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 entities forming Grupo Cajamar (Grupo Cooperativo Cajamar) for the year ended 31 December 2023)

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

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

Independent Auditor's Report on the 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 Grupo Cooperativo Cajamar (hereinafter the "Group"), which comprise the consolidated balance sheet at 31 December 2023, 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 2023 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.

Impairment of loans and advances to customers and impairment of foreclosed real estate assets

See notes 3, 8.6, 10, 12, 16 and 25 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Group's portfolio of loans and advances to customers, classified as financial assets at amortised cost, reflects a net balance of Euros 36,050,436 thousand at 31 December 2023, while allowances and provisions recognised at that date for impairment total Euros 576,343 thousand. Foreclosed real estate assets are essentially recognised under "Non-current assets held for sale", under "Inventories" within "Other assets", and under "Investment property" within "Tangible assets", on the consolidated balance sheet for a total amount of Euros 364,129 thousand at 31 December 2023. 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 of the portfolio of loans and advances to customers 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 credit risk determined individually consider estimates of future business performance and the market value of collateral provided for credit transactions.	Our audit approach for estimating impairment of loans and advances to customers and the recoverable amount of the Group's foreclosed real estate assets focused in particular on the methods and assumptions used to, on the one hand, estimate exposure at default, probability of default and loss given default and determine future macroeconomic scenarios, and, on the other hand, on those used in the appraisals of the foreclosed assets and the adjustments made by the Group to these appraisals to determine the recoverable amount of these assets. We also assessed the mathematical accuracy of the calculations of expected losses and the estimation of recoverable amount of the foreclosed real estate assets, and the reliability of the data used. To this end, we brought in our specialists in credit risk and real estate asset appraisals. Our procedures related to the control environment focused on the following key areas: – Identifying the credit risk management and real estate asset foreclosure framework and assessing the compliance of the Group's accounting policies with the applicable regulations. – Evaluating the appropriateness of the classification of the loans and advances to customers portfolio based on credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. – Assessing the relevant controls relating to the monitoring of transactions. – Evaluating whether the internal models for estimating both individual and collective allowances and provisions for credit risk and internal models for estimating the recoverable amount of foreclosed real estate assets, and for the management and valuation of collateral, are functioning correctly.

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Impairment of loans and advances to customers and impairment of foreclosed real estate assets

See notes 3, 8.6, 10, 12, 16 and 25 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
In the case of allowances and provisions calculated collectively, expected losses are estimated using internal models that use large databases, different macroeconomic scenarios, parameters to estimate allowances and provisions, segmentation criteria and automated processes, which are complex in their design and implementation and require past and present information and future forecasts to be considered. The process for estimating the impairment of real estate assets originating in the Group's lending activity and which, through dation in payment, purchase or foreclosure, are awarded to the Group, is also based on internal models that assess the recoverable amount of this type of asset. These internal models are 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 consolidated balance sheet, among other factors. The Group regularly conducts recalibrations and tests of its internal models, with regard to credit risk and foreclosed real estate assets, in order to improve their predictive capabilities based on actual historical experience. The ongoing geopolitical uncertainty, the current levels of inflation and the monetary policy decisions of central banks continue to generate uncertainty about the future direction of the macroeconomic environment, affecting the economy and business activities where the Group operates. Calculating expected credit risk losses therefore entails greater uncertainty and requires a higher degree of judgement, primarily as regards estimating macroeconomic scenarios, and the Group has supplemented the estimates of expected losses obtained from its credit risk models with certain additional temporary adjustments.	– Assessing whether the aspects observed by the Internal Validation Unit in its periodic reviews and in the tests of the models used to estimate collective allowances and provisions for impairment and the internal models for estimating the recoverable amount of the foreclosed real estate assets have been taken into consideration. – Evaluating the integrity, accuracy and updating of the data used and of the control and management process in place. – Assessing the process of reviewing the updates of the additional temporary adjustments to the expected loss models recognised by the Group. Our tests of detail on the estimates of expected losses and the recoverable amount of foreclosed real estate assets included the following: – With regard to the impairment of individually significant transactions, we evaluated the appropriateness of the discounted cash flow models used by the Group. We also selected a sample from the population of significant transactions and assessed the appropriateness of both the credit risk classification and the corresponding allowance and provision recognised. – With respect to the allowances and provisions for impairment estimated collectively and for the impairment of foreclosed real estate assets, we evaluated the methodology used by the Group, assessing the integrity and accuracy of the input balances for the process and whether the calculation engine is functioning correctly by replicating the calculation process, taking into account the segmentation and assumptions used by the Group. – Regarding whether the loans and advances to customers portfolio has been appropriately classified based on credit risk, in accordance with the criteria defined by the Group, we selected a sample and assessed the appropriateness of accounting classification for credit risk. – We evaluated the methods and assumptions used to estimate any exposure at default, probability of default and loss given default of the loans and advances, and to adjust the appraisal value of the properties.

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

Impairment of loans and advances to customers and impairment of foreclosed real estate assets See notes 3, 8.6, 10, 12, 16 and 25 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
The consideration of this matter as a key audit matter is based both on the significance of the Group's loans and advances to customers portfolio and foreclosed real estate assets, and thus of the related allowances and provisions for impairment, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the subjectivity and complexity of calculating the expected losses on the portfolio of loans and advances to customers and the impairment losses on the foreclosed real estate assets.	– We considered the macroeconomic scenario variables used by the Group in its internal models to estimate expected losses. – We assessed the appraisals of a sample of foreclosed real estate assets and of the collateral associated with loan transactions, with the involvement of our specialists in real estate appraisals. We also evaluated the competence, capacity and objectivity of the experts engaged by the Group for the valuation of the aforementioned collateral. – We evaluated the additional adjustments to the internal models used to estimate the expected losses recognised by the Group at 31 December 2023. Likewise, we analysed whether the disclosures in the notes to the consolidated annual accounts were prepared 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 2023, the Group held deferred tax assets amounting to Euros 1,123,509 thousand, of which the recovery of Euros 504,652 thousand is not guaranteed through the monetisation mechanisms established in Royal Decree-Law 14/2013 and article 130 of the Spanish Corporate Income Tax Law, as their recovery is dependent on obtaining future taxable profits. The recognition of deferred tax assets entails a high level of judgement in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. The financial projections of future taxable profits have taken into consideration the impact of the current geopolitical and macroeconomic scenario. Due to the significance of the amount of deferred tax assets and the uncertainty associated with their recovery, we have considered this a key audit matter.	Our audit procedures mainly include the following: – Analysing and evaluating the control environment of the process for recognising and assessing the recoverability of deferred tax assets. – Assessing the arithmetical accuracy of management's calculations in the tax projections. – Evaluating, with the involvement of our tax specialists and our specialists in financial projections, the methodology and key assumptions considered 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 taxable profits, performing a sensitivity analysis thereon. – Contrasting the forecast tax base used as the premise for recognising deferred tax assets in prior years with the Group's actual tax base. We analysed 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 IT applications and systems involved in generating the financial information, in the following areas: – Understanding of the information flows and identification of the key controls that ensure the processing of the financial information. – Testing of the key automated processes that are involved in generating the financial information. – Testing of the controls over the applications and systems related to accessing and processing the information and those related to the security settings of those applications and systems. – Testing of the controls over the operation, maintenance and development of applications and systems.

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Other Information: Consolidated Directors’ Report

Other information solely comprises the 2023 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 has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the 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 2023, 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 the 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.

– 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.

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

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 7 March 2024.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 30 May 2023 for a period of one year, from the year ended 31 December 2023.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting, and have been auditing the annual accounts since the year ended 31 December 2020.

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

(Signed on original in Spanish)

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

7 March 2024

**BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
(GRUPO COOPERATIVO CAJAMAR)**

Consolidated Annual Accounts and Consolidated Directors' Report

(Year 2023)

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
Consolidated balance sheets at
31 December 2023 and 2022

Assets

	Notes	Thousands of Euros 2023	2022(*)
Cash, cash balances at central banks and other on demand deposits	**7**	**3,670,850**	**3,512,778**
Financial assets held for trading	**8.2**	**814**	**2,057**
Derivatives		814	2,057
Equity instruments		-	-
Debt securities		-	-
Loans and advances		-	-
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**8.3**	**484,391**	**469,837**
Equity instruments		2,692	2,312
Debt securities		41,560	40,000
Loans and advances		440,139	427,525
Customers		440,139	427,525
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	-
Financial assets designated at fair value through profit or loss	**8.4**	**-**	**-**
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	-
Financial assets at fair value through other comprehensive income	**8.5**	**886,057**	**1,658,702**
Equity instruments		137,972	137,494
Debt securities		748,085	1,521,208
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum: loaned or delivered as collateral with a sale or pledge right		*393,936*	*1,125,390*
Financial assets at amortised cost	**8.6**	**49,281,999**	**50,371,498**
Debt securities		12,183,806	13,974,672
Loans and advances		37,098,193	36,396,826
Central banks		-	-
Credit institutions		1,047,757	568,193
Customers		36,050,436	35,828,633
Memorandum: loaned or delivered as collateral with a sale or pledge right		*4,622,662*	*11,129,397*
Derivatives – Hedge accounting	**9**	**2,957,536**	**3,238,076**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Investments in joint ventures and associates	**11**	**87,814**	**85,185**
Joint ventures		-	-
Associates		87,814	85,185
Tangible assets	**12**	**888,907**	**895,277**
Property, plant and equipment		760,312	734,694
For own use		758,318	732,634
Assigned under operating lease		-	-
Assigned to social projects (savings banks and credit co-operatives)		1,994	2,060
Investment property		128,595	160,583
Of which: assigned under operating lease		-	-
Memorandum: acquired under finance lease		*26,852*	*28,419*
Intangible assets	**13**	**264,321**	**211,444**
Goodwill		2,817	1,511
Other intangible assets		261,504	209,933
Tax assets	**15**	**1,157,808**	**1,161,231**
Current tax assets		34,299	33,905
Deferred tax assets		1,123,509	1,127,326
Other assets	**16**	**381,703**	**594,796**
Insurance contracts linked to pensions		-	-
Inventories		277,391	486,297
Other assets		104,312	108,499
Non-current assets and disposal groups of assets classified as held for sale	**10**	**94,242**	**114,816**
TOTAL ASSETS		**60,156,442**	**62,315,697**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

Liabilities

	Notes	2023	2022(*)
		Thousands of Euros	
Financial liabilities held for trading	**8.2**	**751**	**2,021**
Derivatives		751	2,021
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**	**55,239,173**	**57,696,253**
Deposits		48,460,255	51,931,427
Central banks		969,302	6,639,329
Credit institutions		3,771,027	2,138,765
Customers		43,719,926	43,153,333
Debt securities issued		3,400,179	2,053,191
Other financial liabilities		3,378,739	3,711,635
Memorandum: subordinated liabilities		*600,619*	*600,451*
Derivatives – Hedge accounting	**9**	**141,993**	**146,774**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Liabilities under insurance and reinsurance contracts		**-**	**-**
Provisions	**14**	**78,480**	**80,092**
Pensions and other post-employment defined benefit obligations		2,693	2,114
Other long-term employee benefits		325	626
Pending legal issues and tax litigation		-	-
Commitments and guarantees given		10,199	9,003
Other provisions		65,263	68,349
Tax liabilities	**15**	**84,239**	**76,363**
Current tax liabilities		31,331	28,189
Deferred tax liabilities		52,908	48,174
Capital repayable on demand		**-**	**-**
Other liabilities	**16**	**603,047**	**529,919**
Of which: assigned to social projects (savings banks and credit co-operatives)	***17***	*4,297*	*4,791*
Liabilities included in disposal groups of assets classified as held for sale		-	-
TOTAL LIABILITIES		**56,147,683**	**58,531,422**

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Equity

	Notes	2023	2022(*)
		Thousands of Euros	
Equity	**18**	**4,043,494**	**3,849,766**
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**	**3,451,398**	**3,345,089**
Equity component of compound financial instruments		-	-
Other equity instruments issued		3,451,398	3,345,089
Other equity		**-**	**-**
Retained earnings	**18**	**342,388**	**288,784**
Revaluation reserves	**18**	**45,395**	**45,395**
Other reserves	**18**	**24,227**	**25,035**
Reserves of entities accounted for using the equity method		29,241	31,623
Other		(5,014)	(6,588)
(-) Treasury shares	**18**	**(977,349)**	**(977,349)**
Profit or loss attributable to owners of the Parent	**18**	**126,947**	**75,737**
(-) Interim dividends	**18**	**(28,541)**	**(11,953)**
Accumulated other comprehensive income	**20**	**(34,735)**	**(65,491)**
Items that will not be reclassified to profit or loss		**(448)**	**(3,071)**
Actuarial gains or (-) losses on defined benefit pension plans		(6,071)	(5,473)
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		5,623	2,402
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		**(34,287)**	**(62,420)**
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges [effective portion]		(9,085)	(14,468)
Changes in the fair value of debt instruments at fair value through other comprehensive income		(17,994)	(36,833)
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		(7,208)	(11,119)
TOTAL EQUITY		**4,008,759**	**3,784,275**
TOTAL EQUITY AND LIABILITIES		**60,156,442**	**62,315,697**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

Memorandum accounts

	Notes	Thousands of Euros 2023	2022
MEMORANDUM: OFF-BALANCE SHEET EXPOSURES			
Loan commitments given	**22**	5,287,936	5,030,077
Financial guarantees given	**22**	378,620	352,800
Other commitments given	**22**	998,058	2,299,383
TOTAL MEMORANDUM ACCOUNTS		**6,664,614**	**7,682,260**

Consolidated statements of profit or loss

	Notes	Thousands of Euros 2023	Thousands of Euros 2022(*)
Interest income	**26**	1,876,214	844,777
Financial assets at fair value through other comprehensive income		5,914	5,763
Financial assets at amortised cost		1,540,161	877,827
Other interest income		330,139	(38,813)
(Interest expenses)	**26**	(812,643)	(141,899)
(Expenses on capital repayable on demand)	**26**	-	-
A) NET INTEREST INCOME		**1,063,571**	**702,878**
Dividend income	**26**	4,724	3,778
Profit/(loss) of entities accounted for using the equity method	**26**	45,423	42,930
Fee and commission income	**26**	321,124	313,950
(Fee and commission expenses)	**26**	(49,646)	(49,939)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**26**	(13,275)	34,373
Financial assets at amortised cost		(13,473)	29,881
Other financial assets and liabilities		198	4,492
Gains or (-) losses on financial assets and liabilities held for trading, net	**26**	123	(108)
Other gains or (-) losses		123	(108)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**26**	11,524	67,144
Other gains or (-) losses		11,524	67,144
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**	(110)	511
Exchange differences [gain or (-) loss], net	**29**	1,160	6,466
Other operating income	**26**	38,441	39,117
(Other operating expenses)	**26**	(91,843)	(91,216)
Of which: mandatory contributions assignedto social projects (savings banks and credit co-operatives)		*(9,094)*	*(4,151)*
B) GROSS INCOME OR LOSS		**1,331,216**	**1,069,884**
(Administrative expenses)	**26**	(577,936)	(531,837)
(Staff expenses)		(370,046)	(349,123)
(Other administrative expenses)		(207,890)	(182,714)
(Amortisation and depreciation)	**26**	(74,516)	(70,869)
(Provisions or (-) reversal of provisions)	**26**	(72,943)	(23,716)
Impairment of (-) reversal of impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes	**26**	(258,337)	(218,511)
Financial assets at fair value through other comprehensive income		-	1
Financial assets at amortised cost		(258,337)	(218,512)
Impairment or (-) reversal of impairment of investments in joint ventures and associates		-	-
Impairment or (-) reversal of impairment on non-financial assets	**26**	(151,581)	(104,806)
Tangible assets		(14,780)	(15,183)
Intangible assets		264	-
Other		(137,065)	(89,623)
Gains or (-) losses on derecognition of non-financial assets, net	**26**	(27,163)	(31,143)
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**	(26,424)	(20,042)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**142,316**	**68,960**
Tax expense or (-) income related to profit from continuing operations	**15**	(15,369)	6,777
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**126,947**	**75,737**
Profit or (-) loss after tax from discontinued operations		-	-
E) PROFIT FOR THE PERIOD		**126,947**	**75,737**
Attributable to minority interests (non-controlling interests)		-	-
Attributable to the owners of the Parent		126,947	75,737

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).
Earnings per share at 31 December 2023 and 31 December 2022 were €0.12 and €0.07, respectively (Note 18.1.5)

Consolidated statements of recognised income and expenses

	Thousands of Euros	
	2023	**2022(*)**
Profit/(loss) for the period	**126,947**	**75,737**
Other comprehensive income	**30,755**	**(48,934)**
Items that will not be reclassified to profit or loss	**2,624**	**909**
Actuarial gains or (-) losses on defined benefit pension plans	(820)	1,417
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	3,447	841
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	(3)	(1,349)
Items that may be reclassified to profit or loss	**28,131**	**(49,843)**
Hedge of net investments in foreign operations [effective portion]	**-**	**-**
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	**-**	**-**
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	**7,177**	**(159)**
Valuation gains or (-) losses taken to equity	7,177	(159)
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments [not designated elements]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	**26,360**	**(45,692)**
Valuation gains or (-) losses taken to equity	26,360	(45,692)
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	**3,413**	**(21,439)**
Income tax relating to items that may be reclassified to profit or (-) loss	**(8,819)**	**17,447**
Total comprehensive income for the year	**157,702**	**26,803**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

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

Thousands of Euros

	Equity													
	Capital	Share premium	Equity instruments issued other than capital	Other equity 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 2022	**1,059,028**	**-**	**3,345,089**	**-**	**288,784**	**45,395**	**25,034**	**(977,349)**	**75,737**	**(11,953)**	**(65,490)**	**-**	**-**	**3,784,276**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2023	**1,059,028**	**-**	**3,345,089**	**-**	**288,784**	**45,395**	**25,034**	**(977,349)**	**75,737**	**(11,953)**	**(65,490)**	**-**	**-**	**3,784,276**
Total comprehensive income for the year									**126,947**		**30,755**	**-**	**-**	**157,702**
Other changes in equity	**-**	**-**	**106,309**	**-**	**53,604**	**-**	**(807)**	**-**	**(75,737)**	**(16,588)**	**-**	**-**	**-**	**66,781**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	106,309	-	-	-	-	-	-	-	-	-	-	106,309
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	(11,790)	-	-	-	-	(28,541)	-	-	-	(40,331)
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	-	-	-	-	68,048	-	-	-	(80,001)	11,953	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(2,655)	-	(807)	-	4,264	-	-	-	-	803
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(3,365)	-	-	-	-	-	-	-	-	(3,365)
Closing balance at 31 December 2023	**1,059,028**	**-**	**3,451,398**	**-**	**342,388**	**45,395**	**24,227**	**(977,349)**	**126,947**	**(28,541)**	**(34,735)**	**-**	**-**	**4,008,759**

