporativa/gobierno-corporativo-y-politica-de-remuneraciones/) on the Bank's website, www.cajamar.es.

Furthermore, this report can be accessed by clicking on "Information for investors – Other relevant information – 2021" and "Corporate governance and remuneration policy – Annual Corporate Governance Report" (https://www.cajamar.es/es/pdf/informacion-corporativa/informes-gobierno-corporativo/informe-gobierno-corporativo-2020.pdf) on the Bank's website.

B.6. Indicate if meetings have been held of the different syndicates, if applicable, of holders of securities issued by the entity, the purpose of such meetings held during the year referred to in this report, and the main resolutions adopted.

There are no syndicates of holders of securities issued by the Bank.

C. STRUCTURE OF ADMINISTRATION OF THE ENTITY

C.1. Board or governing body

C.1.1. Indicate the maximum and minimum number of Directors or members of the Board set out in the bylaws.

Maximum number of directors/ members of governing body	12
Minimum number of directors/ members of governing body	8
Number of directors/members of governing body fixed by the general meeting or assembly	10

C.1.2. Complete the following table on the directors or members of the governing body and their respective status:

Name or corporate name of the director/ member of governing body	Representative	Last date of appointment
MR. EDUARDO BAAMONDE NOCHE		25 June 2020
MR. FRANCISCO LORENTE BROX		25 June 2020
MR. JOSÉ LUÍS HEREDIA CELDRÁN		25 June 2020
MS. MARÍA LUISA TRINIDAD GARCÍA		25 June 2020
MR. JESÚS MARTINEZ DE SALINAS ALONSO		25 June 2020
MS. MARÍA DE LOS ÁNGELES PÉREZ PARACUELLOS		25 June 2020
MR. BARTOLOMÉ VIÚDEZ ZURANO		25 June 2020
MR. JUAN COLOMINA FIGUEREDO		25 June 2020
MR. ENRIQUE RAMÓN COLILLES CASCALLAR		25 June 2020
MR. VICENTE LILLO SIRVENT		09 February 2018

With the exception of Mr. José Luis Heredia Celdrán and Mr. Bartolomé Viudez Zurano, who are considered executive directors, the rest of the directors are considered external for the following reasons:

- They do not perform executive management functions at the Bank or Grupo Cooperativo Cajamar (hereinafter, the "Group").

- They do not hold a significant interest in the Bank.
- They have not been designated as independent or proposed for appointment as such by the Appointments Committee.

Fourteen meetings of the Bank's Governing Board were held during 2020. One director was absent from one of these meetings.

C.1.3. List the members of the Board or governing body, if any, who hold office as directors or representatives of directors or executives in other entities belonging to the entity's group.

Name or corporate name of the director/member of governing body	Name of group entity	Position
No data		

C.1.4. Complete the following table on the number of female Directors on the Board of Directors and the committees thereof, as well as the changes therein over the last four years.

	Number of women directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
BOARD OF DIRECTORS	2	20.00	2	18.18	2	18.18	2	20.00
EXECUTIVE COMMITTEE	1	20.00	1	20.00	1	20.00	1	20.00
AUDIT COMMITTEE	1	33.00	N/A	N/A	N/A	N/A	N/A	N/A

C.1.5. Indicate whether the Company has diversity policies for the governance, management and oversight bodies on matters such as age, gender, disability and professional training and experience. Small and medium-sized enterprises, as defined in the Audit Act, must report at least their policy on gender diversity.

| ✓ | Yes

| | No

| | Partial policies

If so, describe the diversity policies, their objectives, the measures they entail, how they have been applied and their results during the year. State also any specific measures adopted by the governing body and the appointments and remuneration committee to achieve balance and diversity among the directors or members of the governing body.

If the company does not apply a diversity policy, explain the reasons why not.

The Bank has a diversity policy integrated in the Suitability Policy, which sets out in a single document both the policy on diversity and the procedures applicable to the selection, assessment, appointment and succession of the Group's directors, senior managers and key personnel and the policy on the integration and training of directors.

For the purpose of the Bank's Governing Board composition, the diversity policy requires that directors be selected and re-elected having regard to the diversity of their knowledge, competencies and experience, the need to foster a variety of viewpoints and the goal of ensuring that the Board composition reflects the demographic composition of the markets in which it operates, avoiding any form of discrimination on grounds of gender, geographical origin or age. All this is undertaken for the purpose of promoting independent opinions and sound decision making on the Bank's Board.

The following qualitative diversity criteria have been adopted for the Bank:

- In selection processes, favour the inclusion of the less well represented gender by adopting the following two measures:

  - When vacancies on the Board are to be filled, foster the assessment of both male and female candidates.

  - When the candidates for a given position are found to have a similar level of competencies, the proposal shall be to appoint the candidate belonging to the gender that is less well represented on the Bank's Governing Board.

- As regards age and geographical origin, when the profiles are similar, preference will be given to the candidate whose age group is least well represented on the Board or who comes from the two regions in which the Bank's business is concentrated.

- As regards knowledge and experience, preference in the selection process will be given to candidates whose profile best complements the knowledge and experience of the existing Board members, so as to improve the Board's performance of its duties and promote diversity of opinion and sound decision making.

As regards specific measures to boost diversity, how those measures have been applied and their outcomes, the following deserves mention:

As can be seen from the table in section C.1.4, the selection process has promoted the appointment to the Governing Board of the less well represented gender, as well as individuals from other credit entities, non-financial sectors and the geographies in which the Bank was first established and in different age groups, as the Board's current composition shows.

C.1.6. Complete the following table on the aggregate remuneration of the Directors or members of Board or of the governing body during the year.

Remuneration item	Thousands of euros	
	Individual	Group
Fixed remuneration	557	
Variable remuneration	1	
Attendance fees	608	
Other remuneration	95	
TOTAL	1,261	

The "Attendance per diems" field includes both directors' fees and meeting attendance premiums.

C.1.7. List any members of senior management who are not Directors or executive members of the governing body and indicate total remuneration paid to them during the year.

Name Position	Position
FRANCISCO JOSÉ GONZÁLEZ LÓPEZ	General Manager
Total remuneration received by senior management (thousands of euros)	229

C.1.8. Indicate whether the Bylaws or the Board regulations set a limited term of office for Directors or members of the governing body.

| | Yes

| ✓ | No

Maximum number of years in office	

C.1.9. Indicate whether the consolidated and individual annual accounts submitted for authorisation for issue by the Board or governing body are previously certified.

| | Yes

| ✓ | No

Identify, where applicable, the person(s) who certified the company's individual and consolidated annual accounts prior for their authorisation for issue by the Board.

Name	Position
No data	

C.1.10. Explain the mechanisms, if any, established by the Board of Directors or governing body to prevent the individual and consolidated annual accounts it prepares from being laid before the General Shareholders' Meeting or equivalent body with a qualified audit report.

The Audit Committee of BCC, as parent of the Group, is responsible for conducting relations with the external auditors in order to receive information on the annual audit.

The external auditors present to the Governing Board the preliminary conclusions of the audit work carried out before the preparation of the Bank's annual accounts, notwithstanding the result of audit work that could be pending execution at that date, providing a draft opinion regarding the annual accounts.

In the event that the external auditors include a qualification regarding the annual accounts, the Audit Committee will report this to BCC's Audit Committee to enable the latter to inform the Governing Board at the following meeting. This enables the Governing Board to evaluate whether to amend the annual accounts and resolve any qualifications.

C.1.11. Is the Secretary to the Board or of the governing body a Director?

| ✓ | Yes

| | No

If the secretary is not a director, complete the following table:

C.1.12. Indicate and explain, where applicable, the mechanisms to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies and how the legal requirements have been met in practice.

1. Independence of the auditor

Each year, the auditor informs BCC's Audit Committee of its compliance with prevailing laws concerning its independence. The information presented includes a detailed breakdown of the additional services provided by the auditor to Group entities and the fees received by the auditor from those entities. BCC's Audit Committee has also established a procedure for reviewing and, as the case may be, approving any non-audit services to be provided by the external auditor before they are provided.

In the corresponding meeting, BCC's Audit Committee verifies compliance by the auditor (currently the firm KPMG Auditores S.L.) with requirements, specifically reporting on the existence or absence of any situation that could compromise the independence of the auditor's work. BCC's Audit Committee issues an annual report before the auditor's report is issued, expressing an opinion on whether or not the auditor's independence is compromised.

2. Independence of the rating agencies, financial analysts and investment banks

In accordance with the principle of transparency, which must prevail with respect to the Bank's operations in financial markets, it establishes the mechanisms and procedures that are adequate to ensure that credit rating agencies, financial analysts and investment banks are informed of all information that may be relevant to analyse the Bank within a framework of independence.

The Balance Sheet Management and Investor Relations area reporting to BCC's General Finance Division is responsible for dealing with the credit ratings agencies regarding issuer ratings and with financial analysts, ensuring they have immediate access to correct and accurate information that will facilitate their analysis and enable them to draw conclusions with the highest degree of independence possible. In matters concerning the ratings of mortgage and public sector covered bonds, it reports to the Internal Securitisation Office, which operates under the auspices of the Treasury and Capital Markets area. In turn, the latter reports to BCC's General Finance Division which is responsible for liaising with the ratings agencies' teams that analyse securities.

C.2. Committees of the Board or governing body

C.2.1. List the committees of the Board or governing body:

Committee name	No. of members
EXECUTIVE COMMITTEE	5
AUDIT COMMITTEE	3

As have the other rural savings banks in Grupo Cooperativo Cajamar, the Bank has delegated the corresponding duties to BCC's specialised committees: the Risks Committee and the Appointments and Remuneration Committee.

C.2.2. Detail all committees of the Board or governing body and the members of said committees and the proportion of executive, proprietary, independent and other external directors on them (entities not having the legal form of companies do not complete the category of director in the corresponding table and in the section with their legal regime and the manner in which they fulfil the conditions for belonging to the Audit Committee and the Appointments and Remuneration Committee):

EXECUTIVE COMMITTEE		
Name	Position	Category
MR. EDUARDO BAAMONDE NOCHE	CHAIRPERSON	
MS. MARÍA LUISA TRINIDAD GARCÍA	SECRETARY	
MR. FRANCISCO LORENTE BROX	COMMITTEE MEMBER	
MR. JOSE LUIS HEREDIA CELDRÁN	COMMITTEE MEMBER	
MR. BARTOLOMÉ VIUDEZ ZURANO	COMMITTEE MEMBER	

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	0.00
% of other external directors	0.00
Number of meetings	34

Explain the functions assigned to this committee and describe its procedures and rules of organisation and functioning. For each of these functions, indicate the most important action taken during the year and how, in practice, the committee has performed each of the functions assigned to it by law, the Bylaws or any other corporate resolution.

For information on the category of each director, see the information in section C.1.2.

As regards functions, all the Governing Board's competences have been delegated to the Executive Committee barring the ones that may not be delegated by law or under the Bylaws.

The Executive Committee is basically regulated by Article 33 of the Bylaws. Information on the rules governing its organisation and functioning is set out below:

The Governing Board has appointed from among its members, an Executive Committee formed by a Chairperson, a Secretary and three Committee Members.

The Executive Committee meets at least once a month, at the place, on the date and at the time stipulated by the committee itself. It shall be validly constituted when the meeting is attended by more than half of its members who may not be represented.

Other people whose presence and contributions are considered of interest to the Bank may be invited to attend, without voting rights.

Resolutions shall be adopted by more than half of the votes validly cast of the members present and the Chairman shall cast the deciding vote in the event of a draw.

For each meeting minutes shall be drawn up by the Secretary. Once approved, the minutes are recorded in the Minutes Book.

The Executive Committee's most significant activities during the year related to the management of loans and receivables, property investments, investees, and financial instruments.