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

Thousands of Euros

	Equity													
	Capital	Share premium	Equity instruments issued other than capital	Other equity 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 2021	**1,059,028**	**-**	**3,140,955**	**-**	**249,225**	**45,395**	**23,485**	**(977,349)**	**62,626**	**(8,499)**	**(16,059)**	**-**	**-**	**3,578,807**
Effects of changes in accounting policies	-	-	-	-	-	-	997	-	(61)	-	(497)	-	-	439
Opening balance at 1 January 2022	**1,059,028**	**-**	**3,140,955**	**-**	**249,225**	**45,395**	**24,482**	**(977,349)**	**62,565**	**(8,499)**	**(16,556)**	**-**	**-**	**3,579,246**
Total comprehensive income for the year									**75,737**		**(48,934)**	**-**	**-**	**26,803**
Other changes in equity	**-**	**-**	**204,134**	**-**	**39,559**	**-**	**553**	**-**	**(62,565)**	**(3,454)**	**-**	**-**	**-**	**178,227**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	204,134	-	-	-	-	-	-	-	-	-	-	204,134
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	(11,396)	-	-	-	-	(11,953)	-	-	-	(23,349)
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	-	-	-	-	54,127	-	-	-	(62,626)	8,499	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(3,172)	-	553	-	61	-	-	-	-	(2,558)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(4,183)	-	-	-	-	-	-	-	-	(4,183)
Closing balance at 31 December 2022	**1,059,028**	**-**	**3,345,089**	**-**	**288,784**	**45,395**	**25,035**	**(977,349)**	**75,737**	**(11,953)**	**(65,490)**	**-**	**-**	**3,784,276**

Consolidated cash flow statements

	Thousands of Euros	
	2023	**2022(*)**
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**212,538**	**(1,584,659)**
(+) Profit for the period	**126,947**	**75,738**
(+) Adjustments for determining cash flows from operating activities	**705,921**	**(1,458,448)**
Amortisation and depreciation	74,516	70,869
Other adjustments	631,405	(1,529,317)
(-) Net increase or (-) decrease in operating assets	**(2,087,372)**	**3,816,420**
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	14,555	7,289
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(794,706)	1,122,244
Financial assets at amortised cost	(1,238,705)	2,793,001
Other operating assets	(68,516)	(106,113)
(+) Net increase or (-) decrease in operating liabilities	**(2,707,169)**	**3,619,721**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	(2,701,245)	3,460,574
Other operating liabilities	(5,924)	159,148
(+) Income tax (paid)/received	**(533)**	**(5,251)**
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(119,965)**	**(20,684)**
(-) Payments	**270,171**	**333,152**
Tangible assets	189,570	256,442
Intangible assets	73,334	53,772
Non-current assets and liabilities classified as held for sale	7,268	22,938
Other payments related to investing activities	-	-
(+) Collections	**150,206**	**312,468**
Tangible assets	101,624	217,916
Intangible assets	-	-
Investments in joint ventures and associates	48,583	51,916
Non-current assets and liabilities classified as held for sale	-	42,636
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**65,499**	**139,991**
(-) Payments	**40,930**	**65,154**
Dividends	40,331	23,349
Subordinated liabilities	-	41,805
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	599	-
(+) Collections	**106,429**	**205,145**
Subordinated liabilities	120	-
Issuance of own equity instruments	106,309	204,134
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	1,011
D) EFFECT OF EXCHANGE RATES CHANGES	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**158,072**	**(1,465,352)**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**3,512,778**	**4,978,130**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,670,850**	**3,512,778**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

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

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1. Overview

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 consolidated cooperative group of credit institutions, with the Bank forming part of this group as its Parent and as Parent of the Institutional Protection Scheme (IPS). This Group's status as a consolidated group of credit institutions, and its classification as an IPS, was authorised by the Bank of Spain's Executive Committee at a meeting on 6 June 2014.

The current wording of the Regulatory Agreement was unanimously approved by the General Assembly of the Members of Grupo Cooperativo Cajamar on 12 December 2018 and executed in a public deed in Almería on 27 December 2019 before the notary public Mr. Lázaro Salas Gallego, under number 1,980 of his record, which was duly registered as Entry 223, Page M-573805, Section 8, Folio 78, Book 0, Volume 39,288 of the Madrid Companies Register and as Entry 116, Page AL-40338, Folio 2, Book 0, Volume 1,629 of the Almería Companies Register. It was also registered as Entry 30, Folio 5757, Volume LVIII in the Special Register of Cooperative Companies.

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 the execution in a public deed of corporate resolutions on 23 August 2023 before the notary public of Almería, Mr. Jesús María Reguero Martín, under number 1,176 of her record, which was duly registered as Entry 368, Page M-573805, Section 8, Folio 91, Book 0, Volume 45,441 of the Madrid Companies Register on 6 September 2023.

The Bank, as Parent under the terms established in the aforementioned Regulatory Agreement of Grupo Cooperativo Cajamar, exercises all the powers delegated to it in the Group and issues mandatory instructions to all Members. It must also act, at all times, under 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 2023, the Bank's capital amounted to €1,059,028 thousand, fully subscribed and paid by its 66 shareholders (€1,059,028 thousand at 31 December 2022).

Grupo Cooperativo Cajamar

Cooperative groups are incorporated in accordance with Cooperative Act 27/1999, of 16 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 Act which provides for the formation of so-called cooperative groups, understood for the purposes thereof as *"the group formed by several cooperative societies, of whatever class, and the parent of the group that exercises powers or issues mandatory instructions for the grouped cooperatives such that there is decision-making unity within such powers"*.

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

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

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

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

The Regulatory Agreement (the current wording of which was unanimously approved by the General Assembly of the Members of Grupo Cooperativo Cajamar on 12 December 2018) stipulates the rights and obligations of Group Members and the competencies delegated by them to the Parent, Banco de Crédito Social Cooperativo, S.A., waiving their own decision-making powers in the 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 Group's capital requirements on a common basis and set a solvency objective for the Group that all Members undertake to fulfil, on the other. Additionally, a mandatory capitalisation plan and/or support plans is/are established for Group Members in the event any of them report a shortfall in funds with respect to the agreed objective.

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

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

In addition and pursuant to the Regulatory Agreement, Banco de Crédito Social Cooperativo, S.A. is responsible for monitoring the solvency and liquidity of the Group and all Members, and for agreeing any support measures to be adopted in order to help any Member. In such an event, Banco de Crédito Social Cooperativo, S.A.'s Board of Directors would issue binding instructions aimed at ensuring the solvency and liquidity of the Group and the Members, if so required by the Bank of Spain or the single European supervisor in accordance with prevailing legislation. The entities belonging to Grupo Cooperativo Cajamar – as members – as well as their dates of incorporation approved by their general assemblies and the dates they were authorised to join the Group by the Bank of Spain Executive Committee 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 partners of Members having the legal form of credit cooperatives, with maximum effectiveness, efficiency and robustness, through improved management and use of centralised services, which enable conversion costs to be reduced and margins improved;
- Define, on a consistent basis, common strategic policies that will guide the actions of the Members, without prejudice to each of their separate legal personalities;
- Act in the market as a reliable operator competing with peers and, with this objective: develop a common brand for the Group with respect to individual brand names; achieve a single rating which recognises the potential of the Group as a financial operator; and achieve a greater presence in the retail and wholesale markets, so that Members may offer new, better and broader services to their partners and customers, and access financing channels;
- Protect the Members' financial stability in order to guarantee their solvency and liquidity without this limiting the obligation that falls to each of them to maintain their own solvency and liquidity, and to comply with the regulations applicable to them;
- Act as sole representative of Members before the regulatory and supervisory bodies and represent and defend, on a coordinated basis, their common interests in any field;
- Establish and coordinate a common internal system of monitoring, audit and control, and diversify the risks inherent in the business of Members; and
- Offer Members' staff a framework for secure, broad and appropriate professional development, based on selection and promotion by merit, by means of comprehensive training aimed at establishing their professional careers.

The Group is governed by principles of solidarity, cooperation and subsidiarity, and at all times the Group's interests take priority over those of its individual Members.
Only Banco de Crédito Social Cooperativo, S.A. and the legally recognised credit co operatives that have been duly incorporated in accordance with applicable legislation, have received all legally requisite authorisations, and assume the commitments set out in the Regulatory Agreement to both the Group and the other Members, can become Members of Grupo Cooperativo Cajamar.
Members may not cede their position in the Group to any third party, nor the rights and obligations of any nature arising from such membership.

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

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

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

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

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

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

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

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

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

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

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

Membership of Grupo Cooperativo Cajamar, holding and transfer of shares

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

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

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

Powers delegated by Members to the Group Parent

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

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

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

Additionally, the Parent is responsible for the following:

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

- Ensuring the implementation, fulfilment and continuous improvement of corporate governance standards in the Group in line with best practices.
- Exercising all the powers delegated by the Members.

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

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

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

In addition, Cajamar Caja Rural, Sociedad Cooperativa de Crédito has delegated 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, SA). These consolidated annual accounts were authorised for issue on 5 March 2024. The consolidated annual accounts for 2022 were authorised for issue on 2 March 2023 and are filed in the Madrid Companies Register.

<u>Profit and loss pooling</u>

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

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

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

a) General pooling rules

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

I. Gross Result: This is the profit or loss generated in the financial year or calculation period by each Member as per its 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, arising from circumstances where one or several Members assume 100% of the burden that the Group as a whole should bear. For example, but not exhaustively: (i) tax-free dividends received by an entity as a result of holding an equity stake on behalf of the Group; (ii) non-deductible write-downs of equity stakes in holding companies; and (iii) the impacts on results with no tax effect of goodwill or negative goodwill generated in business combinations and any other impact with similar effects.

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

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

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

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

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

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

V. Member own funds: amount shown under the same heading in the public financial statements of each Member, less the carrying amount of equity interests held in any other Member.

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

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

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

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

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

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

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

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

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

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

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

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

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

- If any losses remain unallocated, they will be assigned based on the percentage of lowest-ranking debt each entity still holds, as defined in Act 11/2015, in Royal Decree 1012/2015, of 6 November 2015, implementing Act 11/2015, of 18 June 2015, in 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 2023 and 31 December 2022.

At 31 December 2023, the Parent's pooling share is 28.39% (30.31% at the 2022 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 the liquidity of each institution at all times.

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

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

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

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

Group solvency commitment

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

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

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

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

- Obtain instruments eligible as own funds, directly or through another Member;
- Establish capitalisation plans for Members;
- Establish plans to dispose of assets and/or transfer the business, calling on the collaboration of Members.

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

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

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

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

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

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

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

Mutual guarantee

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

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

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

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

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

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

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

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

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

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

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

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

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

   a. The mutualisation system ensures that losses are first allocated to institutions with reserves until they are exhausted. As a result, in the event of loss absorption at the individual level, losses will be assigned first to the Group's reserves.
   b. If losses exceed the Group's reserves, the same rule applies to capital.
   c. In the event that the losses exceed capital, mutualisation will involve assigning the remaining losses to each Member based on the percentage of lowest-ranking debt each Member still has as defined in Act 11/2015, in Royal Decree 1012/2015, of 6 November 2015, implementing Act 11/2015, of 18 June 2015, in the Cooperatives Act, in Act 22/2003, of 9 July 2003 ("Insolvency Act"), and any other legislation implementing or replacing the aforementioned.

3. For total or partial disposals, transfers of assets or liabilities, and for disposals or sales of businesses, the Parent shall define general and objective criteria for selecting and measuring the items to be transferred and shall apply these criteria uniformly.
4. For any other decision, general, objective and homogeneous criteria shall be established to ensure the principle of equal treatment of the partners and creditors of all the Group entities, as well as the ranking set out in the aforementioned legislation.

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

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. (hereinafter, "BCC"), as the Group's Parent, for the years ended 31 December 2023 and 2022, prepared in accordance with the accounting standards and policies and measurement standards established in applicable legislation (Note 2.5) are shown below.

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

	Thousands of Euros	
	2023	**2022**
Cash, cash balances at central banks and other on demand deposits	**2,986,547**	**3,084,947**
Financial assets held for trading	**321,484**	**340,894**
Derivatives	321,484	340,894
Non-trading financial assets mandatorily at fair value through profit or loss	**15,890**	**15,972**
Equity instruments	2,692	2,312
Debt securities	13,198	13,660
Financial assets designated at fair value through profit or loss	**-**	**-**
Financial assets at fair value through other comprehensive income	**719,461**	**1,498,733**
Equity instruments	126,103	125,139
Debt securities	593,358	1,373,594
Memorandum: loaned or delivered as collateral with a sale or pledge right	*393,936*	*1,125,390*
Financial assets at amortised cost	**21,741,195**	**20,885,248**
Debt securities	9,782,306	11,758,549
Loans and advances	11,958,889	9,126,699
Credit institutions	3,153,932	689,236
Customers	8,804,957	8,437,463
Memorandum: loaned or delivered as collateral with a sale or pledge right	*4,622,662*	*11,129,397*
Derivatives – Hedge accounting	**2,772,030**	**3,041,122**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**121,832**	**118,445**
Subsidiaries	46,852	43,465
Associates	74,980	74,980
Tangible assets	**113,403**	**54,235**
Property, plant and equipment	113,403	54,235
For own use	113,403	54,235
Memorandum items: acquired under lease	*4,535*	*5,408*
Intangible assets	**254,545**	**202,986**
Other intangible assets	254,545	202,986
Tax assets	**84,985**	**90,214**
Current tax assets	7,321	3,396
Deferred tax assets	77,664	86,818
Other assets	**7,590**	**8,379**
Other assets	7,590	8,379
Non-current assets and disposal groups of assets classified as held for sale	**-**	**-**
TOTAL ASSETS	**29,138,962**	**29,341,175**

	Thousands of Euros	
	2023	**2022**
Financial liabilities held for trading	**321,433**	**340,896**
Derivatives	321,433	340,896
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost	**27,493,743**	**27,812,630**
Deposits	22,249,150	22,891,256
Central banks	969,302	6,639,329
Credit institutions	21,279,362	13,703,119
Customers	486	2,548,808
Debt securities issued	2,277,833	1,613,656
Other financial liabilities	2,966,760	3,307,718
Memorandum: subordinated liabilities	*600,619*	*600,451*
Derivatives – Hedge accounting	**2,996**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Provisions	**188,650**	**95,193**
Pensions and other post-employment defined benefit obligations	398	312
Commitments and guarantees given	16,407	7,919
Other provisions	171,845	86,962
Tax liabilities	**8,786**	**6,894**
Current tax liabilities	4,562	2,905
Deferred tax liabilities	4,224	3,989
Capital repayable on demand	**-**	**-**
Other liabilities	**31,246**	**25,355**
Liabilities included in disposal groups of assets classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**28,046,854**	**28,280,968**

	Thousands of Euros	
	2023	**2022**
Equity	**1,105,329**	**1,089,519**
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	**43,135**	**39,729**
Revaluation reserves	**-**	**-**
Other reserves	**(11,172)**	**(12,645)**
(-) Treasury shares	**-**	**-**
Profit/(loss) for the period	**38,338**	**13,997**
(-) Interim dividends	**(24,000)**	**(10,590)**
Accumulated other comprehensive income	**(13,221)**	**(29,312)**
Items that will not be reclassified to profit or loss	**(8,842)**	**(11,934)**
Actuarial gains or (-) losses on defined benefit pension plans	(4,946)	(4,814)
Changes in the fair value of equity instruments at fair value through other comprehensive income	(3,896)	(7,120)
Items that may be reclassified to profit or loss	**(4,379)**	**(17,378)**
Changes in the fair value of debt instruments at fair value through other comprehensive income	(4,379)	(17,378)
TOTAL EQUITY	**1,092,108**	**1,060,207**
TOTAL EQUITY AND LIABILITIES	**29,138,962**	**29,341,175**

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

	Thousands of Euros	
	2023	**2022**
Interest income	865,137	321,506
Financial assets at fair value through other comprehensive income	1,268	792
Financial assets at amortised cost	560,977	329,375
Other interest income	302,892	(8,661)
(Interest expenses)	(949,155)	(158,910)
A) NET INTEREST INCOME	**(84,018)**	**162,596**
Dividend income	54,355	52,456
Fee and commission income	17,457	16,732
(Fee and commission expenses)	(17,250)	(17,527)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(520)	1,018
Financial assets at amortised cost	(725)	638
Other financial assets and liabilities	205	380
Gains or (-) losses on financial assets and liabilities held for trading, net	135	(105)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(203)	408
Gains or (-) losses from hedge accounting, net	(125)	509
Exchange differences [gain or (-) loss], net	(25)	113
Other operating income	496,190	198,221
(Other operating expenses)	(10,233)	(71,879)
B) GROSS INCOME OR LOSS	**455,763**	**342,542**
(Administrative expenses)	(223,790)	(186,982)
(Staff expenses)	(74,060)	(67,705)
(Other administrative expenses)	(149,730)	(119,277)
(Amortisation and depreciation)	(27,954)	(22,752)
(Provisions or (-) reversal of provisions)	(96,545)	50,364
Impairment of (-) reversal of impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes	(38,230)	(16,680)
Financial assets at amortised cost	(38,230)	(16,680)
Impairment or (-) reversal of impairment of investments in joint ventures and associates	(1,443)	(134,514)
Gains or (-) losses on derecognition of non-financial assets, net	460	(5)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**68,261**	**31,973**
Tax expense or (-) income related to profit from continuing operations	(29,923)	(17,976)
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**38,338**	**13,997**
Profit or (-) loss after tax from discontinued operations	-	-
E) PROFIT FOR THE PERIOD	**38,338**	**13,997**

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

	Thousands of Euros	
	2023	**2022**
Profit/(loss) for the period	**38,338**	**13,997**
Other comprehensive income	**16,090**	**(17,412)**
Items that will not be reclassified to profit or loss	**3,090**	**119**
Actuarial gains or (-) losses on defined benefit pension plans	(191)	861
Changes in the fair value of equity instruments at fair value through other comprehensive income	3,459	489
Income tax relating to items that will not be reclassified	(178)	(1,232)
Items that may be reclassified to profit or loss	**13,000**	**(17,532)**
Hedge of net investments in foreign operations [effective portion]	**-**	**-**
Foreign currency translation	**-**	**-**
Cash flow hedges [effective portion]	**-**	**-**
Hedging instruments [not designated elements]	**-**	**-**
Debt instruments at fair value through other comprehensive income	**18,571**	**(25,044)**
Valuation gains or (-) losses taken to equity	18,571	(25,044)
Non-current assets and disposal groups held for sale	**-**	**-**
Income tax relating to items that may be reclassified to profit or (-) loss	**(5,571)**	**7,513**
Total comprehensive income for the year	**54,428**	**(3,415)**

Individual statements of total 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 2022	**1,059,028**	**-**	**-**	**-**	**39,729**	**-**	**(12,645)**	**-**	**13,997**	**(10,590)**	**(29,312)**	**1,060,207**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2023	**1,059,028**	**-**	**-**	**-**	**39,729**	**-**	**(12,645)**	**-**	**13,997**	**(10,590)**	**(29,312)**	**1,060,207**
Total comprehensive income for the year									**38,338**	**-**	**16,090**	**54,428**
Other changes in equity	-	-	-	-	**3,406**	-	**1,473**	-	**(13,997)**	**(13,410)**	**1**	**(22,527)**
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)	-	-	-	-	-	-	-	-		(24,000)		(24,000)
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			-	-	3,406	-	-		(13,997)	10,590	1	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share-based payments	-	-	-	-			-	-			-	-
Other increase or (-) decrease in equity			-	-	-	-	1,473	-	-	-	-	1,473
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)					-		-					-
Closing balance at 31 December 2023	**1,059,028**	**-**	**-**	**-**	**43,135**	**-**	**(11,172)**	**-**	**38,338**	**(24,000)**	**(13,221)**	**1,092,108**