AUDIT COMMITTEE		
Name	Position	Category
MR. FRANCISCO LORENTE BROX	CHAIRPERSON	
MS. MARÍA LUISA TRINIDAD GARCÍA	COMMITTEE MEMBER	
MR. JESÚS MARÍA MARTÍNEZ DE SALINAS ALONSO	COMMITTEE MEMBER	

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	0.00
% of other external directors	0.00
Number of meetings	0

Explain the functions assigned to this committee and describe its procedures and rules of organisation and functioning. For each of these functions, indicate the most important action taken during the year and how, in practice, the committee has performed each of the functions assigned to it by law, the Bylaws or any other corporate resolution.

For information on the category of each director, see the information in section C.1.2.

The Audit Committee's duties are those stipulated in prevailing legislation, especially Article 529 *quarterdecies* of the Corporate Enterprises Act, which it performs exclusively in relation to the Bank's individual annual accounts. It operates in accordance with the principle of minimal involvement and total respect for the full delegation of audit-related powers in BCC, completely coordinates its work with that of BCC's Audit Committee, and accepts all decisions taken by BCC's Audit Committee within the framework of Grupo Cooperativo Cajamar's Regulatory Agreement.

The Audit Committee is fundamentally governed by Article 10 of the regulations of the Bank's Governing Board. Information on the rules governing its organisation and functioning is set out below:

The Governing Board has appointed from among its members, an Audit Committee formed by a Chairperson and two Committee Members.

The Audit Committee meets at least four times a year, at the place, on the date and at the time stipulated by the committee itself. It shall be validly constituted when the meeting is attended by more than half of its members who may not be represented.

Other people whose presence and contributions are considered of interest to the Bank may be invited to attend, without voting rights.

Resolutions shall be adopted by more than half of the votes validly cast of the members present and the Chairman shall cast the deciding vote in the event of a draw.

For each meeting minutes shall be drawn up by the Secretary. Once approved, the minutes are recorded in the Minutes Book.

The Audit Committee was established following an agreement by the Bank's Governing Board on 30 November 2020. It was not active that year.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Names of experienced directors	MR. FRANCISCO LORENTE BROX / MS. MARÍA LUISA TRINIDAD GARCÍA / MR. JESÚS MARÍA MARTÍNEZ DE SALINAS ALONSO
Date the chair was appointed	30 November 2020

D. RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1. Details of the transactions conducted between the entity or entities of its group and the shareholders, cooperative members, holders of proprietary rights or any other right of the entity of an equivalent nature.

Name or company name of significant shareholder/ unitholder	Name or company name of company or group company	Nature of the relationship	Nature of the transaction	Amount (thousands of euros)
No data				

This section and sections D.2 and D.3 were not completed due to the fact that in 2020 there were no operations that must be reported under Ministerial Order EHA/3050/2004, of 15 September, on related party transactions that must be reported by companies issuing securities traded on official secondary markets.

D.2. Details of the transactions conducted between the entity or entities in its group and directors or members of the governing body or managers of the entity.

Name or company name of directors or managers	Name or company name of related party	Link	Nature of the transaction	Amount (thousands of euros)
No data				

See comments in D.1.

D.3. Details of intergroup transactions.

Name of group entity	Brief description of the transaction	Amount (thousands of euros)
No data		

See comments in D.1.

D.4. List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the entity or its group and its Directors or members of or governing body or its executives.

- The Bylaws exclude the right to vote in the General Assembly when there is a conflict of interest.

  Such a conflict of interest is deemed to exist in the following cases:

  a) Votes regarding actions or contracts in which the member, or family members up to the second degree of consanguinity or affinity, have an interest as third-party contractors with the cooperative, excluding in this case activities and services within the cooperative.

  b) Votes that particularly affect a member, either because the issue involves just cause for not accepting a position or duty or because a decision is to be taken regarding the removal or creation of a temporary benefit for justified reasons to that member with respect to compliance with certain obligations

  c) Those cases that are not specifically included in the previous two sections but are included in the Corporate Enterprises Act.

  As attendees at the General Assembly, directors are bound by these rules.

- With respect to conflicts of interest within the Governing Board, the Bylaws stipulate as follows:

  A director will be in a conflict of interest situation when:

  a) The situation involves arranging non-cooperative transactions or assuming obligations with the director or family members to the second degree of consanguinity or affinity, as is established by Article 42.1 of Cooperative Act 27/1999.

  b) A vote is to be taken on whether to initiate, relinquish or waive any legal action against directors.

  c) The situation involves a decision regarding cooperative transactions or services that favour a director or a family member, as indicated in paragraph a).

  d) A decision will be taken with respect to the creation, suspension, amendment, renewal or extinction of obligations or rights relating to the cooperative with entities at which the director or the aforementioned family members are directors, administrators, senior managers, advisers or members with a shareholding equal to or exceeding 5%.

  e) Any of the situations established in Article 29, number 5, or any other section, of these Bylaws exists – precautionary suspension from duties of those directors or controllers who have not met the loyalty, dedication and discretion requirements demanded of these positions.

  f) Any other conflict of interest situation established in the Corporate Enterprises Act or any other applicable law.

Such a conflict of interest requires that the director or directors concerned abstain from voting on related matters in any body.

In addition, according to the rules governing credit cooperatives, these votes on conflicts of interest will require the favourable vote of two-thirds of the directors and the Governing Board's deliberations and resolutions will be secret.

Similarly, the Internal Rules of Operation of the Governing Board stipulate that directors must immediately report to the Governing Board any direct or indirect situation of conflict between themselves or the persons related to them and the Bank's interests. The affected director must abstain from resolutions or decisions relative to the operation to which the conflict refers.

Directors must report with respect to themselves and persons related to them (a) any direct or indirect interest that they may hold, and (b) the positions or functions carried out in any company which is in a situation where it effectively competes with the Bank.

The conflicts of interest described above shall be subject to disclosure in the notes to the accounts and in the corporate reports in the manner envisaged in the law and the Bylaws.

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Describe the scope of the risk control and risk management system in place at the entity.

Risk management is an integral and ongoing function that covers all sectors and all geographical areas where the Bank operates. BCC is responsible for the Group's risk control and management systems. All Group entities, including the Bank, are under the scope of this system.

In 2015, BCC's Board of Directors approved the Group's Risk Appetite Framework (RAF), following the guidelines prepared by the Financial Stability Board, which defines the level of risk the Group is willing to assume in order to achieve its strategic objectives, both overall and for each material risk to which it is exposed. The general statement results in a particular statement on each material risk to the Group, and establishes the level of risk to be assumed for each. The Group has defined the RAF to serve as a reference for the Bank in the field of risk governance.

The RAF emanates from the BCC Board of Directors and its scope covers the whole Group, being a key element in the process of managing the same. It is integrated and aligned with the strategic plan, capital and liquidity planning, compensation policy and recovery plan.

To measure the tolerance to risk, our Group has a series of indicators or metrics associated with a rating scale or limits for establishing the level of each risk and monitoring it monthly.

Policies, procedures and risk controls are designed according to the nature of the risk, and are independent of the time, area or place where risk exposure occurs. The responsibilities, policies and procedures of the Group's control functions are set out in various documents, which are reviewed and approved at regular intervals by the Board of Directors of BCC (including the internal governance framework, the internal capital adequacy assessment report, the Pillar III disclosures and the annual corporate governance report).

E.2. Identify the bodies in the entity responsible for preparing and implementing the Risk Control and Management System.

The highest-level executive body of the Group is the Board of Directors of BCC comprising the directors elected by the Annual General Meeting. Since the frequency of its meetings is monthly, it has delegated functions to its Executive Committee, which meets weekly. To help it perform its duties, the Board of Directors and its Executive Committee are assisted by a number of (specialised) Board committees, each of which, within the scope of its responsibilities, receives regular information from line management and internal control, so as to be able to advise the Board and its Executive Committee accordingly.

Management control and the principle of functional independence are reinforced through an organisational structure designed to ensure that the BCC Board, through the Audit Committee and the Risks Committee, has ultimate responsibility, supported by the General Internal Audit Division and General Control Division.

The Group has implemented a three-lines-of-defence model of risk management and supervision.

The first line of defence is the Chief Executive Officer, who is appointed by the Board of Directors, and the following general divisions, all reporting to the Board: General Secretariat, Controller, Investments, Business, Efficiency and Transformation, Human Resources, and Finance.

Furthermore, although reporting to BCC's Board, there is a Sustainable Finance and Social Economy Division, the mission of which is to champion policies, measures and instruments that contribute to sustainable finance and the social economy in the Group.

The second line of defence is the General Control Division, which reports directly to the BCC Board via the Risk Committee. Its mission is to supplement the risk-taking activities of the business units through its monitoring and reporting responsibilities. Among other things it is responsible for overseeing the Group's risk-taking activities, assessing the risks and other related tasks, independently of the business units. It must ensure that any material financial risks facing the Group are correctly identified and measured and that the relevant limits and policies (both those set internally and those specified by the supervisor) are complied with. It must also advise on, control and safeguard legal compliance in BCC and the Group, and identify, measure, assess, monitor, control, mitigate and report any legal or reputational risks to which BCC or the Group may be exposed.

Also reporting directly to the BCC Board is Cyber Resilience, whose mission is to establish and ensure compliance with Information Security directives.

The third line of defence is the General Internal Audit Division, which reports directly to the BCC Board via the Audit Committee. Internal Audit oversees the second and first lines of defence. Its mission is to provide BCC's Audit Committee with independent, objective assurance, from an Internal Audit perspective, that the Group's internal control framework is appropriate and that the most important risks to which the Group is exposed are therefore properly controlled by the relevant risk managers.

Additionally, in 2017, to supplement the principle of independence with the requirement that the risk control functions not be isolated from the units they monitor and oversee, the Risk Monitoring Committee was created and tasked with overseeing the Group's risks and acting as a liaison between the Board Risks Committee and the Bank's senior management.

E.3. Indicate the main risks which may prevent the savings bank from achieving its targets.

BCC manages all risks centrally on behalf of the entire Group. The main risks to which the Group is exposed are included in the Risk Appetite Framework, and are as follows:

Credit risk: broadly, the possibility of incurring losses due to borrower default.

Concentration risk, the possibility that credit risk is aggravated by the accumulation of exposures in few customers, geographical areas or sectors of the economy.

Real estate risk, understood as part of credit concentration risk and comprising the risk of a devaluation of real estate.

Sovereign risk, understood as the risk posed by debtors domiciled in a specific country due to circumstances other than the usual commercial risk, measured in terms of concentration of exposure by country, and in terms of assessment/valuation of sovereign exposure in the country of residence.

Market risk: the possibility of incurring losses on portfolio positions as a result of adverse movements in market prices.

Liquidity and funding risk: the possibility of incurring higher funding costs or losses due to a shortage of liquid funds when needed or difficulty in maintaining the desired financial structure.

Business risk: the possibility of not generating sufficient earnings due to idiosyncratic or systemic factors.

Operational risk: the possibility of incurring losses due to errors in processes, systems and technical equipment or human error, including internal and external fraud.

Interest rate risk refers to the possibility of suffering losses due to the potential impact of changes in interest rates on the Bank's profits or net assets.

Technology risk, understood as the risk of losses due to damage, interruption, disruption or failure of the information technology services used in providing banking services.

Reputational risk, understood as the possibility of economic or business losses arising from adverse news or conflicts with customers.

E.4. State whether the entity has risk tolerance levels.

The Group considers a risk to be material when, based on an analysis of the exposure, the expected impact of risk events over maximun one year period is equivalent to a decrease of 0.25 p.p. or more in the phase-in CET1 capital ratio as of the date of the analysis. Material risks are identified taking both the regulatory and the economic perspective into account.