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 2021	**1,059,028**	**-**	**-**	**-**	**37,039**	**-**	**(15,180)**	**-**	**18,690**	**(8,000)**	**(11,900)**	**1,079,677**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2022	**1,059,028**	**-**	**-**	**-**	**37,039**	**-**	**(15,180)**	**-**	**18,690**	**(8,000)**	**(11,900)**	**1,079,677**
Total comprehensive income for the year									**13,997**		**(17,412)**	**(3,415)**
Other changes in equity	**-**	**-**	**-**	**-**	**2,690**	**-**	**2,535**	**-**	**(18,690)**	**(2,590)**	**-**	**(16,055)**
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)	-	-	-	-	(8,000)	-	-	-		(10,590)		(18,590)
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			-	-	10,690	-	-		(18,690)	8,000	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share-based payments	-	-	-	-		-	-	-				-
Other increase or (-) decrease in equity			-	-	-	-	2,535	-	-	-	-	2,535
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)					-		-					-
Closing balance at 31 December 2022	**1,059,028**	**-**	**-**	**-**	**39,729**	**-**	**(12,645)**	**-**	**13,997**	**(10,590)**	**(29,312)**	**1,060,207**

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

	Thousands of Euros	
	2023	**2022**
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**65,200**	**(1,299,466)**
(+) Profit for the period	**38,338**	**13,997**
(+) Adjustments for determining cash flows from operating activities	**313,421**	**(1,584,213)**
Amortisation and depreciation	27,954	22,752
Other adjustments	285,467	(1,606,965)
(-) Net increase or (-) decrease in operating assets	**(223,598)**	**2,955,811**
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	(81)	(1,857)
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(795,496)	1,096,245
Financial assets at amortised cost	565,896	1,866,889
Other operating assets	6,083	(5,466)
(+) Net increase or (-) decrease in operating liabilities	**(492,935)**	**3,267,744**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	(485,665)	3,270,895
Other operating liabilities	(7,270)	(3,151)
(+) Income tax (paid)/received	(17,221)	(41,183)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(139,468)**	**(206,957)**
(-) Payments	**140,098**	**206,957**
Tangible assets	67,107	22,843
Intangible assets	71,745	52,492
Investments in subsidiaries, joint ventures and associates	1,246	131,622
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
(+) Collections	**631**	**-**
Tangible assets	631	-
Intangible assets	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(24,133)**	**(59,791)**
(-) Payments	**24,133**	**60,395**
Dividends	24,000	18,590
Subordinated liabilities	-	41,805
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	133	-
(+) Collections	**-**	**604**
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	604
D) EFFECT OF EXCHANGE RATES CHANGES	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(98,400)**	**(1,566,214)**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**3,084,947**	**4,651,161**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**2,986,547**	**3,084,947**

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 2023 and 31 December 2022, 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 negotiable instruments, 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 corporate 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 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 clientele 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 2023 (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. 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:

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

- Act 11/2018, of 28 December 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.

- 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.

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

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

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

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

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

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

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

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

As regards accounting standards and financial reporting:

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

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

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

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

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

The Group's consolidated annual accounts at 31 December 2023 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), 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 IFRS-EU 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 bases, so as to give, in all respects, a true and fair view of the consolidated equity and financial position of the Group at 31 December 2023 and of its consolidated results and cash flows during the financial year then ended.

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

a) Standards and interpretations issued by the International Accounting Standards Board (IASB) that came into force in 2023

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 2023 but have not had a material impact on the Group:

- **Directive (EU) 2022/2464 of the European Parliament and of the Council (Sustainability reporting)**

  Amending Regulation (EU) 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

- **Commission Regulation (EU) 2022/1392 as regards IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction**

  Commission Regulation (EU) 2022/1392 of 11 August 2022 amending Regulation (EU) 1126/2008 as regards IAS 12. Clarifies that the exemptions for the initial recognition of assets and liabilities do not apply for transactions that give rise to equal taxable and deductible temporary differences.

- **Commission Regulation (EU) 2022/357 as regards IAS 1 and 8**

  Amendments to IAS 1 that will ensure the information on material accounting policies to be disclosed in the notes to financial statements is appropriately identified, and amendments and clarifications regarding what should be considered a change in an accounting estimate.
  Amendments to IAS 8 regarding the definition of accounting estimates

- **Commission Regulation (EU) 2023-2468 amending IAS 12**

  Concerning the Pillar Two rules of the international tax reform.

- **Commission Regulation (EU) 2023-2579 amending Regulation (EU) 2023-1803 as regards IFRS 16**

  The amendments specify the way in which a seller-lessee must subsequently value sale and leaseback transactions.

- **Commission Regulation (EU) 2023-22822 amending Regulation (EU) 2023-1803 as regards IAS 1**

  Amendments to the manner of presentation of certain financial disclosures relating to current and non-current assets and liabilities.

- **IFRS 17 – Insurance Contracts**

  On 1 January 2023, IFRS 17 came into force, replacing IFRS 4 “Insurance Contracts”, which modifies the principles for the recognition, measurement, presentation and disclosure requirements for insurance contracts in the interests of greater homogeneity and comparability between entities.
  As a result of the above, the Group has applied IFRS 17 and IFRS 9 (in the insurance business) from 1 January 2023. These standards entail changes to, respectively, the accounting for insurance and reinsurance contracts and the accounting for financial instruments linked to the insurance activity (see Note 3.25 “Insurance contracts”).

Based on an analysis of the aforementioned standard, it has been concluded that the financial institutions forming Grupo Cooperativo Cajamar, and its subsidiaries whose activity is not insurance, either do not currently market products that may be defined as insurance contracts or else meet the requirements for exemption under the new IFRS 17.
As explained in Note 2.5 on “Comparison of information”, the Group has restated the information at 31 December 2022 to take into account the provisions of IAS 8, “Accounting policies, changes in accounting estimates and errors”, and the IASB amendment to IFRS 17 regarding comparative information on initial application of IFRS 17 and IFRS 9.

b) Standards and interpretations issued by the International Accounting Standards Board (IASB) that will come into force in 2024

At the date of authorisation for issue of the accompanying consolidated financial statements, the following most significant standards and interpretations had been published by the IASB but had not taken effect, either because the effective date was after the date of the consolidated annual accounts or because they had yet to be adopted by the European Union:

- **Amendment to IAS 1 on the classification of liabilities as current or non-current, and non-current liabilities with covenants.**

  Entry into force from 1 January 2024, with retroactive effect.

- **Amendments to IFRS 16 – Lease liability in a sale and leaseback.**

  Entry into force from 1 January 2024, through Commission Regulation (EU) 2023/2579 of 20 November 2023 amending Regulation (EU) 2023/1803 as regards IFRS 16.

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

At 31 December 2023 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, where this is available, due to the immateriality thereof.

- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”**

- **Amendment to IAS 1 on the classification of liabilities as current or non-current, and non-current liabilities with covenants.**

- **Amendments to IFRS 16 – Lease liability in a sale and leaseback**

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

The following standards, amendments to IFRS or interpretations of IFRS (IFRIC) adopted by the European Union that are of mandatory application took effect in 2022 but have not had a material impact on the Group.

- **Commission Regulation (EU) 2022/357 as regards IAS 1 and 8**

  Amendment to Commission Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, concerning International Accounting Standards 1 and 8.

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

  Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

- **Provisions, contingent liabilities and contingent assets: Provisions for onerous contracts. Amendments to IAS 37**

  The amendment clarifies that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling the contract.

- **Amendments to IAS 16**

  This amendment prohibits deducting from the cost of an item of PPE any proceeds from selling items produced while making that item of PPE available for its intended use.

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

  This standard is updated to align the definitions of assets and liabilities recognised in a business combination with those in the Conceptual Framework.

1.5. Contracts in force between Group entities

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

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

  On 1 September 2016, the Parent formalised an agency agreement with Cajamar Caja Rural, Sociedad Cooperativa de Crédito, which will remain in force as long as the latter retains its stake in the capital of the former. 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.) de Crédito V.

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

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

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

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

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

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

- Trademark sub-licence contract: (i) between BCC and the entities that comprise Grupo Cooperativo (with the exception of Cajamar) and (ii) by which BCC grants to the rest of the entities an exclusive 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) by which BCC Gestión Integral de Infraestructuras, A.I.E. agrees to provide to BCC the services specified in the contract, relating to the following areas: infrastructure and security services, works services, technical office services, general and facilities maintenance services, operating asset services, R&D&i efficiency management, central procurement services and logistics centre services.

- Service-level agreement with Eurovía Informática: (i) between BCC Eurovía Informática AIE and BCC and (ii) by which Eurovía Informática agrees to provide to BCC 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 latter entity and BCC to manage GCC human resources administration, personnel training, scholarship management and personnel selection.

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

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

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

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

- Contract for the provision of insurance marketing services:

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

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

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

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

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

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

1.6. Other service-level agreements and management contracts

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

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

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

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

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

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

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

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

- **Custodian assignment agreement**

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

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

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

1.7. One-off operations

- In 2023, within the framework of its strategy for the management of non-performing assets, the Group sold a number of loan books containing receivables of various types, origin, ageing and amounts and generally with varying terms and guarantees (mortgage and non-mortgage). As a result of these sales the assignees acquired full ownership of the assigned loans, enabling the Group to derecognise a gross amount of €36.60 million of performing assets, €260.45 million of non-performing assets and €104.34 million classified as write-offs, giving rise to a loss after expenses of €14 million recognised under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net – Financial assets at amortised cost" in the consolidated statement of profit or loss (Note 26). The Entity also recognised a total of €3.86 million in respect of provisions to cover future legal expenses related to debt recovery processes (Notes 8.6.2 and 8.6.6).

- In 2023, the Group completed two issues of mortgage bonds, one for a nominal amount of €750 million at 3.375%, maturing in February 2028, and the other for €350 million at 3.550%, maturing in March 2029. It also issued €750 million of fully retained public sector bonds at a rate of 3.55%, maturing in March 2029. In addition, the Group completed an issue of Simple Preferred Debt classified as green for a cash amount of €648,439 thousand at a rate of 7.50%, maturing in September 2029.

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

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

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

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

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

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

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

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

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

<u>COVID-related financial support measures</u>

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

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

At 31 December 2023, there were no new transactions within the Group subject to any of the types of moratorium mentioned in the previous paragraph.

The amount and residual maturity of loans with repayment holidays at 31 December 2022 was as follows:

	Thousands of Euros								
	31 December 2022								
	Gross carrying amount								
					Residual value of amount subject to repayment holiday				
	Number of debtors		Of which: Subject to mandatory repayment holiday	Of which: Past due - grace period expired	<= 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	**10,343**	**915,647**							
Loans and advances subject to repayment holidays as per ABE criteria (granted)	**10,343**	**915,647**	**808,459**	**915,647**	-	-	-	-	-
Of which: Households		778,581	671,472	778,581	-	-	-	-	-
Of which: Collateralised by residential immovable property		721,386	630,343	721,386	-	-	-	-	-
Of which: Non-financial corporations		137,066	136,987	137,066	-	-	-	-	-
Of which: Small and medium-sized entities (SMEs)		136,257	136,179	136,257	-	-	-	-	-
Of which: Collateralised by immovable property		130,296	130,296	130,296	-	-	-	-	-

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

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

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

	Thousands of Euros			
	31 December 2022			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		Of which: Restructured or refinanced	Public guarantees received in connection with the Covid-19 crisis	Reclassifications to non-performing exposures
New loans and advances subject to state guarantee schemes	**1,444,828**	**105,318**	**1,118,257**	**18,529**
Of which: Households	114,851	-	-	1,679
Of which: Collateralised by residential immovable property	51	-	-	-
Of which: Non-financial corporations	1,327,794	100,064	1,024,794	16,849
Of which: Small and medium-sized entities (SMEs)	1,050,026	-	-	14,896
Of which: Collateralised by immovable property	1,077	-	-	-

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.

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 adopted by the European Union (IFRS-EU), 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 2010, approving the recast text of the 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 Schemes (SIP); and other applicable Spanish legislation, such that they give a true and fair view of the Group’s equity and financial position at 31 December 2023, and the consolidated results of its operations and consolidated cash flows generated during 2023.

The accompanying 2023 consolidated annual accounts, authorised for issue by the Board of Directors, will be submitted for the approval of the shareholders at the General Assembly, which is expected to be obtained without any modification being necessary.

The Group’s consolidated annual accounts for 2022 were approved by the shareholders at the General Assembly held on 30 May 2023.

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 net asset value 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. Comparative information

The Board of Directors of Banco de Crédito Social Cooperativo, S.A. presents, for comparative purposes, for each of the figures in the present consolidated annual accounts, in addition to the figures for 2023 those relating to 2022.

As indicated in this Note, the Group has applied IFRS 17 and IFRS 9 (in the insurance business) from 1 January 2023.

On 9 December 2021, the IASB issued an amendment to IFRS 17 regarding comparative information on initial application of IFRS 17 and IFRS 9 with the aim of helping entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities and thus improve comparative information for users of financial statements. This amendment allows companies to present comparative information of financial assets on initial application of IFRS 17 and IFRS 9 based on the expected classification under IFRS 9, as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets. Given that under IFRS 17 reporting entities are required to provide at least one year of comparative information, the Group has restated the consolidated balance sheet and consolidated statement of profit or loss at 1 January 2022 taking the requirements of IFRS 9 into account. The cumulative effect of the restatement is shown in those financial statements, and the following adjustments have been made to the statement of changes in consolidated equity:

- Increase of €996 thousand in Reserves of entities accounted for using the equity method.
- Decrease of €61 thousand in Profit or loss attributable to owners of the parent.
- Negative effect of €497 thousand in Accumulated other comprehensive income.

The consolidated balance sheet and statement of profit or loss at 31 December 2022 have also been restated. The effect on said financial statements is shown in the columns:

Consolidated assets

	Thousands of Euros		
	31/12/2022	**Adjustment**	**Restated balance at 31/12/2022**
Cash, cash balances at central banks and other on demand deposits	**3,512,778**	**-**	**3,512,778**
Financial assets held for trading	**2,057**	**-**	**2,057**
Non-trading financial assets mandatorily at fair value through profit or loss	**469,837**	**-**	**469,837**
Financial assets at fair value through other comprehensive income	**1,658,702**	**-**	**1,658,702**
Financial assets at amortised cost	**50,371,498**	**-**	**50,371,498**
Derivatives – Hedge accounting	**3,238,076**	**-**	**3,238,076**
Investments in joint ventures and associates	**83,980**	**1,205**	**85,185**
Tangible assets	**895,277**	**-**	**895,277**
Intangible assets	**211,444**	**-**	**211,444**
Tax assets	**1,161,231**	**-**	**1,161,231**
Other assets	**594,796**	**-**	**594,796**
Non-current assets and disposal groups of assets classified as held for sale	**114,816**	**-**	**114,816**
TOTAL ASSETS	**62,314,492**	**1,205**	**62,315,697**

Consolidated liabilities

	Miles de Euros		
	31/12/2022	Adjustment	Restated balance at 31/12/2022
Financial liabilities held for trading	2,021	-	2,021
Financial liabilities designated at fair value through profit or loss	-	-	-
Financial liabilities at amortised cost	57,696,253	-	57,696,253
Derivatives – Hedge accounting	146,774	-	146,774
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-
Liabilities under insurance and reinsurance contracts	-	-	-
Provisions	80,092	-	80,092
Tax liabilities	76,363	-	76,363
Capital repayable on demand	-	-	-
Other liabilities	529,919	-	529,919
Liabilities included in disposal groups of assets classified as held for sale	-	-	-
TOTAL LIABILITIES	58,531,422	-	58,531,422

Consolidated equity

	Miles de Euros		
	31/12/2022	Adjustment	Restated balance at 31/12/2022
Equity	3,852,887	(3,121)	3,849,766
Capital	1,059,028	-	1,059,028
Equity instruments issued other than capital	3,345,089	-	3,345,089
Retained earnings	288,784	-	288,784
Revaluation reserves	45,395	-	45,395
Other reserves	23,892	1,143	25,035
(-) Treasury shares	(977,349)	-	(977,349)
Profit or loss attributable to owners of the Parent	80,001	(4,264)	75,737
(-) Interim dividends	(11,953)	-	(11,953)
Accumulated other comprehensive income	(69,817)	4,326	(65,491)
Items that will not be reclassified to profit or loss	(3,071)	-	(3,071)
Items that may be reclassified to profit or loss	(66,746)	4,326	(62,420)
TOTAL EQUITY	3,783,070	1,205	3,784,275
TOTAL EQUITY AND LIABILITIES	62,314,492	1,205	62,315,697

Consolidated statements of profit or loss

	Thousands of Euros		
	31/12/2022	**Adjustment**	**Restated balance at 31/12/2022**
Interest income	844,777	-	844,777
(Interest expenses)	(141,899)	-	(141,899)
A) NET INTEREST INCOME	**702,878**	**-**	**702,878**
Dividend income	3,778	-	3,778
Profit/(loss) of entities accounted for using the equity method	47,193	(4,264)	42,929
Fee and commission income	313,950	-	313,950
(Fee and commission expenses)	(49,939)	-	(49,939)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	34,373	-	34,373
Gains or (-) losses on financial assets and liabilities held for trading, net	(108)	-	(108)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	67,144	-	67,144
Gains or (-) losses from hedge accounting, net	511	-	511
Exchange differences [gain or (-) loss], net	6,466	-	6,466
Other operating income	39,117	-	39,117
(Other operating expenses)	(91,216)	-	(91,216)
B) GROSS INCOME OR LOSS	**1,074,148**	**(4,264)**	**1,069,884**
(Administrative expenses)	(531,837)	-	(531,837)
(Amortisation and depreciation)	(70,869)	-	(70,869)
(Provisions or (-) reversal of provisions)	(23,716)	-	(23,716)
Impairment of (-) reversal of impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes	(218,511)	-	(218,511)
Impairment or (-) reversal of impairment on non-financial assets	(104,806)	-	(104,806)
Gains or (-) losses on derecognition of non-financial assets, net	(31,143)	-	(31,143)
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(20,042)	-	(20,042)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**73,224**	**(4,264)**	**68,960**
Tax expense or (-) income related to profit from continuing operations	6,777	-	6,777
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**80,001**	**(4,264)**	**75,737**
E) PROFIT FOR THE PERIOD	**80,001**	**(4,264)**	**75,737**
Attributable to the owners of the Parent	80,001 -	(4,264) -	75,737

Consolidated statement of recognised income and expenses

	Thousands of Euros		
	31/12/2022	**Adjustment**	**Restated balance at 31/12/2022**
Profit/(loss) for the period	**80,001**	**(4,264)**	**75,737**
Other comprehensive income	**(53,758)**	**4,824**	**(48,934)**
Items that will not be reclassified to profit or loss	**909**	**-**	**909**
Actuarial gains or (-) losses on defined benefit pension plans	1,417	-	1,417
Changes in the fair value of equity instruments at fair value through other comprehensive income	841	-	841
Income tax relating to items that will not be reclassified	(1,349)	-	(1,349)
Items that may be reclassified to profit or loss	**(54,667)**	**4,824**	**(49,843)**
Hedge of net investments in foreign operations [effective portion]	**-**	**-**	**-**
Cash flow hedges [effective portion]	**(159)**	**-**	**(159)**
Valuation gains or (-) losses taken to equity	(159)	-	(159)
Debt instruments at fair value through other comprehensive income	**(45,692)**	**-**	**(45,692)**
Valuation gains or (-) losses taken to equity	(45,692)	-	(45,692)
Share of other recognised income and expense of investments in joint ventures and associates	**(27,871)**	**6,432**	**(21,439)**
Income tax relating to items that may be reclassified to profit or (-) loss	**19,055**	**(1,608)**	**17,447**
Total comprehensive income for the year	**26,243**	**560**	**26,803**

Consolidated cash flow statements

	Thousands of Euros		
	31/12/2022	Adjustment	Restated balance at 31/12/2022
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**(1,580,396)**	**(4,263)**	**(1,584,659)**
(+) Profit for the period	**80,001**	**(4,263)**	**75,738**
(+) Adjustments for determining cash flows from operating activities	**(1,458,448)**	**-**	**(1,458,448)**
Amortisation and depreciation	70,869	-	70,869
Other adjustments	(1,529,317)	-	(1,529,317)
(-) Net increase or (-) decrease in operating assets	**3,816,420**	**-**	**3,816,420**
Non-trading financial assets mandatorily at fair value through profit or loss	7,289	-	7,289
Financial assets at fair value through other comprehensive income	1,122,244	-	1,122,244
Financial assets at amortised cost	2,793,001	-	2,793,001
Other operating assets	(106,113)	-	(106,113)
(+) Net increase or (-) decrease in operating liabilities	**3,619,721**	**-**	**3,619,721**
Financial liabilities at amortised cost	3,460,574	-	3,460,574
Other operating liabilities	159,148	-	159,148
(+) Income tax (paid)/received	**(5,251)**	**-**	**(5,251)**
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(24,947)**	**4,263**	**(20,684)**
(-) Payments	**333,152**	**-**	**333,152**
Tangible assets	256,442	-	256,442
Intangible assets	53,772	-	53,772
Non-current assets and liabilities classified as held for sale	22,938	-	22,938
(+) Collections	**308,205**	**4,263**	**312,468**
Tangible assets	217,916	-	217,916
Investments in joint ventures and associates	47,653	4,263	51,916
Non-current assets and liabilities classified as held for sale	42,636	-	42,636
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**139,991**	**-**	**139,991**
(-) Payments	**65,154**	**-**	**65,154**
Dividends	23,349	-	23,349
Subordinated liabilities	41,805	-	41,805
(+) Collections	**205,145**	**-**	**205,145**
Issuance of own equity instruments	204,134	-	204,134
Other proceeds related to financing activities	1,011	-	1,011
D) EFFECT OF EXCHANGE RATES CHANGES	**-**	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(1,465,352)**	**-**	**(1,465,352)**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4,978,130**	**-**	**4,978,130**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,512,778**	**-**	**3,512,778**

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 consolidated annual accounts were:

- Impairment losses affecting financial assets (Notes 3.1.a, 3.1.c, 3.3, 8.3.2, 8.3.3, 8.5.1, 8.5.2, 8.6.1, 8.6.2.3 and 8.6.4).
- The assumptions used in the actuarial calculations to evaluate the liabilities and commitments for post-employment compensation (Note 3.20).
- Impairment losses and the useful life of tangible and intangible assets (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 having to meet payment obligations (Note 14).

Although the estimates and assumptions used are based on past experience and on other factors that have been considered the most reasonable at the present time and are reviewed periodically, it may be that events occurring in the future require them to be modified in the coming years, which would be carried out prospectively in accordance with 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 persistently uncertain geopolitical situation, the current levels of inflation and the central banks' monetary policy decisions continue to generate uncertainty about future trends in the macroeconomic environment, thus affecting the economy and business activities in which the Group operates. There is therefore a greater degree of uncertainty and judgment in the estimates, which has increased the need to exercise professional judgment in assessing the impact of the current macroeconomic situation on those estimates, mainly as regards the assessment of impairment losses on financial assets.

2.7. *Consolidation principles*

These consolidated annual accounts have been prepared using the full and proportionate methods of consolidation and the equity method of accounting, as stipulated in the aforementioned legislation, including the following companies at 31 December 2023 and 31 December 2022:

		2023		2022	
		% shareholding		% shareholding	
Company	Domicile	Direct	Indirect (a)	Direct	Indirect (a)
Entidades del Grupo					
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.	Placeta del Convent, nº 2. 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%	-	100.00%
BCC Gestión Integral de Infraestructuras, A.I.E.	Avenida Nuestra Señora de Montserrat, 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%
Cajamar Tecnología, A.I.E.	Avda. De la Innovación, 1 (PITA). Almería.	99.00%	1.00%	99.00%	1.00%
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%	-
Cim-med I, S.A.U.	Paseo de la Castellana, 87. Madrid.	100.00%	-	100.00%	-
Eco Energía de Cubiertas I, S.L.U.	Avenida Nuestra Señora de Montserrat, 11. Almería	100.00%	-	-	-
FV La Cañada de Tabernas, S.L.U.	Avenida Nuestra Señora de Montserrat, 11. Almería	100.00%	-	100.00%	-
FV Turrillas Matanegra, S.L.U.	Avenida Nuestra Señora de Montserrat, 11. Almería	100.00%	-	100.00%	-
Inmuebles Alameda 34, S.L. (b)	Paseo Alameda, 34. Valencia.	-	100.00%	-	100.00%
Plataforma Tierra, S.A.U.	Puerta Purchena, 10, Edificio de las Mariposas. Almería.	100.00%	-	100.00%	-
Sunaria Capital, S.L.U.	Plaza de Juan del Águila Molina, 5. Almería.	100.00%	-	100.00%	-
Entidades Asociadas					
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 Científico-Tecnológico de Almería, S.A. (b)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	-	30.11%	-	30.11%
Promontoria Jaguar, S.A. (b)	Calle Serrano, 26, planta 6. Madrid	-	20.00%	-	20.00%
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 2023 affecting the scope of consolidation are as follows:

Acquisitions or increases in interests in subsidiaries, joint ventures and/or in associates at 31 December 2023

Name of the acquired or merged entity (or business arm)	Category	Transaction date	Cost (net) of combination (a) + (b) (Thousands of euros)		% voting rights acquired	% total voting rights in entity after the acquisition
			Amount (net) paid for acquisition + other costs directly attributable to the combination (a)	Fair value of equity instruments issued to acquire the entity (b)		
Eco Energía de Cubiertas I, S.L.U. (1)	Subsidiary	13/01/2023	1,246	-	100.00%	100.00%

Decrease in interests in subsidiaries, joint ventures and/or investments in associates and similar at 31 December 2023

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 disposal	Gain/(loss) generated (thousands of euros)
-	-	-	-	-	-

(1) Direct increases in interest due to acquisition by way of purchase of the company.

During 2023, a 100% stake in the company Eco Energía de Cubiertas I, S.L.U. was acquired through the purchase of shares.

In 2022 the Group took part in the incorporation of Cim-med I, S.A.U. and acquired through the purchase of shares a 100% stake in the companies FV La Cañada de Tabernas, S.L.U. and FV Turrillas Matanegra, S.L.U.,

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

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 identifiable net 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 of 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 own funds and results of subsidiaries relating to non-controlling interests are recognised under the Group’s equity and under the headings “Minority interests [non-controlling interests]” and “Profit or loss for the year attributable to minority interests [non-controlling interests]”, respectively, on the consolidated balance sheet and consolidated statement of profit or loss, respectively (Notes 11, 21 and 26).

The results of subsidiaries acquired during the year are included in the consolidated statement of profit or loss from the date of acquisition to 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 proportionate 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 "Investments" due to the existence of significant influence; there is also a series of companies classified as "Investments" accounted for 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 13), are recorded under the heading "Investments" 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 accounted for 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 (Items that may be reclassified to profit or loss)" in consolidated equity (Note 8.5.4).

Consolidated 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 investments, 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; and/or
- 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, investor positions in equity tranches, credit enhancements through derivative instruments or liquidity facilities. It was therefore decided that loans 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-EU), available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value.

Given the principal activity of the Group entities and the Parent, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to the Group's equity, financial position and results. Therefore, no specific environment-related disclosures are included in the notes to the accompanying consolidated annual accounts. More details on these matters are provided in the Statement of Non-Financial Information included in the Group's Sustainability Report.

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

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

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

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

2.9. Agency contracts

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

3. Accounting policies and criteria applied

3.1. Financial instruments

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

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

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

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

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

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

Financial instruments are recognised on the 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; and financial assets traded on Spanish secondary security markets, if equity instruments, will be recognised at the trade date and, if debt securities, at the settlement date.

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

- Finance granted to and received from other credit institutions and customers, regardless of the legal form they take.
- Both debt instruments (debentures, bonds, promissory notes, loans and credit facilities, etc.) and equity instruments (shares).

- Derivatives, in order to provide a profit or loss that allows, if certain conditions are met, part or all of the financial risks associated with the Group's balances and transactions to be eliminated.

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

a) Financial assets

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

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

Business model for managing financial assets and contractual cash flow characteristics

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

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

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

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

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

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

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

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

Classification of financial assets

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

- “Financial assets at amortised cost”:

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

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

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

  - “Loans and advances”: these include financial assets that are not traded in an active market and are not required to be measured at fair value, whose cash flows are of a fixed or determinable amount, and in which all the disbursement made by the Group is expected to be recovered, excluding reasons attributable to the debtor’s solvency. This category includes both investments arising out of typical lending activity, including cash amounts drawn down on loans and yet to be repaid by customers or deposits placed with other institutions, regardless of how they are legally arranged, and unlisted debt securities, as well as the debt contracted by buyers of goods or users of services, which are part of the Group’s business.

- “Financial assets at fair value through other comprehensive income”:

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

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

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

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

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

  - "Financial assets held for trading": financial assets originated or acquired with the intention to realise them in the near term, or which form part of a portfolio of identified financial instruments managed jointly and for which there is evidence of recent action to obtain short-term gains. This portfolio also includes derivative instruments that do not meet the definition of a financial guarantee contract and which have not been designated as hedging instruments, including those segregated from hybrid financial instruments.
  - "Other financial assets at fair value through profit or loss": these being financial assets designated as such at initial recognition, whose fair value may be reliably estimated. This designation may be made for: (i) hybrid financial assets whose embedded derivatives cannot be reliably measured separately, and must be separated; (ii) hybrid financial assets as a whole, designated as such at initial recognition, unless the embedded derivatives do not significantly change the cash flows that would otherwise have been generated by the instrument or when the hybrid instrument is first examined it is evident that separation of the embedded derivatives is prohibited; (iii) financial assets for which more relevant information is obtained because this information eliminates or significantly reduces a recognition or measurement inconsistency (also called an accounting mismatch) that would arise on the measurement of the assets or liabilities, or by the recognition of gains or losses, using different criteria; (iv) financial assets for which more information is obtained due to the fact that there is a group of financial assets, or financial assets and liabilities, that are managed and their performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy and information regarding that group is also provided on a fair value basis to key management personnel.

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

<u>Measurement of financial assets</u>

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 transaction costs that are directly attributable to the acquisition or issuance of the instruments. For financial instruments designated at fair value through profit or loss, transaction costs are recognised directly in profit or loss.

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

- Immediately in profit or loss for financial instruments classified in Level 1 of the fair value hierarchy (Notes 3.27 and 8.1).

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

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

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

Impairment losses on financial assets

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

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

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

  Objective evidence of impairment is determined on an individual basis for significant debt instruments and on an individual and collective basis for groups of instruments that are not individually significant. Impairment losses on debt instruments for the period are expensed. Impairment losses on debt instruments at amortised cost are recognised against a value adjustment account reducing the carrying amount. Those at fair value through other comprehensive income are recognised against "Accumulated other comprehensive income" in equity on the 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 statement of profit or loss for the period.

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

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

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

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

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

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

  – Tightening of operating margins or available recurring income.

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

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

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

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

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

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

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

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

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

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

- Total 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.

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

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

<u>Estimation of impairment losses</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nonetheless, details of the classification criteria used by the Group for debt instruments and the methods followed to determine associated impairment losses are provided in Note 3.3 to the accompanying 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 carrying amount will not be recovered. The Group therefore uses all the information at its disposal on the performance and transactions of each investee to determine if there is objective evidence of impairment. The Group uses the following indications, among others, to perform this evaluation:

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

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

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

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

b) Financial liabilities

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

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

Classification of financial liabilities

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

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

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

- "Financial liabilities at amortised cost": this category includes 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 qualify for derecognition of the asset from the transferor's balance sheet, since the transferor retains control over the financial asset and the risks and rewards are neither substantially transferred nor retained.

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

Derecognition of financial liabilities

Financial liabilities are written off the Group's consolidated balance sheet when they have been extinguished or are acquired. The difference between the carrying amount of the extinguished financial liability and the consideration paid is recognised immediately on the 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 an elimination of the original financial liability and the consequent recognition of a new financial liability. Similarly, a substantial modification of the current conditions for a financial liability or of a part of that liability will be recognised as a cancellation of the original financial liability and the consequent recognition of a new financial liability.

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

c) Gains and losses in the value of financial instruments

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

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

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

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

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

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

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

- Accrued interest calculated is recognised on the consolidated statement of profit or loss in accordance with the effective interest rate method.
- Dividends accrued are recognised on the consolidated statement of profit or loss where applicable.
- Exchange differences are recognised on the consolidated statement of profit or loss for monetary financial assets, and in other comprehensive income for non-monetary financial assets.
- Impairment losses on debt instruments or gains on the recovery thereof are recognised on the consolidated statement of profit or loss.
- Other changes in value are recognised in other comprehensive income in equity.
- The amounts taken to profit or loss for the period in connection with debt instruments at fair value through other comprehensive income will be the same as those applicable if the instruments were measured at amortised cost.

- When a **debt instrument** at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss accumulated in equity is reclassified to profit or loss for the period. Conversely, then an **equity instrument** at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss recognised in other comprehensive income is not reclassified to profit or loss, but rather to a reserve account.
- The criteria for reclassification between financial instrument portfolios described in Note 3.1.d to the accompanying 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 statement of profit or loss as per the following criteria:

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

d) Reclassification between financial instrument portfolios

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

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

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

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

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

The retained investment – which cannot be considered as a subsidiary, joint venture or associate – is included in the financial assets mandatorily at fair value through profit or loss portfolio unless the entity exercises at that time the irrevocable 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 Grupo Cooperativo are recognised as equity when there is an unconditional right to waive reimbursement or there are any legal or by-law prohibitions against making such reimbursement. 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 the contributions are recorded as financial liabilities; and directly in equity, as part of the distribution of results obtained by the cooperative, if not.

The By-laws of the credit cooperatives belonging to Grupo Cooperativo are consistent with the recommendations of Spanish and international supervisors on solvency and capital, such that any reimbursement of capital contributions requires the prior approval of the Governing Board (Note 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 remuneration to capital is set annually by the General Assembly on a non-mandatory basis.

In any event, Bank of Spain Circular 3/2008, of 22 May 2008, and subsequent modifications, regarding the calculation and control of minimum own funds for credit institutions, stipulates that contributions to the capital of credit cooperatives, independent of their accounting classification as a financial liability or as equity, will be part of Tier 1 capital until 31 December 2012, and after that date, and in accordance with the amendments included in the aforementioned Circular through Bank of Spain Circular 4/2011, of 30 November 2011, only contributions recognised as equity will be considered as own funds. As indicated above, all the Group's capital contributions meet the requirements to be computed as Tier 1 capital at both 31 December 2023 and 31 December 2022.

Capital contributions of other credit institutions included in Grupo Cooperativo are classified under "Other equity instruments issued" 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 in payment of debt

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

- **Insolvency risk attributable to the customer**

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

Classification categories:

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

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

Collective classification criteria:

Stage 2: Exposures fulfilling one of the following conditions are classified in this category:

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

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

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

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

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

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

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

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

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

As a result of borrower arrears:

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

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

For reasons other than arrears:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Individual classification criteria:</u>

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

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

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

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

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

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

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

Transactions with negligible risk are those whose borrower is:

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

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

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

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

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

- **Collective estimation of allowances and provisions**

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

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

- The ECB's guidance to banks on non-performing loans, known as the ECB's NPL Guidance, published in March 2017.
- The Addendum to the ECB's NPL Guidance to banks on non-performing loans published in March 2018, which sets out the supervisory expectations for prudential provisioning of non-performing exposures.
- The supervisory expectations for provisioning of existing non-performing exposures announced in the ECB's 11 July 2018 press release.

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

The three scenarios are summarised below:

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

  In this scenario, economic growth slows in 2024, reaching 1.6% year-on-year. The Spanish economy, however, accelerates in 2025 (1.9%) and remain at similar levels in 2026 (1.7%). The unemployment rate continues to trend downward, reaching 11.8% in 2024, dropping to 11.6% in 2025 and 11.5% in 2026. Inflation is also predicted to fall gradually, reaching 3.3% in 2024 and 2.1% in 2025 and falling below 2% in 2026 (1.9%).

  Throughout the study period, interest rates are assumed to continue the decline seen since the last quarter of 2023, in line with the market curve.

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

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

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

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

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

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

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

<u>Where:</u>

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

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

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

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

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

Accrual of interest on transactions classified as non-performing exposures

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

Country risk

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

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

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

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

Collateral and guarantees

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

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

- Buildings and finished constructions, distinguishing between:
    - Housing

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

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

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

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

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

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

Real estate assets foreclosed or received in payment of debt

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

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

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

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

3.4. Hedge accounting

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

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

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

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

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

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

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

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

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

The Group classifies its hedges, based on the type of hedged risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations, as per the following criteria:

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

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

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

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

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

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

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

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

3.5. Transfers and derecognition of financial assets

A financial asset will be written off the Group's 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 neither substantially transferred nor retained, control over the financial asset is transferred following an evaluation of the risks and rewards as described below.

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

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

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

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

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

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

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

3.6. Financial guarantees, loan commitments and other commitments given

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

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

When the Group issues this type of contract, they are recognised under the heading “Financial liabilities 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 the future cash flows to be received by using, for both items, a discount rate similar to that for financial assets granted by the Group to a counterparty with a similar term and risk.

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

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

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

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

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

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

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

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

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

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

If the carrying amount of the assets exceeds their fair value less estimated costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to "Profit or (-) loss from non-current assets held for sale not qualifying as discontinued operations" on the 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 of those components of the Group classified as discontinued operations are recorded under "Profit or loss after tax from discontinued operations" 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 one year, the institution measures the costs to sell or distribution costs in revalued terms, recognising the increase in value due to the passage of time under “Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” on the statement of profit or loss.