Classification of a risk as material will entail it being incorporated into the RAF; a statement of the appetite for that risk; the provision of a management and governance framework; and the inclusion of the risk in the Internal Capital Adequacy Assessment Process (ICAAP).

The RAF, which is approved by the BCC Board, is based on the following overall risk appetite statement:

"In line with its strategy, the Group carries on a traditional low-risk banking activity, consisting basically of taking deposits from customers and investing in loans and advances to customers, with a preferential focus on individuals, the self-employed, SMEs and large companies, giving priority to the extended agri-food sector and the social economy.

The main risk to which the Group is exposed is therefore credit risk, which must be mitigated by applying criteria of diversification, credit quality, taking security, early follow-up, rigorous management and economically effective recovery.

With the fundamental aim of meeting core business funding needs and in order to make good use of cash surpluses, the Group has recourse to wholesale financial markets, although activities in these markets to fund the retail business must always observe prudent limits.

Investment in financial assets exposed to market risks so as to complement and diversity the income statement must be moderate, besides the investments necessary to comply with regulations.

A credit institution's activities are exposed to other risks such as liquidity, interest rate, operational, reputational and business risks, requiring a policy of low exposure to risk in all cases.

As part of its pledge to create a responsible bank, the Group will drive the transition towards a low or zero carbon economy, minimising as far as possible investments and lending for or in carbon intensive assets and economic sectors. ESG risks will therefore be factored in by creating metrics to measure said impact and, given the cross-cutting nature of these factors, they will be included among the Group's material risks."

This declaration results in the establishment of indicators and tolerance thresholds that can be used to monitor propensity to risk every month.

Given the diversity of indicators, a method is needed for setting flexible thresholds, taking the characteristics and objectives of each indicator into account:

- Based on limits set by external or internal regulations/standards.
- Based on the indicator's past behaviour
- Based on comparisons with other entities, industry studies or publications by bodies such as the EBA.
- Based on their behaviour in simulated scenarios.
- Based on the expert knowledge of the units responsible for control and/or management.

The risk indicators contained in the RAF are consistent with the Strategic Plan, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), Recovery Plan and Remuneration Policy.

BCC's Board, as the most senior body in the risk control and management system, is responsible for adopting, abolishing and amending the RAF (except the Appendix), and approving corrective measures in relation to excessive risk. It evaluates reports submitted by the General Control Division and proposals of the CEO to help with this task.

E.5. Identify any risks which have occurred during the year.

The abovementioned risks and other less relevant that impact the Group and BCC are inherent to financial activities and therefore to the Group's performance and own activities. The materialisation of these risks is therefore entirely inevitable to a greater or lesser extent.

However, the safeguards that have been established as well as channels and circuits for approving risk operate normally, and there are no distortions in the application of the procedures established for this purpose.

E.6. Explain the risk response and monitoring plans for the company's main risks and the procedures the company follows to ensure that the board of directors responds to any new challenges that may arise.

The Risk Appetite Framework of Grupo Cooperativo Cajamar (RAF) sets out a series of metrics or indicators, primary and auxiliary, for which it establishes the following tolerance limits or thresholds:

- BAU (Business as Usual): means that the indicator is within the risk appetite threshold defined by the Board.

- EWI (Early Warning Indicator): means that the risk has exceeded the threshold but is still acceptable to the Group.

Alarm: means that an unwanted level of risk has been reached.

- Excess: a threshold included in all the indicators that are capable of triggering the Recovery Plan.

Grupo Cooperativo Cajamar monitors the risk appetite monthly, establishing in the framework when information is escalated up the hierarchy, how often and to whom. This allows it to act quickly when the thresholds are breached, through active participation of the Board of Directors and the Senior Management of BCC, together with the Director of Control, who is entrusted with the work of coordinating the RAF in the Group.

In addition, the Group has a Business Contingency Plan as well as a Recovery Plan, which is fully integrated with the RAF, so as to ensure that adequate adherence to the RAF also entails properly following the Recovery Plan, preventing risks materialising that are above acceptable levels of tolerance

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS WITH REGARD TO FINANCIAL REPORTING (ICFR)

Describe the main characteristics of the internal control and risk management systems with regard to financial reporting (ICFR).

F.1. Control environment of the entity

Describe the main characteristics of at least:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

BCC's Board of Directors and Senior Management 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 (ICFR). The Board of Directors' functions are to: (i) guarantee the integrity of the accounting and financial information system; (ii) approve the financial information within its competence, and (iii) supervise the process of disclosure of financial information.

BCC's Audit Committee is responsible for verifying that the ICFR is fit for purpose. Its remit includes:

- Supervising the effectiveness of the internal control function, the internal audit function and risk management; as well as discussing with the external auditors the significant weaknesses found during audits. Particularly, with respect to the information and internal control systems:

  - Verifying the adequacy and integrity of the internal control systems.

- Being familiar with and supervising the preparation and completeness of financial information relating to the Company and Group; reviewing compliance with legislative requirements and the proper application of accounting standards.

- Regularly reviewing internal control and risk management systems, so that the main risks are identified, managed and adequately reported.

- Supervising the process of preparing and presenting regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

BCC's Senior Management is charged with designing and implementing the ICFR through BCC's General Control Division; implementing the necessary measures to ensure it is fit for purpose.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) designing and reviewing the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the Bank.

BCC's Board of Directors, through the Chief Executive Officer, is responsible for designing the organisational structure in order to assign functions and resources as efficiently as possible. The General Control Division is responsible for ensuring that the organisational structure meets the requirements for an ICFR that is fit for purpose, and for directing the process of using the financial information, guaranteeing that it is correctly disclosed to the markets.

The operating procedure manuals with their corresponding tasks, which are available to all Group employees through the Bank's intranet, specify the organisational structure, defining the management units and areas and the people responsible for them.