Assets foreclosed or received in payment of debt

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

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

3.8. Tangible assets

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

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

The cost of tangible assets includes the payments made, both at the time of their acquisition and production, and subsequently if there is any expansion, replacement or improvement, if it is considered likely that future profits will be obtained from their use. In accordance with the provisions of IFRS 1 and section B).6 of Transitional Provision One of Bank of Spain Circular 4/2004 and the amendments thereto, regarding the first-time application of this circular, the cost of acquisition of unrestricted property, plant and equipment for own use includes their fair value at 1 January 2004, which is their deemed cost at that date. That fair value at 1 January 2004 was obtained based on independent expert valuations. Tangible assets deriving from business combinations are stated at fair value at the date of the combination, and this is their new deemed cost (Note 3.23).

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

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

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

At least at the end of the year the Group reviews the estimated useful lives of property, plant and equipment for own use in order to detect significant changes in the same which, if any, are adjusted through the relevant adjustment to the amount recorded in future 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.

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

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

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 carrying amount 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 an item of property, plant and equipment could be impaired at the reporting date. It estimates the recoverable amount of the asset, which is understood to be the higher of: (i) fair value less necessary selling costs and (ii) value in use. If the recoverable amount determined in this manner is less than the carrying amount, the difference is recognised on the consolidated statement of profit or loss, reducing the carrying amount of the asset to its recoverable amount.

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

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

3.9. Intangible assets

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

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 carrying amount 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 and any impairment loss. The years of useful life are established based on the term of the concession. The Group has estimated these assets to 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 investments in subsidiaries, jointly controlled entities and associates and the underlying carrying amounts acquired, adjusted at the date of the first consolidation, are allocated as follows:

- If they are attributable to specific assets and liabilities 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 carrying amounts in their consolidated balance sheets and whose accounting treatment is similar to that of the Group's same assets and liabilities, respectively.

- If they are attributable 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 cannot be allocated 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-accounted 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 carrying amount. In this case, goodwill is written down and a balancing entry is made in the heading "Impairment or (-) reversal of impairment on non-financial assets – Intangible assets" on the consolidated statement of profit or loss.

Impairment losses on goodwill cannot subsequently be reversed.

Negative differences between the cost of investments in subsidiaries, jointly controlled entities and associates and the underlying carrying amounts acquired, adjusted at the date of the first consolidation, are allocated as follows:

- If they are attributable to specific assets and liabilities of the entities acquired, they are assigned by increasing the value of the liabilities or reducing the value of the assets, the market value of which is higher or lower, respectively, than the carrying amounts in their 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 cannot be allocated are recorded under "Negative goodwill recognised in profit or loss" 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, i.e. 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 finite. Intangible assets with an indefinite 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, take the relevant action. Intangible assets with a finite useful 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 due to 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 2023, the Group had intangible assets with an indefinite useful life corresponding to goodwill arising on business combinations following the incorporation into the scope of consolidation of the companies FV La Cañada de Tabernas, S.L.U., FV Turrillas Matanegra, S.L.U. and Eco Energía de Cubiertas I, S.L.U. (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 contracts according to the economic substance of the arrangement, irrespective of its legal form, initially classifying them as "Finance leases" or "Operating leases".

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

- **Finance leases**

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

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

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

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

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

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

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

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

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

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

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

a) The fair value of the leased asset, or

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

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

- **Operating leases**

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

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

IFRS 16 requires a lessee to post almost all operating lease contracts on the balance sheet, recognising a right-of-use asset representing its right to use the leased asset and a lease liability representing its obligation to make lease payments. The only exceptions allowed under this standard are short-term leases of underlying assets of low value, the payments of which are expensed directly against profit or loss. The Group considers leases with a term of 12 months or less to be short-term leases, while low-value underlying assets include IT equipment and small items of office furniture.

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

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

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

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

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

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

Depending on the nature of the new right-of-use asset recognised under IFRS 16, the Group will use pertinent prudential treatment, i.e. if it concerns a right to use an underlying tangible asset, the risk weighting for the specific type of asset must be applied; in the case of a right to use an underlying intangible asset (as determined in article 36.1.b) of Regulation (EU) No 575/2013), a capital deduction must be made.

Assets transferred through operating lease agreements to Group entities are recognised in the 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 timing of settlement are not defined, and upon the maturity of which and in order to settle them the Group expects an outflow of resources which embody economic benefits. Such obligations may arise due to the following:

- A legal or contractual obligation;
- A tacit or implicit obligation deriving from the creation by the 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 otherwise 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 that embody economic benefits or the amount of which, in extremely rare cases, cannot be sufficiently reliably quantified.

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

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

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

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

At 31 December 2023 and 31 December 2022, a number of legal proceedings and claims had been initiated against the 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, in excess of any provision recognised, on 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, will be recognised as cooperative income and an appropriation will be made to said fund for the same amount.

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

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

The assets received in an asset swap are recognised at the fair value of the asset delivered plus, if appropriate, the monetary consideration delivered in exchange unless there is clearer evidence of the fair value of the asset received.

3.15. Minimum capital requirement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.16. Fees

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

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

- Non-lending fees and commissions: This type of fees and commissions arise from the rendering of financial services by the 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 reworded by Royal Decree 1012/2015, of 6 November 2015, which implements Act 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment firms, amending Royal Decree 2606/1996, of 20 December 1996, on deposit guarantee funds for credit institutions.

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

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

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

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

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

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

The amount guaranteed by the Deposit Guarantee Fund for Credit Institutions is established at €100 thousand per account holder and entity, in accordance with Royal Decree-Law 1642/2008, of 10 October 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 are sufficient to fulfil its purpose, the Ministry of Finance, at the proposal of the Bank of Spain, may resolve to reduce the contributions. In any event contributions will be suspended when the Fund's assets not committed to operations forming part of the Fund's objects are equal to or exceed 1% of the calculation base of forecast contributions.

In 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 payable on each date may be deducted from the ordinary annual contribution which, if applicable, is paid by the entity on that same date and up to the amount of the ordinary instalment.

In 2023 and 2022, the expense incurred 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 any 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 line item.

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

The tax effect of any temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities", as applicable, on the accompanying 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 tax bases, and are quantified by applying to the relevant temporary difference or credit the tax rate at which it is expected to be recovered or settled.

Grupo Cooperativo Cajamar entities applied the following tax rates at 31 December 2023 and 31 December 2022: the Bank and the non-financial corporations forming part of its tax consolidation group apply a rate of 30%; the Credit Cooperatives apply a 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%.

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

At each accounting close deferred tax assets and liabilities are reviewed to verify that they are still valid and to make the relevant adjustments.

With effect from 2022, taxpayers with a turnover of €20 million or more or who file consolidated tax returns (irrespective of their income) must pay a minimum rate of tax on their taxable income of 15% in general and 18% for credit institutions. The latter rate is applicable to Banco de Crédito Social Cooperativo, S.A. In the case of cooperatives, tax payable cannot be less than 60% of gross tax payable calculated as per Act 20/1990, of 19 December 1990, on the tax system for cooperatives. Application of the minimum corporate income tax rate to taxable income has had no impact for the Group.

Exclusively for tax periods beginning in 2023, the tax base of a tax group is to be determined by summing the positive tax bases and 50 percent of the individual negative tax bases of each and every one of the tax group's members. In subsequent tax periods, the amount of any individual negative tax base not included in the tax base of the tax group will be included in the group's tax base in equal parts over each of the first 10 tax periods commencing on or after 1 January 2024, even if the entity with an individual negative tax base ceases to be a member of the group.

3.19. Recognition of income and expenses

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

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

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

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

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

Income and expenses from commissions and similar fees 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 expenses are recorded on an accrual basis.

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

3.20. Staff expenses and post-employment remuneration

Short-term remuneration

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

Post-employment benefits

Post-employment remuneration (or pension commitments) is defined as remuneration paid to employees after the end of their period of employment. Post-employment benefits, including those covered by internal or external pension funds, are classified as defined contribution plans when pre-determined contributions are made to a separate entity, or defined benefit plans for which the Bank 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 statements 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, and deducts the fair value of the plan assets, including insurance policies, if the following conditions are met:

  - They are owned by a legally separate unrelated third party.

  - They are only available to pay or finance commitments to employees.

  - They cannot be returned to the Group except when the assets remaining in the plan are sufficient to cover all commitments to employees, or to reimburse the Group for benefits it has paid.

  - When the assets are held by an entity (or fund) that manages long-term post-employment benefits, such as a pension fund, they cannot be non-transferable financial instruments issued by the 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 provision/asset for post-employment remuneration from defined benefit plans are recorded as follows:

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

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

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

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

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

Other long-term employee benefits

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 post-employment defined benefit plans, with the proviso that the entire past service cost and actuarial losses and gains be recognised immediately.

Termination benefits

Termination benefits are recorded under the heading “Staff expenses” on the accompanying consolidated statements 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 only when the Group is demonstrably committed to terminating the employment of an employee or group of employees before their normal retirement date, or to paying remuneration as a result of an offer made as an incentive for the voluntary resignation of the employees.

Pension commitments entered into by the Group

The pension commitments assumed by each institution corresponding to employees who provide their services thereto are governed by the prevailing collective bargaining agreement, the corresponding governing board resolutions, and the collective agreements signed by the institutions and their 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-sponsors.

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 Bank's employees originating from various banking institutions from which the Group acquired a portion of their branch networks and certified to have been working for these institutions since before 8 March 1980 have been underwritten by the Bank with insurer Rural Vida, S.A. de Seguros y Reaseguros.

The Group has assumed defined contribution commitments for all employees that meet 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 vested rights do not exceed an established minimum.

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

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

- 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 (€25.95 thousand), workplace accident (€51.89 thousand) or certified major disability (€112.29 thousand) for all Group employees.

- Award for long service afforded to all Group's employees who have worked at the Group for more than 20 years, in the event of retirement, death or disability, 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 with early retirees in terms of salaries and other social benefits from the date of early retirement until the date of official retirement and covering the remuneration top-up after the date of official retirement.

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

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

Actuarial assumptions used by Grupo Cooperativo Cajamar	2023		2022	
	Active employees	Early retirees (*)	Active employees	Early retirees (*)
Mortality tables	PER2020 1st order	PER2020 1st order	PER2020 1st order	PER2020 1st order
Disability tables (only for risk benefits)	Not applicable	Not applicable	Not applicable	Not applicable
Retirement age				
Pension plan	Earliest age	Earliest age	Earliest age	Earliest age
Bank collective	Earliest age	Earliest age	Earliest age	Earliest age
Technical annual effective interest rate:		3.90%		3.10%
Assets (retirement benefits)	3.98%	-	3.54%	-
Pensioners (immediate benefits)	3.92%	-	3.50%	-
Length of service award	3.91%	-	3.51%	-
Asset yield:		0.00%		0.00%
Assets (retirement benefits)	3.98%	-	3.54%	-
Pensioners (immediate benefits)	3.92%	-	3.50%	-
Length of service award	3.91%	-	3.51%	-
Salary evolution (including slides)	3.00%	1.00% / 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) (**)	42.82	-	39.5	-
Annual revaluation of the maximum monthly social security pension (**)	2.00%	-	2.00%	-
Annual increases in the social security contribution bases (**)	2.00%	-	2.00%	-

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

The expected yield from plan assets is as follows:

	Expected yield from the assets	
	2023	2022
Assets (retirement benefits)	3.98%	3.54%
Pensioners (immediate benefits)	3.92%	3.50%
Length of service award	3.91%	3.51%

The values of pension obligations and other long-term employee benefits could be affected if the main actuarial assumptions considered were to change. In a scenario where the discount interest rate fluctuates by +/- 25 basis points, the present value of the Group's post-employment obligations could vary by -2.33% and 2.42%, respectively. However, these variations would be partially offset by increases of 2.57% or decreases of -2.47%, respectively, in the fair value of the assets and pension-related insurance policies. This same scenario would give rise to a +/-0.16% change in other long-term employee benefits.

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 discretionary portfolio management contracts, distinguishing between those managed by Group entities and those marketed by the Group but managed by outside parties.

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

The fees and commissions charged for providing these services are recorded under the heading "Fee and commission income" on the 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 any financing received.

- Investing activities: acquisition, sale or other disposal of long-term assets and other investments not included under cash and cash equivalents.

- Financing activities: activities that give rise to changes in the size and composition of equity and the liabilities that do not form part of operating activities.

- Cash equivalents: highly liquid short-term investments that have a low risk of change in value, such as balances at central banks, short-term Treasury bills and promissory notes, and demand balances at other credit institutions.

3.23. Business combination

Under IFRS as adopted by the EU (IFRS-EU) and taking Rule 44 of Bank of Spain Circular 4/2017, of 27 November, into account, a business combination is the union of two or more entities or independent economic units within a single entity or group of entities. A business combination may occur as the result of the acquisition of:

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

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

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

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

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

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

- The acquiring company will include in its consolidated financial statements the assets, liabilities and contingent liabilities of the acquired company, including intangible assets not recognised by the latter, which on that date meet the requirements to be recognised as such, measured at fair value calculated in accordance with the valuation criteria indicated in the Bank of Spain Circular 4/2017, of 27 November 2017.
- The cost of the business combination will be the sum of the fair value of the assets delivered, the liabilities incurred, and any equity instruments issued by the acquirer, together with any costs directly attributable to the business combination, such as fees paid to legal advisors and consultants to carry out the combination. Arrangement and issue costs for the financial liabilities and equity instruments are not included.

- The acquirer will compare the cost of the business combination with the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities recorded by the acquiree, and the difference resulting from this comparison will be recognised as follows:

    - When positive, as goodwill in assets, which will in no case be amortised, but rather will be tested for impairment on an annual basis as provided in Rule 30 of Bank of Spain Circular 4/2017, of 27 November 2017.
    - When negative, as income on the statement of profit or loss under "Negative differences on business combinations", after verification of the fair values assigned to all of the assets, liabilities and contingent liabilities and the cost of the business combination.

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

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

3.24. Inventories

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

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

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

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

Decreases in and, if applicable, subsequent recoveries of the net realisable value, below their carrying amount, are recognised in the 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 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 deposits or guarantee contracts under which the Bank is obligated to compensate a beneficiary in the event of non-compliance with a specific obligation other than a payment obligation by a specific debtor of the beneficiary, such as the cash bonds provided to ensure the participation in auctions and public tenders, or the proper completion of a project or transaction or any other type of technical guarantee, including irrevocable formal undertakings to provide bank guarantees and letters of guarantee when required by law.

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

When providing a guarantee, the 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 fees and 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 finance income and the value of the guarantees recorded under liabilities in "Other liabilities" that have not been classified as non-performing are taken to the consolidated statement of profit or loss on a straight-line basis over the expected life of the guarantee as fee and commission income.

The classification of a guarantee contract as non-performing means it will be reclassified to the heading "Provisions – Commitments and guarantees given", which are measured in accordance with IFRS 17.

3.26. Consolidated statement of changes in equity

The consolidated statement of changes in equity presented in the accompanying annual accounts shows all changes in consolidated equity during the year. This information is broken down into two statements: the statement of recognised income and expenses and the 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 the one hand, and, on the other, income and expenses recognised directly in consolidated equity pursuant to prevailing laws and regulations.

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 carrying amount 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, distribution of profit or application of loss, operations with own equity instruments, transfers between components of equity, and any other increase or decrease in the 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. Barring exceptions, for those debt securities that are not listed on an active market the measurement is carried out in accordance with the zero coupon curve through the IRR, adjusted by a spread that will depend on the solvency of the issuer of the securities, specifically the sector, remaining term and the rating of the issue. The zero coupon curve used for any given issue will depend on the characteristics of that issue.

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

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

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

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

Fair value of financial liabilities

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

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

Measurement of financial instruments at fair value

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

Note 8.1 provides details of consolidated assets and liabilities at fair value forming part of the Group's financial instruments at 31 December 2023 and 31 December 2022, broken down by class of financial assets and liabilities and into the following levels:

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

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

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

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

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

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

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

Contributions are based on:

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

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

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

The expense for the 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 statement of profit or loss for 2023 and 2022 (Note 26).

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

At 31 December 2023, the Group had used various IPCs, in a total amount of €9,994 thousand, for the contribution cycles from 2021 to 2023.

4. Errors and changes in accounting estimates and policies

During 2023 and up to the date the consolidated annual accounts were authorised for issue, no errors were detected 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 profit

The proposal for the distribution of the Parent's 2023 profits that the Group's Board of Directors will submit to the Annual General Meeting for approval, together with the final distribution approved for 2022, is as follows:

	Thousands of Euros	
	2023	**2022**
Profit for the period	**38,338**	**13,997**
Distribution:		
Dividends	24,000	10,590
Supplementary dividend	10,000	-
Legal reserve	3,834	1,400
Other voluntary reserves	504	2,007
Total distributed	**38,338**	**13,997**

The proposal for 2022, and the subsequent distribution, was approved at the Group's Annual General Meeting on 30 May 2023.

The Board of Directors of the Parent has proposed to the General Meeting of Shareholders of the Group
6. that a complementary dividend of €10,000 thousand be paid out of the distributable profit for 2023.

6. Risk management policies and objectives

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

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

  - There must be a technical unit engaged solely in credit risk acceptance, monitoring and recovery processes, providing analytical support for the commercial function and expressing opinions when decisions are taken. Unit management must not report to Commercial Network management.

- The system of powers delegated for the granting of loans must be hierarchical and must depend, among other factors, on an objective evaluation of credit quality, obtained either from a technical analysis or from the appraisal provided by the scoring and rating models in place.

- A control unit must independently verify fulfilment of the credit policy in general and the individual and aggregate acceptance limits in particular, as well as ensuring the correct rating and coverage of credit risks.

- **Principle of uniformity:** This principle states that credit risk control and management criteria relating to policies, structures, tools, circuits and processes must be common throughout the Group and must not depend on where the activity takes place.

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

  - For the Board of Directors, the establishment of criteria and policies for credit risk management and control.
  - For the CEO, the definition of the 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.

- **<u>Principle of delegation:</u>** The Parent's Board of Directors assumes its responsibility as the ultimate credit risk management and control body, which does not preclude reasonable delegation to subordinate bodies to favour rapid adaptation and response to changing circumstances and to customer demands.

  It delegates to its Delegated Committee the approval of credit operations that cannot be resolved by subordinate bodies but must be resolved before the next Board meeting. The CEO has been delegated the authority to approve transactions raised by the Investment Committee and which, falling under the authority of the Board of Directors or the Delegated Committee, must be approved before the next meeting of the Board of Directors or the Delegated Committee. In these cases, the transactions will be presented during the first meeting of the Board of Directors or Delegated Committee that takes place, so that the matter may be heard and ratified and the delegated authority controlled.

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

Part of the Manual affected by the amendment	Competent body	Procedure
Preamble Chapter 1 Chapter 2	BCC's Board of Directors	On its own initiative, or at the proposal of the CEO or Control Management
Chapter 3 Chapter 4	CEO	Motivated proposal from Investment Management. Opinion of Control Management. Report to the Risk Committee of the Board
Chapter 5	Global Risk Control Directorate	On its own initiative, communicating to Investment Management. Report to the Board Risk Committee

- **<u>Principle of effectiveness:</u>** The management of credit risk must be effective in terms of responding to the needs of the network and customers. The credit risk management processes will therefore attain a balance between ensuring strict risk selection practices and a quick and firm response for customers.

  The Parent will ensure the effectiveness of its processes, applying automation and standardisation to the procedures as much as possible while maintaining channels that allow exceptions to provide a flexible response to customer needs.

a.2) Guidelines are also issued by the Parent's Board of Directors establishing the rules that must be observed by all the subordinate bodies when defining the credit policy. They address each stage of the risk management cycle and related content, as summarised below:

- **Regarding the risk acceptance policy:**

  - <u>Diversification</u>. The Group's credit portfolio must be suitably diversified and show the lowest possible degree of correlation with overall non-compliance.

  - <u>Credit quality</u>. 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.

  - <u>Operational security</u>. 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 the segments, portfolios and sub-portfolios for which credit exposure limits are established, depending on overall portfolio exposure or RWAs, as shown in the following table:

Segment / Portfolio / Sub-portfolio	Exposure limits	RWAs limits
1. Retail	**80%**	**80%**
1.1. Home mortgage	**45%**	**36%**
Primary	45%	36%
Other uses	10%	8%
1.2. Other household financing	**10%**	**12%**
Consumer	5%	5%
Other household financing	10%	10%
1.3. Automatically renewable	**5%**	**8%**
Credit cards	5%	8%
Overdrafts	1%	2%
1.4. Small businesses	**20%**	**30%**
Self-employed	15%	23%
Micro 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%**
Development	3%	9%
Land	2%	6%
Other developers	2%	6%
2.2. Corporate agro-food	**15%**	**30%**
Agrofood producer	15%	30%
Agrofood distributor	15%	30%
Agrofood auxiliary industry	15%	30%
2.3. SMEs	**15%**	**30%**
Small	10%	20%
Medium	10%	20%
2.4. Large companies	**20%**	**30%**
3. Public sector	**15%**	**6%**
Public administrations	15%	6%
Public non-financial corporations under the auspices of the Central Admin.	15%	6%
Public non-financial corporations under the auspices of other administrations	15%	6%
4. Social economy	**5%**	**8%**
5. Financial intermediaries	**5%**	**8%**

- **Limits on leveraged finance**

  Leveraged finance, as defined in the ECB Guidance on leveraged transactions issued in May 2017, may not exceed 10% of the total exposure of the loan book, irrespective of the segment, portfolio or sub-portfolio it is part of.

- **Limits on geographical concentration**

  To ensure sufficient geographic diversification, credit exposure in the Group's core provinces of Almería, Murcia, Málaga, Valencia, Alicante and Castellón must not exceed 75% of its total exposure.

- **Limits on sovereign risk concentration**

  Sovereign risk is understood as that taken in the form of fixed-income securities acquired on organised markets and any form of financing issued to public authorities and publicly owned companies. The following limits are applied (to sovereign debt outside Spain):

  - Maximum exposure to sovereign risk: 350% of eligible capital;
  - Maximum exposure to sovereign risk of issuers outside the EMU: 10% of eligible capital;
  - Maximum sovereign exposure in terms of carrying amount as a proportion of eligible capital: 275%
  - Minimum rating of the sovereign debt issuer: investment grade per a credit rating agency authorised to issue ratings on monetary policy matters. The aforementioned minimum rating requirement will not apply to sovereign exposures that are considered immaterial, defined as those that represent less than 1% of eligible capital;
  - Permitted currencies: euro. In the case of issuers outside the EMU, foreign currency issues may be contracted provided the interest rate risk is neutralised by means of appropriate hedging instruments;
  - The economic capital consumed by each sovereign issuer may not exceed 7% of CET1 capital.

- **Limits on borrower and risk group concentration**

  Concentration limits applied to individual borrowers and risk groups are considerably below the limits stipulated by the Bank of Spain:

	% of TIER1
Total risk limit with a borrower or group	10%
Consideration of material exposure	4%
Material exposure limit	200%

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

  A distinction is made between companies that are controlled by the Entity and those that are not controlled; risks accepted with both sub-groups are subject to the following limits (expressed as a percentage of eligible capital):

Limits on % of TIER 1 of the Group		
Degree of control of GCC	Limit on risk accumulated with each company	Limit on sum of risks of all companies
Controlled	5%	10%
Not controlled	5%	50%

System of powers for the approval of lending operations

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

- Delegate bodies: bodies to which powers are delegated. There are ten levels in the Group, from high to low.

  - BCC's Board of Directors / Delegated Committee:
  - Investment Committee
  - Non-performing Asset Committee
  - General Investments Division
  - Analysis Centres
  - Savings Banks' Governing Board / Committee
  - Central Business Committee
  - Non-performing Asset Team
  - Area and Territorial Business Committee
  - Branch Management Committee

  There are also specialised committees with powers to approve certain types of operations:

  - Assets and Liabilities Committee, for financial market operations, the function of which is to approve, within its authorisation limits, increases in lines of credit assumed by the expert model for use in arranging financial market transactions, and to refer any exceeding these limits to the Delegated Committee.

  - Employee Financing Committee, for transactions requested by employees under collective labour agreements and arrangements with personnel.

- Exposure volume limits: Each delegate body is assigned an overall limit, sublimits per operation and franchise limits.

- Credit quality models:

  The internal credit risk models provide a reliable rating for the customer and the transaction. In particular, the credit risk models generate the following ratings:

  - Green Policy – Favourable: there is scope for considering a possible increase in the level of exposure to the borrower. In all cases, any such increase in exposure will be subject to the credit approval procedure.

  - Amber Policy – Hold / Secure Risk: loans may be renewed and the current level of exposure may be maintained.

  - Red Policy – Reduce Risk: the level of exposure to the borrower must be reduced, either by not renewing loans when they mature or by incorporating additional guarantees.

  - Grey Policy – Reduce with Default: the level of exposure to the borrower must be reduced, either by not renewing loans when they mature or by incorporating additional guarantees. Mainly because the borrower has debts that are significantly past due.

- Black Policy – Extinguish / Recover Risk: the level of exposure to the borrower must be reduced or extinguished.
- Approve: The model concludes that there is an acceptable probability of default for the transaction and therefore recommends it be approved.
- Analyse: The model is not conclusive. Additional judgement is required before the transaction can be approved.
- Reject: The model concludes that the probability of default for the transaction is too high and therefore recommends it be rejected.

The limits of attributions of branches, areas and regions are adjusted depending on whether they are subject to model ratings, and in which case, the rating given to the customer and transaction. If a delegate body authorises a transaction against the contrary opinion of a binding credit rating model or of an analyst, the reasons for authorisation must be stated in the report.

- Assignment of risk lines vis-à-vis financial institutions

In view of its specific nature, credit risk affecting the Treasury function is also managed specifically, using a risk limits system incorporated into the treasury application; this facilitates the automation of control processes and expedites daily operations.

The limit assignment system is slightly different for Spanish entities and for foreign entities. The process is as follows for Spanish entities:

- An initial limit is assigned based on parameters measuring the counterparty's size.
- This limit is adjusted based on the counterparty's solvency and profitability.
- The adjusted value is corrected based on the rating, providing an overall limit for the counterparty analysed.

In the case of foreign entities, the adjustment for solvency and profitability is not applied, although the counterparty volume limit and rating correction are stricter.

In both cases, as a measure to mitigate counterparty risk in uncertain situations, a number of reductions have been applied to the limits stipulated in the established methodology. These adjustments are summarised below:

- Limit the maximum line granted to 10% of the Group's capital.
- Not open a counterparty line for entities that show a risk limit of below €5 million after applying the above-mentioned reductions.

b.2) Credit Risk Mitigation. Guarantee procurement policy

Irrespective of the fact that loans must be granted based fundamentally on the borrower's repayment capacity, the Group mitigates default losses by obtaining guarantees, which must be larger and more effective the longer the term of the loan and/or the lower the borrower's repayment capacity.

The risk accepted is deemed to be sufficiently secured in any of the following circumstances:

- The fair value of the assets owned by the borrower and the guarantors amount to more than twice the value of their debts.
- Through real estate collateral pledged in first lien (and subsequent lien) mortgage loans, provided they are duly arranged and show the bank as the beneficiary.

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

Asset used as collateral	% LTV
1. Buildings and finished constructions	
1.1. Borrower's primary home address	80%
1.2. Housing, other uses	70%
1.3. Offices, retail units and multi-use facilities	70%
1.4. Other buildings, such as single-use premises, hotels, etc.	70%
2. Urban land and building land	**50%**
3. Rural properties	
3.1. Intensive horticulture operations	70%
3.2. Other agricultural operations	50%
3.3 Livestock rearing operations	70%
3.4 Other uses	50%
4. Other properties	
4.1. Buildings under construction	50%
4.2. Components of buildings under construction	50%
4.3. Other land	50%
5. Foreclosed assets owned by GCC	**100%**
6. Monetary deposits	**100%**
7. Pledges of financial instruments	
7.1. Fixed income securities issued by the State or autonomous communities and by other issuers with a rating equal to or exceeding BB	90%
7.2. Fixed income securities issued by entities with a rating lower than BB but equal to or higher than B	80%
7.3. Listed equity securities. Securities consisting of shares in collective investment institutions will be categorised as appropriate based on the profile of the investment portfolio	70%
7.4 Administrative concessions	50%

The Group does not contract hedges using sophisticated products such as credit derivatives, on the understanding that, given the tight limits structure and low concentration levels, the use of this type of products would not bring significant management improvements but would increase our operational, legal and counterparty risk.

Guarantee assurance policy

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

Therefore these assets should be covered by an insurance policy tailored to the type and current situation of the asset and meeting at least the following conditions:

- It should cover at least the damages deriving from claims which may affect the container.

- The sum insured must be at least equal to the value for insurance purposes recorded in the valuation certificate.

- It should reflect the express declaration that the insurance company is aware of the existence of the creditor until the loan has been fully repaid.

Internal authorisation of appraisal companies

Valuations of buildings securing loans are entrusted to appraisal companies authorised by the Group.

In order to be authorised, an appraisal company must fulfil the following requirements:

- Be entered in the Bank of Spain's Register of Appraisal Companies.
- Be independent from the Bank, which entails:
  - Not being a related party as per Bank of Spain Circular 4/2017.
  - Have human and technical resources to perform the work, as well as appropriate, recent experience in its field of work.
  - Have internal procedures to assure independence and detect conflicts of interest.
  - Have an internal control department that reviews the appraiser's work.

Valuation of properties for new risk acceptance

The value of a property at the risk acceptance date is the lower of the following:

- Purchase price declared in a public deed, plus all post-acquisition costs incurred during construction, repair, extension or development of the building, excluding commercial and financial charges, and provided there are documents supporting the costs.
- The appraised value, which must fulfil the following requirements:
  - Issued by an appraisal company authorised by Cajamar Group.
  - Issued less than six months earlier.
  - Prepared for mortgage market purposes and in accordance with Ministerial Order ECO/805/2003, of 27 March.
  - No determining factors.

Update of the value of the property under guarantee

The criteria provided in the following table are used to update the value of properties under guarantee securing credit transactions:

Clasificación de la operación	Tipo de inmuebles/tipo de operación		Tasación Individual	Tasación Estadística (i)	Frecuencia	Momento inicial	Método
Normal	Garantía de edificios y elementos de edificios terminados		Si	Si	Verificación anual (ii)	En la concesión	Tasación individual de hasta 6 meses
	Garantía distintas de edificios terminados y elementos de edificios terminados		Si	No	Tres años si no existe caida significativa del riesgo		
	Operaciones con importe libros bruto de más de 3 millones de euros o del 5% Recursos Propios Computables						
Normal Vigilancia Especial	Garantía de edificios y elementos de edificios terminados	Operaciones pertenecientes a segmentos con importe bruto agregado mayor a 300 millones de euros o al 10% de los Recursos Propios Computables (v)	Si	Si	Anual	En la concesión	Tasación individual de hasta 6 meses
		Operaciones con importe bruto superior a 1 millón de euros y LTV >70%		Solo excepcionalmente y justificado			
		Resto	Si	Si	Verificación anual (ii)		
	Garantía distintas de edificios terminados y elementos de edificios terminados		Si	No	Anual		
	Operaciones con importe libros bruto de más de 3 millones de euros o 5% de los Recursos Propios Computables						
Dudosos	Garantía edificios y elementos de edificios terminados	Importe bruto operación menor o igual a 0,3 millones de eruros y antigüedad como dudoso menor o igual a 3 años	No	Si	Anual	Al clasificarse como dudosa	Tasación individual o tasación estadística (iii)
		Importe bruto operación menor o igual a 0,3 millones de eruros y antigüedad como dudoso mayor a 3 años	No	Si	Anual		
			Si	No	Tres años		
	Garantías no incluidas en el punto anterior (por tipo de garantía o porimporte en libros bruto)	Garantías distintas de edificios y elementos de edificios terminados y cualquier garantía de operaciones dudosas con importe en libros bruto superior a 0,3 millones de euros	Si	No	Anual		
Activos inmobiliarios adjudicados o recibidos en pago de deudas	Operaciones con valor razonable menor o igual a 0,3 millones de euros	Antigüedad en balance menor o igual a 3 años	No	Si	Anual	Al adjudicarse o el momento de la dación	Tasación individual (iv)
		Antigüedad en balance mayor a 3 años (iv)	No	Si	Anual		
			Si	No	Tres años		
	Resto (valor razonable mayor que 0,3 millones de euros)		Si	No	Anual		

(i) Son bienes susceptibles de valoración estadística las siguientes tipologías de inmuebles: viviendas (incluye garajes y trasteros), oficinas, locales polivalentes y naves polivalentes.

(ii) Obligatoria la actualización de tasaciones ante caídas significativas de valor. La verificación de la existencia de indicios de caídas significativas de valor se realizará con una periodicidad mínima anual.

(iii) En el momento de la clasificación a dudoso se requiere una tasación actualizada que puede ser tasación individual completa o estadística según lo que proceda. A partir de los 3 años en balance, se podrán combinar ambos métodos de valoración de forma que las tasaciones individuales completas se realicen al menos cadas tres años. En todo caso, la sociedad de tasación que realice la actualización de la valoración de referencia mediante cualquiera de los procedimientos admisibles, al igual que el profesional encargado, deberá cambiar después de dos valoraciones consecutivas realizadas por la misma sociedad de tasación.

(iv) En el momento de la adquisición del inmueble se requiere una tasación individual completa. A partir de los 3 años en balance, se podrán combinar ambos métodos de valoración de forma que las tasaciones individuales completas se realicen al menos cadas tres años. En todo caso, la sociedad de tasación que realice la actualización de la valoración de referencia mediante cualquiera de los procedimientos admisibles, al igual que el profesional encargado, deberá cambiar después de dos valoraciones consecutivas realizadas por la misma sociedad de tasación.

(v) Se trata de aquellos segmentos del apartado III del Anexo IX donde el importe bruto agregado de las operaciones en vigilancia especial supere uno de los dos parámetros indicados.

The restated value of a property pledged to secure a loan is the lower of the following:

- Purchase price declared in a public deed plus post-acquisition costs allowed in the valuation of a property at the risk acceptance date, restated applying coefficients when more than three years have elapsed since the relevant amounts were incurred.
- Restated appraisal value.

b.3) Rules for measuring customer payment capacity

The analysis performed before a loan is granted must study and measure the borrower's capacity to meet scheduled repayments. The following steps must be taken to do this:

- Inclusion in the loan files of sufficient economic and financial information to assess the borrower's capacity to generate funds. In the case of companies and self-employed professionals, this information must be updated yearly.

- Elimination of payment facilities included in products for commercial differentiation purposes.

- Assessment of the ability to pay, comparing the customer's payment obligations with their ability to generate funds. For loans covered by scoring or rating models, their evaluation will include the assessment of the ability to pay.

b.4) Policy for loan terms, grace periods and settlement periods; general criteria

- o Term:

  The maximum repayment period for loans secured by personal guarantees is the period in which the generation of funds by the borrower may be reliably estimated, subject to a maximum of 10 years.

  The maximum repayment period for loan secured by real property is the property's useful life, subject to a maximum of 15 years, except for private properties, subject to a maximum of 30 years.

  For operations with individuals, the loan must mature before the date on which the youngest borrower is 75 years old for loans secured against personal guarantees and 80 years old for loans secured against assets.

- Settlement periods:

  The capital and interest settlement frequency will be monthly, in general. Quarterly settlement frequencies will only be allowed if justified by the borrower's resource generation capacity. In the case of financing agri-food campaigns, longer interest settlement periods are possible.

  Loans with no defined maturity date are excluded from this policy, which must be granted at the Analysis Centre level or higher, as indicated in the tables of authorisation levels.

- Grace period:

  Capital payment grace periods may be applied when:
  1) Financing a project that will only start to provide income at a future date;
  2) It is bridge financing;
  3) It forms part of the design of a specific product, in which case this credit facility must be taken into account to adjust the calculation of the customer's capacity to make payment;
  4) It is a debt restructuring operation.

  Capital and interest payment grace periods may be applied when:
  1) It forms part of the design of a specific product, in which case this credit facility must be taken into account to adjust the calculation of the customer's capacity to make payment;
  2) It is a debt restructuring operation.

  Interest-only payment grace periods may be applied when:
  1) It forms part of the design of a specific product approved by the Investment Committee /Non-performing Asset Committee.

b.5) Restructuring policy

Debt restructuring is only available when there is an improvement in the collection status within the restructured position. This improvement must derive from the adaptation of the transaction conditions to the customer's payment capacity, accompanied by improvements in collateral, if appropriate.

Restructuring operations will observe the following policies in general:

- The transaction will not be restructured if the customer does not show a clear will to make payment.
- After the restructuring the customer's capacity to generate resources must be deemed sufficient to fulfil the modified conditions.
- The customer must make payment of accrued interest up to the date of the restructuring.
- Exposure will not increase, unless such an increase improves the Group's position with respect to the borrower (for example, when the increase allows the financed project to be completed and, therefore, start to generate inward flows, or when the increase is applied to lift prior obligations that would make recovery by us through the execution of guarantees difficult).
- Capital grace periods will be avoided. If granted, they will not exceed 2 years and must always be based on the clear expectation that the borrower will generate sufficient funds to make payment at maturity.
- No interest grace periods will be granted in general.
- Successive restructurings will be avoided and restructuring proposals based on the same budgets should not be successful more than two times within five years.
- The authority to grant restructuring operations must preferably fall to the Investment Management area.
- In general, the same body approving the risk in the first place cannot approve the restructuring. The following are not covered by this principle:
    - Transactions initially approved by BCC's Board of Directors and its Delegated Committee, who may approve restructuring of arrangements approved by them.
    - Any body, under its exemption of the body, in the terms established in chapter 4 of the Credit Risk Manual.

Note 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 Delegated Committee or Governing Boards of the GCC's savings banks, which may also delegate to lower bodies within their organisations.

The organisation of and bodies responsible for credit risk management and control, and the tools available to them, are described below through an analysis of the three risk stages:

c.1) Credit risk acceptance stage:

- **Bodies involved**

  - Bodies empowered to grant loans:

The credit risk acceptance stage first involves the bodies empowered to grant loans, as explained previously.

The delegate bodies must exercise their powers while observing established policies; when a decision is taken that does not fulfil these policies, the reasons must be placed on record.