The financial information is prepared by the Accounting and Tax Control Directorate, which is responsible for setting criteria and policies in accordance with applicable laws and regulations in each case, and by the Financial and Management Reporting Directorate, which is responsible for generating financial information and reports. These BCC units are responsible for the Bank's financial information and for the Group's accounting consolidation process, with clearly delimited functions and responsibilities, separating the preparation and reporting of financial information from control. Specifically, among other things their mission is to:

- Define the accounting criteria of BCC and the Group, as well as the internal chart of accounts, ensuring they are always up-to-date and in line with accounting requirements and regulatory changes.
- Supervise the preparation of the reports issued to the market, ensuring the integrity, consistency and appropriateness of the information they contain by developing and maintaining the Internal Control over Financial Reporting system (ICFR).
- Analyse the content and impact of new accounting and solvency 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 update and validation process applied to the ICFR, in collaboration with the people directly responsible for the areas involved.
- Control the accuracy, reliability and coherence of financial information with respect to the defined accounting policies, issuing the reports necessary to allow a correct interpretation.
- Oversee the reporting of financial information within legally stipulated deadlines, performing the final review of information to be published before it is sent to the relevant bodies for approval and publication in the market or submission to supervisory bodies.

The Technology Division is also involved in the Group's the Internal Control over Financial Reporting System, performing functions designed 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 application, overseeing compliance with agreed service levels.
- Ensure that there is documentation describing the systems, applications and processes involved in the generation and edition of financial information and that it is sufficient for the performance of the audit and control functions.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The Group has a Code of Conduct approved by the BCC's Board of Directors containing a compendium of ethical principles and values intended to guide the 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 Bank's website and intranet. The General Control Division is responsible for updating it, publishing it and making it available to the people affected by it, as well as promoting and coordinating the necessary training activities in collaboration with the General Human Resources Division.

It is also the responsibility of the General Control Division along with the General Internal Audit Division to enforce compliance with the Code, handle cases of non-compliance and propose pertinent corrective measures and penalties to the Control Committee.

The contents of the Code were distributed to all employees on the intranet. In addition, the Bank's employees must sign the Code.

Code of Conduct training consists of an e-learning course following by a questionnaire test.

- 'Whistle-blowing' channel, for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the Code of Conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Group offers a means for employees to confidentially report violations of the Code of Conduct as well as financial and accounting irregularities or irregular or fraudulent activities of any kind with the organisation. This allows employees to report financial and accounting irregularities to BCC's Audit Committee.

Reports are submitted through an email mailbox that is accessible to all Group employees. Internal Audit is responsible for processing the reports received and is under the obligation to guarantee the confidentiality of the information.

- Periodic training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating the ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

The General Human Resources Division is responsible for: (i) determining and verifying that the resource structure is sufficient for effective implementation of the ICFR, (ii) defining the training plan for the staff involved in the functions of generation and control of financial information, and (iii) directing and executing the training contained in the defined plan.

The Group has a Financial Education School which is committed to the organisation's social responsibility and the professional development of its employees with a view to reinforcing their financial education and guaranteeing that 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 is offered to the employees in charge of generating the Bank's financial information. In 2020, the courses offered and number of attendees was as follows:

- Basic course on the ICFR, completed by 126 people.
- Basic course on financial mathematics, completed by three people.
- ICFR course: Non-financial information to be disclosed in the notes to the annual accounts, prepared by 11 people.

All business trips and certain external training courses were suspended over the year due to the special circumstances caused by the Covid-19 pandemic.

F.2. Evaluation of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud

- Whether the process exists and is documented.

The Group has a specific tool for identifying the processes, relevant areas and risks associated with the ICFR, which takes into account: (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:

a) Breakdown of consolidated balances by origin.
b) Material assessment of the balance that is broken down.
c) Assessment of certain qualitative aspects.
d) Determination of the criticality of the balance in the financial information by calculating an internal rating.
e) 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 ICFR Processes/Areas and Risks".

- Whether the process covers all financial reporting objectives, (existence and occurrence; completeness; measurement; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

The tool was designed taking all of the objectives of financial reporting contained in the Internal Control over Financial Reporting in Listed Companies issued by the CNMV into account (existence and occurrence, completeness, measurement, presentation, disclosure and comparability, rights and obligations).

The criteria for all types of risk to be identified that 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.

- Whether a specific process is in place to define the consolidation perimeter, with reference to the possible existence of complex corporate structures, special purpose entities, holding companies.

The Group has a procedure in place for updating and validating the scope of consolidation that is carried out by BCC's Investees Unit. This involves requesting from each investee the information needed to enable BCC's Investees Unit to fill out the corresponding forms to determine the consolidation scope and process.

- Whether the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

As explained above, 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.

Additionally, the Group has 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 will generally cover 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 Directorate is responsible for applying the financial information review and disclosure policies, following the procedures described earlier.

- Which governance body of the entity supervises the process.

Internal Audit supports BCC's 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.

F.3. Control activities

State whether the entity has the following and, if so, describe the main characteristics:

F.3.1. Procedures for reviewing and authorising the financial information and ICFR description to be disclosed to the markets, indicating the person responsible in each case, as well as the documentation describing the flows of activities and controls (including fraud risk controls), for each type of transaction that may materially affect the financial statements, including the account closing procedures and the separate review of material judgements, estimates, valuations and projections.

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 Management and Reporting Division. The Accounting and Tax Division is responsible for reviewing and overseeing account closes and the reports generated during this process.

- The general IT controls in place at the Group relating to the Technology Department's organisation, physical security, logical security, maintenance and development.

- 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. Those controls are carried out in the tool used for the presentation to the Bank of Spain. The Accounting and Tax Control Directorate is responsible for verifying the integrity and accuracy of the information included in the various statements filed with the Bank of Spain.

- The process for issuing material judgments, estimates, valuations and projections in respect of goodwill, the useful lives of tangible and intangible assets, the value of certain financial assets, impairment losses on tangible and intangible assets, the value of foreclosed assets, the fair value of loans and receivables, provisions and contingent liabilities are reviewed and monitored by BBC's Accounting and Tax Division.