- Analysis Centres Area, Special Financing Area, Major Borrowers Centre, Asset Contracts Area and Real Estate Legal Advisory:

These areas report to the Investments Division, and their functions are to (i) analyse, from a technical viewpoint, and report on the credit operation proposed by the Commercial Network; (ii) participate in decision-taking, forming part of the delegate bodies, and oversee compliance with established policy; (iii) manage loan arrangement, ensuring that agreements faithfully reflect the grant terms.

- **Organisation**

  - Special Financing Area:

It engages in the analysis, approval and management of the admission of Grupo Cooperativo Cajamar's loan transactions that must be resolved by the Cooperative Bank's Board of Directors, its Executive Committee and the Investment Committee as a result of the authority delegated to those areas. It also performs the credit risk assessments requested by the General Investment Department.

- Major Borrowers Area:

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

- Analysis Centres Area:

It engages in the management of the admission of Grupo Cooperativo Cajamar's loan transactions, ensuring that they are granted with the maximum credit quality in accordance with the authority delegated to it or raising them to higher bodies if the proposal exceeds its authority level. It is also responsible for formalising proposals in the terms indicated by the authorising body.
The area is divided into four offices to correctly fulfil its duties:

- Agro Analysis Centre: Analyse and report credit transactions in Portfolio 15 (Retail Agri-food) that must be resolved by the various bodies with authority delegated by Cajamar through the Business Offices and Committees.

- Corporate Analysis Centre: Analyse and report credit transactions related with the customer segment and transactions that the unit is responsible for analysing that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar to bodies higher than the Business Offices and Committees, excluding those that must be analysed by the Special Financing Centre.

- Overdraft and Working Capital Finance Analysis Centre: Analyse and approve proposed overdrafts, excess withdrawals and other exceptional items with respect to discounting facilities, foreign trade, confirming, factoring and C-19 that exceed the authority of the Business Offices and Committees for all of Cajamar Grupo Cooperativo or, if appropriate, inform BCC and/or Group Entities, to address these extraordinary customer requests such that the situation can be normalised and prevent them from reoccurring.

- Retail Analysis Centre: Operations corresponding to the residential mortgages portfolio, other household lending, auto-renewable loans, lending to small businesses and not-for-profit institutions outside the scope of special lending and large borrowers. Segmented operations in these customer portfolios with a turnover of up to €25 million and risk of under €5 million.

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

- **Bodies involved**

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 General Control Division, through the following organisational units and systems under the auspices of the Risk Control Division:

- Expert Analysis Area

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 > 0.75% of the Group's eligible capital.
    - Borrowers/groups with aggregate positions under special monitoring > 0.1% of the Group's eligible capital.
    - Borrowers/groups holding delinquent positions as a result of an event of default, or defaults > €3 million.
    - Transactions with no appreciable risk of default > €0.1 million.
- ***Borrower control:*** Its main functions are to control compliance with policies concerning borrowers and risk groups, investees and related parties, define and review the early-warning based classification system and the monthly control of restructuring of arrears in payment and write-offs of non-performing assets; and to perform the necessary controls to ensure credit risk data is of the required quality.

- Real Estate and Credit Risk Control Area

- ***Real Estate Risk Control:*** The main functions are to ensure policies concerning asset acquisitions and transfers of assets in lieu of payment are properly complied with, define the methods for revising the value of assets securing transactions ensuring they are updated on systems, and analyse fulfilment of the approval requirements for appraisal firms and control their performance.

- ***Credit Risk Control:*** 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 changes in the credit risk of the loan book over time.
- ***Classification and provisioning control***: Verify the correct application of regulatory accounting classification and provisioning criteria; maintain alignment with applicable regulations and check that provisions are calculated correctly; identify and analyse the performance of restructured credit, monitoring the accounting classification and provisioning criteria applied; and develop and regularly monitor the internal models for the accounting classification of credit transactions.

- Market risk control

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

- **Monitoring, measurement and control tools:**

The main tools employed to monitor, measure and control credit risk are listed below:

- Tracking and accounting classification models based on early warning systems.
- Cecabank Risk and Treasury Platform (CITRIX): Application used to channel counterparty risk control.

- **Monitoring controls:**

Information from the different credit rating models has been included in order to assign a credit policy to the customers assessed.

The following credit policy options are defined:

Green – Favourable: there is scope for considering a possible increase in the level of exposure to the borrower. In all cases, any such increase in exposure will be subject to the credit approval procedure.

Amber Policy – Hold / Secure Risk: loans may be renewed and the current level of exposure may be maintained.

Red Policy – Reduce Risk: the level of exposure to the borrower must be reduced, either by not renewing loans when they mature or by incorporating additional guarantees.

Grey Policy – Reduce with Default: the level of exposure to the borrower must be reduced, either by not renewing loans when they mature or by incorporating additional guarantees. Mainly because the borrower has debts that are significantly past due.

Black Policy – Extinguish / Recover Risk: the level of exposure to the borrower must be reduced or extinguished

- Operation rating using operation monitoring models.

Operations are grouped into four categories on the basis of default probabilities:

Low risk: The loan is unlikely to become past due.

Average risk: There is a certain likelihood of the loan becoming past due.

High risk: The loan is quite likely to become past due.

Very high risk: The loan is very likely to become past due.

- Rating of Significant Exposure borrowers.

  The Individual Analysis Office performs individual reviews of borrowers and risk groups to which exposure is significant.

- Monitoring of credit and counterparty risks relating to financial institutions.

  Daily checks are performed to ensure the credit risk limits for each counterparty are being adhered to. The ratings of financial counterparties are also monitored monthly and the lines of counterparty risk are comprehensively reviewed every year.

  Similarly, there is a daily control of the work of the treasury desk, especially concerning flows of collections and payments associated with each operation.

- Control over restructured loans

  The Risk Committee of the Parent's Board of Directors is informed of the performance of restructured credit on a regular basis.

c.3) Impaired asset recovery stage:

- **Bodies involved**

  The recovery stage is performed mainly by three functional units:

- **Regional Divisions,** which have:

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

- **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 in attaining its objectives regarding risk recovery, identifying available resources to achieve maximum efficiency, developing initiatives, actions and support to most effectively and inexpensively obtain recoveries by the Group.

  To this end, it has the following internal offices:

  - **Judicial Foreclosure Management**, 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 exposures in arrears but not yet non-performing, non-performing exposures and those in default (in arrears for 120 days or less, or borrower in a non-court bankruptcy situation) that are not being handled in-branch or by other organisational units, and the recording of accounting entries concerning asset purchases.

- **Past-due Debt Management**, which carries out all action intended to control the projected and actual evolution of exposures in arrears but not yet non-performing, non-performing exposures and those in default, as well as to monitor such transactions (in arrears for 120 days or less, or borrower in a non-court bankruptcy situation) on behalf of the Group.

- **Pre-litigation Case Management**, which monitors and supports the servicer, HAYA, to analyse 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 discounted.

- **Bankruptcy Risk Analysis and Monitoring**, which analyses any bankruptcies affecting GCC, setting out the strategies for mitigating bankruptcy risk to achieve the general non-performing asset objectives, and receive, evaluate, refer and monitor any proposals received to further safeguard GCC's interests.

- **Restructuring and Non-performing Asset Analysis Centre:**

  Its responsibility is to analyse the situation and the alternatives that best safeguard the Group's interests, ensuring the proper receipt, review, response, formal processing and monitoring by Haya and Grupo Cooperativo Cajamar of the proposals that are specified as part of its duties, evaluating the impacts of the measures to be adopted to mitigate the repercussions of non-performing assets and/or reflecting payment difficulties while ensuring an adequate internal control environment and facilitating operational efficiency. This centre also analyses debt restructuring transactions where there is a marked potential risk of default, focusing its analysis on the best accounting outcome for our Group.

- **Non-performing Asset Teams**:

  The Teams comprise a separate Area, that does not report to the Risk Recovery Area in formal or operation terms. Their current functions are:

  - To exercise the Risk Recovery powers assigned to them in the Credit Risk Manual;
  - To support and advise their assigned territorial divisions and the Group's savings banks on the restructuring and recovery of risk;
  - To supervise and monitor the management of past-due loans by territorial divisions and the group members affiliated to their allocated territory.

- **Asset Acceptance and Management**, whose task is to disintermediate non-performing assets (primarily real estate assets) owned by Grupo Cooperativo Cajamar, mainly with a view to disposing of them at the lowest cost and in the shortest time possible. The primary function to achieve this is to establish, oversee and monitor general policies on the management of non-performing assets, and coordinate and oversee the management activity outsourced to Haya RE.

- **Servicer and Portfolio Control**, whose task is to monitor Haya, while also providing support and escalating any proposals it may receive that lie outside its authority. Provide support for consultations made by other Departments regarding the management of Haya. Monitor compliance with adaptations to court-ordered bankruptcies. Prepare regular business activity monitoring reports. Prepare the reports required by the Bank of Spain or other Group departments.

  It is also responsible for post-deal management, which consists of handling relations with the assignees of assigned loan books, liaising with them, and verifying and managing compliance with the commitments assumed in the assignment agreements. Handle requests for information and documentation on the assigned loans received from assignees and Group Entities' branches and organisational units.
  It is also responsible for monitoring asset approval processes until the assets are put on sale, optimising the management and monitoring of major assets, and proposing and implementing improvements to circuits with a view to achieving efficiency and minimising the time between receiving an asset and putting it on sale.

- **Haya Real Estate (HRE)**, a company contracted to manage the pre-litigation and litigation cases of associates, receiving cases that have payments past due by more than 120 days. Its mission is to expedite litigation if seizable assets or rights are identified during its analysis. Alternatively, it may act through external specialist collection agencies in the case of non-performing transactions that given their amount or the lack of seizable collateral or rights may be open to recovery over the telephone.

o **Recovery management tools:**

The Bank's recovery process is managed using a number of applications including:

- Monthly Close Planning built into the Non-performing Asset Console so past-due and prudential provisioning of non-performing exposures can be managed consistently.

- Past due loan management, so recovery can be managed from the first day of non-payment.

- Overdraft management, providing information on overdrafts and overdrawn accounts from day one.

- Management of past due loans in foreign lending operations.

- Information on non-payments on credit cards.

- Information on collateral and classifications.

- Non-performing Asset Network monitoring system.

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 consumer loan and credit approval policies

In accordance with Article 29 of Act 2/2011, of 4 March, the Group's Credit Risk Manual includes responsible consumer loan and credit approval policies applied. The last version of this manual was published by the Parent's Board of Directors on 19 December 2023.

Specifically, Title 2 of the manual sets out the policies for approving transactions and for analysing the ability to pay, the terms, grace periods, settlement and collateral. The section of Title 4 on approval processes provides more detail of these policies and how they are implemented, stipulating in particular the general and specific guidelines for the structuring of transactions. One of these is responsible lending as per the aforesaid law.

6.3. Market and exchange rate risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic principles applicable to market and foreign exchange risks are as follows:

- The utilisation and holding of financial instruments quoted in official secondary markets must fulfil the following purposes:

  1) Compliance with supervisory and regulatory standards that require the holding of financial assets, such as liquidity ratios;

  2) Adequate management of liquidity and the funding structure; and/or

  3) Diversification of the Group's income sources.

- Only the Parent may, in general, have exposure to market risk. However, when circumstances so dictate, and on an exceptional basis, the Parent may authorise any of the Group's entities or the consolidated group to be exposed to market risk.

- Financial instruments carrying market risk may only be acquired and held as part of the management of a "portfolio" the creation of which must be specifically authorised by the Parent's Executive Committee, which will establish each portfolio's investment policy and management objectives and, if applicable, will impose limits on value losses, value at risk and concentration. Where these limits are not necessary, the Executive Committee's resolution must be reasoned.

- Market risk exposures have different risk levels depending on the reason for holding the instruments carrying the risk, so that separate limits will be established based on the category in question. To this end, the portfolios referred to above will be included in one of the following categories:

  1) Not treated based on exposure to market risk.

     a) Fixed income classed as held to maturity in the accounts. As the securities included in this category will not be sold in the market but will be held until they are redeemed by the issuer, the predominant risk is the issuer credit risk; these securities must be treated as stipulated in the Group's Credit Risk Manual. Consequently, no limit is applied to the market risk arising from these investments.

b) Institutional financial instruments, including shareholdings in Group entities and other financial instruments in respect of which the investment is made in response to the Group's operating needs and institutional obligations. For these exposures, which are indefinite in nature, no market risk limit is applied.

2) Treated based on exposure to market risk, in line with the following principles:

a) Liquid and listed financial instruments in which a position is taken in order to generate short-term gains, which are therefore included in a trading portfolio ("trading activity"). This portfolio must operate under the principles of diversification and moderate value at risk, in the terms of the Market Risk Manual.

b) Financial instruments exposed to market risk that are not included in the above-mentioned categories.

The financial instruments included in this category will be subject to the market risk exposure limits established in the Market Risk Manual.

- The above principles will not apply to instruments contracted for hedging purposes unrelated to the portfolio management referred to in the previous point.

- Foreign exchange risk limits will be adjusted to levels strictly necessary to facilitate customers' operating needs and the trading activity described in the previous point.

The following limits structure is applied to ensure that exposure to market and foreign exchange risks is at levels compatible with the basic principles referred to above:

- Limit on trading positions. The sum of net positions in trading portfolios may not exceed 10% of eligible capital.

- Limit on VaR of trading positions. The value at risk (VaR) of positions held in trading portfolios may not at any time exceed 1% of eligible capital. To this end, one-day VaR will be used, with a 99% confidence threshold.

- Limit on the overall market risk position. The Group's net overall market risk position may not exceed 150% of eligible capital.

- Limit on VaR of positions subject to market risk. The value at risk (VaR) of positions exposed to market risk may not at any time exceed 2.59% of eligible capital. To this end, one-day VaR will be used, with a 99% confidence threshold.

- Limit on variations in the economic value of the fixed-income portfolio subject to market risk over a six-month time horizon. Decline in the economic value of the fixed-income portfolio subject to market risk over a six-month time horizon, using the interest rate curve discounted by the market at that moment, which must not exceed 10% of eligible capital.

- Limit on the overall currency position. The sum of the equivalent value in euros of currency positions, using absolute values, may not exceed 2.0% of eligible capital.

- Limit on the maximum position in an individual currency. The equivalent value in euros of the position in each currency, in absolute terms, may not exceed 1.50% of eligible capital.

- Limit on currency VaR. The value at risk of the currency position expressed in annual terms and at a 99% confidence level may not exceed 0.35% of eligible capital.

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

The following bodies are responsible for managing and controlling market and exchange risks:

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

The Market Risk Control Office is responsible for controlling market, counterparty, exchange, liquidity and interest rate risks, reporting to the Market and Operational Risk Control Area, which forms part of Risk Control Division.

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

The Bank manages market risk using Bloomberg terminals to obtain value inputs and to consult market factors.

It also uses the Cecabank Risk and Treasury Platform (CITRIX), which includes specialist front, middle and back-office tools, and applications to integrate and reconcile these.

6.4. Operational risk

- **Risk policy: limits, diversification and mitigation**

In the Operational Risk Management and Control Manual, the following are regulated: (i) the basic management and control principles; (ii) the scope of operation; (iii) the risk management cycle; (iv) the bodies tasked with management and control; and (v) the operational risk management and control tools.

The general principles of operational risk management and control that must be observed in all related activities are as follows:

- Principle of accountability: Senior management and the governing bodies are responsible for designing and transmitting the values, basic principles and policies of management. They are ultimately responsible for the Group's operational risks.
- Principle of functional independence: In order to establish the effective management of the operational risk, there must be autonomy in decision taking with respect to the persons and departments directly affected by this risk.
- Principle of unity, according to which there must be consistency in policies, processes, procedures and tools. As a result, the concept of operational risk has been accurately defined and its definition is known and adopted by all those involved. The Operational Risk Control Office was set up and a network of Operational Risk Coordinators was defined with specific and concrete functions in order to extend this principle to each of the areas and offices affected by this risk.

- Principle of transparency. In light of the need for a corporate culture of operational risk, it is necessary to establish appropriate disclosure of the actions performed to manage this risk at both internal and external level, ensuring that the organisation and market players are able to know and assess the Group's operational risk approach.
- Principle of adapting to change. Due to the ongoing changes in the regulation and management of credit institutions, the need is established for the bodies responsible for operational risk control to analyse specifically (i) the operational risk profile of new products, processes, systems and lines of business, (ii) the change in the overall risk profile resulting from acquisitions, mergers or integrations and (iii) the operational risk inherent in regulatory amendments.
- Principle of assurance. Group entities should cover their operational risk through insurance contracts, the establishment of a self-insurance fund or through the combination of both systems. The Parent is ultimately responsible for these decisions.

The fundamental objectives of operational risk management and control are listed below:

- Identify events that could cause a loss.
- Define appropriate controls to avoid losses.
- Measure the capital necessary to cover operational risk.
- Prepare periodic reports on exposure to operational losses.

In order to achieve these objectives, a five-phase management cycle has been defined: identification, evaluation, monitoring, measurement and mitigation.

GCC's operational risk model has three lines of defence:

1. First line of defence: Business and support units.
   These are charged with managing the operational risk associated with the Bank's products, activities, processes and systems.
2. Second line of defence: Operational Risk Control Office.
   This office is responsible for designing and maintaining the Group's operational risk management model and checking that it is applied correctly by the various units.
3. Third line of defence: GCC's Internal Audit team.
   This team is charged with performing an independent review of the management model, ensuring that existing corporate policies are adhered to and are effective.

The scope of application of the management cycle is the entire organisation, through all levels, such that it is applied to all risks entailing material exposure. The only exceptions are those areas, departments or processes where there is no material exposure to operational risk.

In order to assure this level of implementation, an analysis should be included of all the Group's credit institutions and special vehicle companies.

- **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 evaluation of risks affecting each area (departments and branch network) and mitigating controls in place.
- KRIs: Key risk indicators or operational risk indicators.
- Action plans and proposals for improvement.

For the calculation of capital consumption caused by operational risk, the necessary automatic procedures have been developed to allocate relevant income by business line, so as to calculate capital requirements under the standard approach of operational risk.

Grupo Cooperativo Cajamar takes part in external forums, benchmarking processes and working groups with other entities in the sector (Spanish Operational Risk Consortium (CERO)), in order to provide comparative event losses data, find out about best practices applied and implement standard criteria.

The Operational Risk Control Office has defined and periodically runs a raft of operational risk stress scenarios that incorporate the main factors found to affect exposure to this risk.

The operational risk stress scenarios are subject to the rules set out in the Group's stress test framework governance manual.

6.5. Interest rate risk

a) 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 Guide are as follows:

- The Group must apply a commercial and financial policy of minimal exposure to interest rate risk.

- Despite this principle, since the mere evolution of the market interest rate curve could place the Group on undesired exposure levels, a system of powers must be established to determine whether to maintain the exposure reached or take measures to reduce it.

- Only structural balance sheet positions are considered when calculating interest rate risk, and therefore trading positions are excluded.