Critical estimates, projections, judgements, accounting policies and assumptions are those that are subject to complexity or uncertainty, or that depend on decisions taken outside and inside the financial function and that have a significant impact on the figures and information presented in the financial report and in the Group's other periodic public information, such that modifications also cause relevant changes to the information reported.

The Group has an action plan for generating formal, standardised documentation for the areas and processes identified as relevant within the Group and which includes processes such as the year-end close and consolidation process, and making relevant judgments, estimates and forecasts, among others.

The Group has a review and authorisation procedure in place for the financial information reported to the markets, the frequency of which is determined by law and which is prepared by the Financial Management and Reporting Division under the supervision of BBC's Accounting and Tax Division.

BCC's Audit Committee is also involved in the review process, reporting its conclusions on the financial information to BCC's Board of Directors. This is 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 (as indicated in section F.5.1 below). Ultimately, the General Assembly is responsible for approved the Governing Board's performance each year along with the balance sheet, statement of profit or loss and the application of any funds available for distribution.

The description of the ICFR is reviewed not only by BCC's Accounting and Tax Division but also by BCC's governing bodies mentioned above as part of the information reported to the markets periodically.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

BCC's 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. BCC's Cyber Resilience Unit 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.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group uses the services of independent third parties to obtain certain valuations, calculations and estimations used to generate the individual and consolidated financial statements which are published in the securities markets, such as, actuarial calculations and asset appraisals and valuations.

The identification of relevant financial reporting areas outsourced to third parties is integrated into the methodology used by the Group to identify processes and areas that affect the financial information.

Policies applied to supervise and manage the activities outsourced to third parties and to approve suppliers are contained in the manuals prepared by the Group, which address:

- Types of services that may be outsourced and related criteria and conditions.
- Controls in place for services outsourced and the business continuity and service recovery plan.
- Procedures for the accreditation of and awarding of services to external providers.
- Approval criteria for contracting services with external providers.
- Approval claim and renewal procedures.

F.4. Reporting and disclosure

State whether the entity has the following and, if so, describe the main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (Accounting Policies Area or Department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The BCC's Regulatory Compliance Division is responsible for informing the affected departments of changes to the regulations as they occur. BCC's Accounting and Tax Division is responsible for establishing and interpreting the Group's accounting policies.

In any event, the 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 corresponding sector association, 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.

BCC's Accounting 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 ICFR 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 Division, which forms part of BCC's General Control Division.

As a necessary supplement to this manual and as the accounting function is decentralised, BCC's Accounting and Tax 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 BCC's Accounting and Tax 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 BCC's Accounting and Tax Division.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning the ICFR.

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.

The accounting information of the Parent and the Group's financial entities comes essentially from the Financial Server, to which the information originating in the different applications of each business area is uploaded daily.

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 BCC's Accounting and Tax Division.

BCC's Financial Management and Reporting Division is responsible for aggregating, standardising and reporting the information using common systems and applications. The Financial Information Control Office, which reports to the Accounting Control Area, is responsible for reviewing the information.

BCC's Financial Management and Reporting Division is responsible for ensuring the quality of the information to be incorporated and incorporated into both the SIRBE application for the preparation of the individual financial information of Group entities and the "Cognos Controller" application to perform the automatic consolidation processes. Moreover, the information of investees is loaded in the Investee Management System (AMS), while BCC's Financial Management and Reporting Division is in charge of importing that information and dumping it in the aforesaid Cognos Controller application.

F.5. Supervision of the functioning of the system

Describe the main characteristics of at least:

F.5.1. The monitoring activities undertaken by the Audit Committee and whether the bank has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including the ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the bank has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

BCC's Audit Committee draws on the support of BCC's Internal Audit team in its work to supervise the internal control system and ICFR. 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 BCC's General Internal Audit Division, which reports to BCC's Audit Committee

BCC's General Internal Audit Division prepares an annual audit plan which is approved by BCC's Audit Committee. 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.

BCC's General Internal Audit Division periodically presents to the BCC 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 BCC Audit Committee meetings contain evidence of the Committee's supervisory function, in terms of planning (approval of annual operating plan, appointment of people responsible for executing the plan, among other things) and the review of the results obtained.

If weaknesses or other areas for improvement are detected during the audit reviews, an action plan is proposed and agreed with the areas involved, defining the people responsible and the time scheduled for its implantation. Internal Audit also tracks compliance with these actions plans.

In December 2019, BCC's Audit Committee approved the 2020-2022 Three-year Audit Plan. Regarding supervision of the ICFR, this plan includes audits of the Group's relevant areas and processes during the three years of the plan.

The evaluation performed in 2020 included a review of the process for identifying material financial reporting risks and a review of 60 ICFR controls, 40 of which were considered critical. It was confirmed that they function correctly.

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the annual accounts or other assignments, to the entity's senior management and its audit committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

BCC's 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 BCC's 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 Governing Board.

The cited regulation also states that BCC's Audit Committee may be aided by independent experts as needed (Article 19).

Article 13 of the BCC Audit Committee Rules specifies that the committee will meet on an ordinary basis every two months or, otherwise, at least six times a year. In each of these sessions, the General Internal Audit Division will present the conclusions of its work, informing the Committee of any weaknesses detected as well as the action plans proposed by the different areas to address these weaknesses.

F.6. Other relevant information

BCC's 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, reports and manuals are recorded.

Depending on his or her permissions, each user can record evidence of the preparation of the financial information and the controls applied over each time horizon.

F.7. Outside auditor's report

Report on:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The Group has subjected the ICFR information for 2020 disclosed to the markets to review by the external auditor. The report of the external auditor (KPMG Auditores, S.L.) on the ICFR is attached as an appendix to this report and to the Group's consolidated management report for 2020.

G. OTHER INFORMATION OF INTEREST

If it is considered that any relevant principles or significant aspects relating to the corporate governance structure and practices applied by the Company or the Group have not been addressed in this report, describe and explain them below.

It may also be included any additional information or clarifications relative to the preceding sections of the report, to the extent that they are relevant and non-repetitive.

In particular, please indicate whether the company's corporate governance is bound by any law other than Spanish law and, if so, indicate any information the company is obligated to submit which is not covered in this report.

The entity also may indicate if it has voluntarily adhered to other codes of ethical principles or best practices, international, sectoral or otherwise. If applicable, identify the code in question and the date of adhesion.

- The Bank is not bound by any laws other than Spanish law related to the annual corporate governance report.

As a member of Grupo Cooperativo Cajamar, the Bank supports and is committed to all the initiatives launched by BCC, as the Group's Parent.

Of note internationally:

- In 2020 the Group joined the Target Gender Equality programme to accelerate the representation and leadership of women.

- It has been a member of the RE100-Climate Group, a global renewable energy initiative, since 2020.

- Since 2019 BCC has been a member of the United Nation's Environment Programme (UNEP FI), and is a founding signatory of the United Nations Principles for Responsible Banking launched on 22 September 2019.

- Since 2015 BCC has reported the Group's carbon footprint to the international organisation, the Carbon Disclosure Project (CDP Worldwide).

- Since 2014 BCC has been a signatory to the following initiatives:

  - Women's Empowerment Principles, an initiative championed by the United Nation for gender equality

  - United Nations Caring for Climate

- It signed the Diversity Charter in 2011, the aim of which is to respect prevailing legislation regarding equal opportunities and anti-discrimination.

- The Bank joined the United Nations Global Compact on 9 August 2006 and disseminates its ten principles based on human, labour and environmental rights and the fight against corruption.

Of note nationally:

- Since 2014 BCC files the Group's carbon footprint in the Carbon Footprint Register kept by the Ministry for Ecological Transition.

- In 2015 BCC signed the Code of Good Tax Practices approved by the Large Companies Forum set up by the Spanish tax authorities and complied with the Code's recommendations during 2020.

- The Bank's Executive Committee agreed in 2012 to sign the Code of Good Practice for the viable restructuring of debts secured by mortgages on first homes, regulated by the Annex of Royal Decree-Law 6/2012, of 9 March 2012, and amended by Royal Decree-Law 1/2015 of 27 February 2015, Royal Decree-Law 5/2017, of 17 March 2017, and Act 5/2019, of 15 March 2019.

Moreover, in the area of governance, as a member of the Group, the Bank is a leader of the Transparency, Good Governance and Integrity Cluster. It is also a member of the Climate Change Cluster and of the Social Impact Cluster sponsored by Forética.

Additionally, the Group is a member of various business associations set up to promote cooperative banking both at the European level, including the European Association of Cooperative Banks (EACB), and in Spain, such as the Spanish Banking Association (AEB), as well as of associations that promote socially responsible investment, such as the sustainable and responsible investment forum in Spain.

It is worth mentioning that the Bank has been awarded the Workplace Gender Equality seal from Spain's Ministry of Equality, and has been recognised by the Alares Foundation and Diversity Foundation as a company that acts responsibly towards its employees, and as a Great Place to Work.

Lastly, the non-financial information of a social and environmental nature is included in the Sustainability Report, which is published annually and is prepared as per the criteria established by the International Integrated Reporting Council (IIRC), the Global Reporting Initiative (GRI Standards) and the principles of the AA1000 standard (AA1000 AccountAbility Principles), and in accordance with the requirements established by the Global Compact for the preparation of progress reports, and the diversity and non-financial information requirements laid down in Act 11/2018, of 28 December 2018.

This Annual Corporate Governance Report was approved by the Company's Board of Directors on:

08 March 2021

Specify whether the directors or members of the governing body votes for or against approving the report or abstained from voting:

Banco de Crédito Social Cooperativo, S.A.

Auditor's Report on the "Information concerning the System of Internal Control over Financial Reporting (ICFR)" of Banco de Crédito Social Cooperativo, S.A. for 2020

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

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Auditor's Report on the "Information concerning the System of Internal Control over Financial Reporting (ICFR)" of Banco de Crédito Social Cooperativo, S.A. for 2020

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

To the Board of Directors of Banco de Crédito Social Cooperativo, S.A.

As requested by the Board of Directors of Banco de Crédito Social Cooperativo, S.A. (the "Company") and in accordance with our proposal letter dated 27th January 2021, we have applied certain procedures to the "Information concerning the ICFR" attached in section F of the Annual Corporate Governance Report of Cajamar Caja Rural, Sociedad Cooperativa de Crédito for 2020, which summarises the Company's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company's annual accounts. Consequently, the scope of our evaluation of the internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed entities, published on the website of the Spanish National Securities Market Commission (CNMV), which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Company's annual financial reporting for 2020 described in the attached Information concerning the ICFR. Consequently, had additional procedures other than those defined in the aforementioned Guidelines been applied, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

Reg. Mer. Madrid, T. 11.961, F. 90, Sec. 8, H. M-188.007, Inscrip. 9
N.I.F. B-78510153

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

Moreover, as this special engagement does not constitute an audit of accounts nor is it subject to prevailing legislation regulating the audit of accounts in Spain, we do not express an audit opinion in the terms envisaged in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Company in relation to the ICFR – disclosures included in the directors' report – and evaluation of whether it covers all the information required, taking into account the minimum content described in Section F, concerning the description of the ICFR, the Annual Corporate Governance Report model set out in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circular 7/2015 of 22 December 2015 and CNMV Circular 2/2018 of 12 June 2018 and Circular 1/2020 of 6 October 2020 (hereinafter, the CNMV Circulars).

2. Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.

3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on the ICFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the Audit Committee.

4. Comparison of the information detailed in point 1 above with the understanding of the Company's ICFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of the meetings of the Board of Directors, Audit Committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to the ICFR with the information detailed in point 1 above.

6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the Information concerning the ICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively in the context of the requirements established in article 540 of the Revised Spanish Companies Act and the CNMV Circulars for the purposes of the description of the ICFR in Annual Corporate Governance Reports.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

Pedro González Millán

11th March 2021