In order to ensure compliance with the principles, the following limits structure is in place:

- Limits on economic value, which dictate that the sensitivity of economic value may not exceed -20% of eligible capital, or of economic value, when rates rise or fall by 200 basis points (instantaneous and parallel movements). The sensitivity of economic value cannot exceed -15% of Tier 1 Capital in any of the six scenarios defined in the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02).
- Limits on net interest income. The following internal limits are set:
    - The sensitivity of 12-month net interest income to 200 basis-point increases and decreases cannot exceed 30% of 12-month net interest income in the baseline scenario (implicit interest rates).
    - 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:

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

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

The Group manages interest rate risk using a specific tool (Quantitative Risk Research's QALM), which generates interest rate risk statements and all kinds of static and dynamic analyses to evaluate the impact of trends in different interest rate scenarios.

The 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 point of view, maintaining the size and structure of the balance sheet, as a result of the impact resulting from various scenarios of interest rate changes. A 100 basis-point increase (1%) in interest rates, assuming that the size and structure of the balance sheet remains the same, would have an impact on net interest income over a one-year horizon of 4.86% (2.60% in 2022).

Economic value perspective:

Future cash flows are discounted 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 2.37% (-0.33% in 2022).

Analysis of interest rate risk from the economic value perspective at 31 December 2023 and 31 December 2022

The following tables show the analysis of interest rate risk that affects the Group's financial activity at 31 December 2023 and 31 December 2022:

	Thousands of Euros									
2023	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 and 12 months**	**Over 12 months**	**Total sensitive**	**Sensitivity (1 bp variance)**	**Term**	**Not sensitive**	**Total**
Assets										
Money market	3,966,987	22,908	5,000	286,621	437,092	4,718,607	671	1.42%	-	4,718,607
Credit market	4,565,824	7,399,754	6,932,938	9,585,070	6,641,740	35,125,327	4,809	1.37%	1,235,166	36,360,493
Capital markets	1,567,266	625,205	452,526	232,561	14,577,787	17,455,345	-	-	370,032	17,825,376
Other assets	-	-	-	-	-	-	-	-	2,876,649	2,876,649
	10,100,077	**8,047,867**	**7,390,464**	**10,104,252**	**21,656,619**	**57,299,279**	**5,480**	**0.96%**	**4,481,846**	**61,781,125**
Liabilities										
Money market	1,666,511	1,663,933	60,417	54,331	300,356	3,745,548	123	0.33%	-	3,745,548
Medium and long-term issues	217,642	583,722	631,406	968,855	2,931,232	5,332,858	-	-	-	5,332,858
Other liabilities	-	-	-	-	-	-	-	-	9,445,623	9,445,623
Payables	14,551,994	2,581,560	3,176,320	4,912,756	18,034,466	43,257,097	9,575	2.21%	-	43,257,097
	16,436,147	**4,829,216**	**3,868,143**	**5,935,942**	**21,266,054**	**52,335,503**	**9,697**	**1.85%**	**9,445,623**	**61,781,125**
Gap	**(6,336,070)**	**3,218,652**	**3,522,321**	**4,168,310**	**390,564**	**4,963,776**	**(4,217)**	**(0.90%)**	**(4,963,775)**	
Gap/Assets (%)	**(10.26%)**	**5.21%**	**5.70%**	**6.75%**	**0.63%**	**8.03%**				

2022	Thousands of Euros 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 (1 bp variance)	Term	Not sensitive	Total
Assets										
Money market	3,641,751	-	10,000	-	60,000	3,711,751	63	0.17%	-	3,711,751
Credit market	4,658,042	5,420,320	7,575,467	10,094,815	7,100,327	34,848,971	4,820	1.38%	1,407,185	36,256,156
Capital markets	1,855,392	6,857,972	5,044,142	1,172,861	6,425,333	21,355,700	4,704	2.20%	547,272	21,902,972
Other assets	-	-	-	-	-	-	-	-	3,495,619	3,495,619
	10,155,185	**12,278,292**	**12,629,609**	**11,267,676**	**13,585,660**	**59,916,422**	**9,587**	**1.62%**	**5,450,076**	**65,366,498**
Liabilities										
Money market	10,174,536	780,192	66,815	55,600	364,300	11,441,443	172	0.15%	-	11,441,443
Medium and long-term issues	326,859	722,757	1,223,885	1,200,376	1,899,886	5,373,763	836	1.56%	-	5,373,763
Other liabilities	-	-	-	-	-	-	-	-	8,428,306	8,428,306
Payables	14,705,865	1,805,285	2,161,585	2,814,224	18,636,027	40,122,986	9,468	2.36%	-	40,122,986
	25,207,260	**3,308,234**	**3,452,285**	**4,070,200**	**20,900,213**	**56,938,192**	**10,476**	**1.81%**	**8,428,306**	**65,366,498**
Gap	**(15,052,075)**	**8,970,058**	**9,177,324**	**7,197,476**	**(7,314,553)**	**2,978,230**	**(889)**	**(0.19%)**	**(2,978,230)**	-
Gap/Assets (%)	**(23.03%)**	**13.72%**	**14.04%**	**11.01%**	**(11.19%)**	**4.56%**				

Note: the figures in the table above correspond to assets and liabilities analysed by the Balance Sheet Management area. In the case of securitisations with no swap, the outstanding balance and initial characteristics of securitised assets are shown under assets. Securitisation bonds acquired by the bank are also recognised under “Capital markets”, while on the liabilities side, a liability is booked under “Medium and long-term issues” with the repricing structure of the securitised assets and with the same balance as these securitised assets.

As per Rule 50.4 of Bank of Spain Circular 2/2016 (with the one-off amendments established in Bank of Spain Circular 3/2022), completing the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No. 575/2013, institutions must regularly assess what effect interest rate risk may have on their future stability and solvency, especially when the potential impact of interest rate fluctuations on economic value is negative and results in more than a 20% reduction in an institution’s economic value or its own funds.

The EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) also establishes the need to assess six interest rate shock scenarios. This change in value must not reduce TIER 1 capital by more than 15%.

Internal operations, the method used to manage assets and liabilities, the type of information and the criteria applied are covered by the Assets and Liabilities Procedures Committee Manual for the Group approved by the ALCO, and in the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual.

6.6. Liquidity risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic principles regarding the management of liquidity risk, which are included in this manual, are:

- The Group must maintain a level of liquid assets that is sufficient to attend to the closest maturities of liabilities.
- The Group must finance loan investments mainly using retail resources, and making the use of wholesale financing remain within prudent limits.

- The Group must maintain an adequate diversification of the maturity dates relating to wholesale financing, so it will establish limits for short-term wholesale financing, and control the maturity dates of those maturing at long term regarding any new emission.

- The Group must maintain an adequate reserve of assets that may be easily converted to cash.

- The Group must actively manage its intraday liquidity risk using tools to monitor daily incomings and outgoings.

- The Group must have defined and implemented a Liquidity Contingency Plan that foresees the action to be taken in the event of liquidity crisis situations deriving from both internal and external causes.

- The Group should have defined a set of relevant stress scenarios and periodically assess the levels of risk associated with each.

- The asset securitisation market will not be one of the entity's business lines. Issuances on this market will only be permitted in relation to prudent liquidity management, principally to generate valid collateral within the scope of application of the European Monetary Policy.

The following limits structure is applied to ensure that liquidity risk exposure is compatible with the basic principles referred to above:

- Short-term liquidity risk limits:

  - Daily liquidity limit. The liquidity for immediate use by the Group at the start of business, adjusted for the expected movement of funds, should be sufficient to cover any unexpected outflow of funds on a working day with a confidence level of 99%.

  - Liquidity profile ratio (LPR) limit. The Group's effective liquidity, i.e. liquid assets minus callable liabilities derived from wholesale financing, in a six-month time horizon, may not fall below 4% of the total of customer funds and contingent liabilities. This limit must be fulfilled on a weekly average basis.

  - Guarantees limit available in the discountable assets portfolio. Grupo Cooperativo Cajamar must at all time keep discountable assets available to the European Central Bank with a cash value of at least €1,500 million.

  - Liquidity position limit. The Group must at all times maintain a liquidity position, understood as the sum of available liquid assets and other less liquid assets that can be used to cover possible liquidity gaps in times of stress, of at least 7.50% of the balance sheet total.

- Limit on dependence on wholesale financing. Wholesale financing may not exceed 20% of loans and receivables.

- Limits on short-term wholesale financing. Net wholesale financing falling due in six months or less may not exceed the lower of the following amounts:

  - Overall cash value of the portfolio of discountable assets at the European Central Bank.

  - 30% of total wholesale financing.

- Limit applicable to the eligible mortgage portfolio. The outstanding balance of mortgage covered securities issued by the Group may not exceed 65% of the eligible mortgage portfolio.

- Limits on adjustments to maturities of long-term wholesale financing. At least 100% of any negative liquidity gaps arising from differences between liquidity outflows due to the expiration of wholesale funding instruments and liquidity inflows from the expiration of wholesale investment instruments, over the life of the financing plan in place, must be covered using the Group's potential sources of liquidity at the evaluation date.

This raft of internal limits supplements the regulatory liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

- The LCR is intended to ensure credit institutions retain an adequate level of available high-quality liquid assets (HQLA) that can be converted into cash to meet liquidity needs for a 30 calendar day critical liquidity stress scenario.

  The Group's LCR at 31 December 2023 was 197.29% (comfortably above the regulatory level of 100%) and the annual average LCR was around 185.69% (181.45% at 31 December 2022).
- The NSFR is one of the key reforms of the Basel Committee to enhance stability in the banking sector. It is intended to ensure the robustness of banks' medium and long-term funding structure, requiring them to retain stable sources of funding sufficient for their operations in order to mitigate the risk of possible liquidity squeezes.

  The Group's LCR at 31 December 2023 was 149.57% (comfortably above the regulatory level of 100%) and the annual average LCR was around 140.40% (137.00% at 31 December 2022).

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

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

The tools used to measure, control and monitor this risk are:

- The Cecabank Risk and Treasury Platform (CITRIX), which includes specialist front, middle and back-office tools, and applications to integrate and reconcile these.
- Bloomberg screens.
- The application QALM, Quantitative Risk Research (QRR).
- The Group's core banking operational applications.

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 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Cash	397,943	354,148
Cash balances at central banks	3,215,378	3,120,792
Other demand deposits	57,529	37,838
Total	**3,670,850**	**3,512,778**

The balance under the heading “Cash balances at central banks” relates to the deposit made to cover the minimum reserves ratio (Note1.4).

The balance of this heading has been considered to be cash or cash equivalents for the purposes of preparing the cash flow statements for 2023 and 2022.

8. Financial instruments

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

Details of the carrying amount of the financial assets owned by the Group at 31 December 2023 and 31 December 2022, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of Euros				
	2023				
	Financial Assets held for trading	Non-trading Financial Assets mandatorily at fair value through profit or loss	Financial Assets designated at fair value through profit or loss	Financial Assets at fair value through other comprehensive income	Financial Assets at amortised cost
Financial Assets: Nature/Category					
Derivatives	814	-	-	-	-
Equity instruments	-	2,692	-	137,972	-
Debt securities	-	41,560	-	748,085	12,183,806
Loans and advances:	-	440,139	-	-	37,098,193
Credit Institutions	-	-	-	-	1,047,757
Customers	-	440,139	-	-	36,050,436
Total	**814**	**484,391**	**-**	**886,057**	**49,281,999**
	2022				
Financial Assets: Nature/Category					
Derivatives	2,057	-	-	-	-
Equity instruments	-	2,312	-	137,494	-
Debt securities	-	40,000	-	1,521,208	13,974,672
Loans and advances:	-	427,525	-	-	36,396,826
Credit Institutions	-	-	-	-	568,193
Customers	-	427,525	-	-	35,828,633
Total	**2,057**	**469,837**	**-**	**1,658,702**	**50,371,498**

	Thousands of Euros		
	2023		
	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	751	-	-
Short positions	-	-	-
Deposits:			
Central Banks	-	-	969,302
Credit Institutions	-	-	3,771,027
Customers	-	-	43,719,926
Debt securities issued	-	-	3,400,179
Other Financial Liabilities	-	-	3,378,739
Total	**751**	**-**	**55,239,173**
	2022		
Financial Liabilities: Nature/Category			
Derivatives	2,021	-	-
Short positions	-	-	-
Deposits:			
Central Banks	-	-	6,639,329
Credit Institutions	-	-	2,138,765
Customers	-	-	43,153,333
Debt securities issued	-	-	2,053,191
Other Financial Liabilities	-	-	3,711,635
Total	**2,021**	**-**	**57,696,253**

The fair value of the Group's financial assets and liabilities, by nature and counterparty, at 31 December 2023 and 31 December 2022 is as follows (Note 3.27):

	Thousands of Euros									
2023			**Fair value hierarchy:**			**Change in fair value in the year**		**Accumulated change in fair value before taxes**		
	Balance	*Of which: Securities*	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets held for trading (Note 8.2)	**814**	**814**	**-**	**814**	**-**	**85,825**	**-**	**-**	**(116,515)**	**-**
Derivatives	814	814	-	814	-	85,825	-	-	(116,515)	-
Non-trading financial assets mandatorily at fair value through profit or loss	**484,391**	**484,391**	**34,098**	**7,462**	**442,831**	**(971)**	**459**	**(4,784)**	**(426)**	**1,860**
Equity instruments	2,692	2,692	-	-	2,692	-	459	-	-	1,860
Debt securities	41,560	41,560	34,098	7,462	-	(971)	-	(4,784)	(426)	-
Loans and advances	440,139	440,139	-	-	440,139	-	-	-	-	-
Financial assets designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 8.5)	**886,057**	**886,057**	**750,925**	**76**	**135,056**	**-**	**3,236**	**(11,855)**	**-**	**(23,952)**
Equity instruments	137,972	137,972	12,631	-	125,341	-	3,084	(910)	-	(10,499)
Debt securities	748,085	748,085	738,294	76	9,715	-	152	(10,945)	-	(13,453)
Non-trading and non-derivative financial assets at fair value through profit or loss	-		-	-	-	-	-	-	-	-
Non-trading and non-derivative financial assets carried at fair value in equity	-		-	-	-	-	-	-	-	-
Derivatives – Hedge accounting (Note 9)	**2,957,536**	**2,957,536**	**-**	**2,957,536**	**-**	**1,149,347**	**-**	**-**	**1,320,560**	**-**
ASSETS	**4,328,798**	**4,328,798**	**785,023**	**2,965,888**	**577,887**	**1,234,201**	**3,695**	**(16,639)**	**1,203,619**	**(22,092)**
Financial liabilities held for trading (Note 8.2)	**751**	**751**	**-**	**751**	**-**	**(85,792)**	**-**	**-**	**(117,275)**	**-**
Derivatives	751	751	-	751	-	(85,792)	-	-	(117,275)	-
Financial liabilities designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – Hedge accounting (Note 9)	**141,993**	**141,993**	**-**	**141,993**	**-**	**(2,996)**	**-**	**-**	**2,996**	**-**
LIABILITIES	**142,744**	**142,744**	**-**	**142,744**	**-**	**(88,788)**	**-**	**-**	**(114,279)**	**-**

	Thousands of Euros									
2022			**Fair value hierarchy:**			**Change in fair value in the year**		**Accumulated change in fair value before taxes**		
	Balance	*Of which: Securities*	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets held for trading (Note 8.2)	**2,057**	**2,057**	**-**	**2,057**	**-**	**110,480**	**-**	**-**	**(109,977)**	**-**
Derivatives	2,057	2,057	-	2,057	-	110,480	-	-	(109,977)	-
Non-trading financial assets mandatorily at fair value through profit or loss	**469,837**	**469,837**	**32,075**	**7,925**	**429,837**	**(278)**	**(1,430)**	**(7,100)**	**(714)**	**283**
Equity instruments	2,312	2,312	-	-	2,312	-	(1,307)	-	-	1,450
Debt securities	40,000	40,000	32,075	7,925	-	(278)	(123)	(7,100)	(714)	(1,167)
Loans and advances	427,525	427,525	-	-	427,525	-	-	-	-	-
Financial assets designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 8.5)	**1,658,702**	**1,658,702**	**1,525,382**	**147**	**133,173**	**-**	**2,144**	**(38,527)**	**-**	**(27,843)**
Equity instruments	137,494	137,494	13,948	-	123,546	-	2,818	(1,365)	-	(14,237)
Debt securities	1,521,208	1,521,208	1,511,434	147	9,627	-	(674)	(37,162)	-	(13,605)
Derivatives – Hedge accounting (Note 9)	**3,238,076**	**3,238,076**	**-**	**3,238,076**	**-**	**1,356,847**	**-**	**-**	**1,549,026**	**-**
ASSETS	**5,368,672**	**5,368,672**	**1,557,457**	**3,248,205**	**563,010**	**1,467,049**	**714**	**(45,627)**	**1,438,335**	**(27,560)**
Financial liabilities held for trading (Note 8.2)	**2,021**	**2,021**	**-**	**2,021**	**-**	**(110,371)**	**-**	**-**	**(116,680)**	**-**
Derivatives	2,021	2,021	-	2,021	-	(110,371)	-	-	(116,680)	-
Financial liabilities designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – Hedge accounting (Note 9)	**146,774**	**146,774**	**-**	**146,774**	**-**	**-**	**-**	**-**	**-**	**-**
LIABILITIES	**148,795**	**148,795**	**-**	**148,795**	**-**	**(110,371)**	**-**	**-**	**(116,680)**	**-**

There were no material changes in terms of reclassification between the various levels of the fair value hierarchy in 2023 and 2022.

A breakdown of financial instruments by residual maturity at 31 December 2023 and 31 December 2022 is provided below. The maturity dates used in the table are the expected dates of maturity or cancellation based on the Group's past experience:

2023

	Thousands of Euros									
ASSETS	**Demand**	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Indeterminate, unclassified maturity**	**Valuation adjustments**	**Total**
Cash, cash balances at central banks and other on demand deposits	**3,669,824**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,026**	**3,670,850**
Financial assets held for trading	**34**	**199**	**161**	**34**	**118**	**268**	**-**	**-**	**-**	**814**
Derivatives	34	199	161	34	118	268	-	-	-	814
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**481,699**	**2,692**	**-**	**484,391**
Equity instruments	-	-	-	-	-	-	-	2,692	-	2,692
Debt securities	-	-	-	-	-	-	41,560	-	-	41,560
Loans and advances	-	-	-	-	-	-	440,139	-	-	440,139
Customers	-	-	-	-	-	-	440,139	-	-	440,139
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	**-**	**199,422**	**-**	**393,936**	**-**	**52,902**	**104,882**	**137,971**	**(3,056)**	**886,057**
Equity instruments	-	-	-	-	-	-	-	137,972	-	137,972
Debt securities	-	199,422	-	393,936	-	52,902	104,882	(1)	(3,056)	748,085
Financial assets at amortised cost	**358,249**	**863,944**	**1,364,066**	**1,731,308**	**3,762,885**	**13,677,813**	**27,282,580**	**1,605,422**	**(1,364,268)**	**49,281,999**
Debt securities	-	-	33,435	2,016	250,418	1,723,725	11,266,133	-	(1,091,921)	12,183,806
Loans and advances	358,249	863,944	1,330,631	1,729,292	3,512,467	11,954,088	16,016,447	1,605,422	(272,347)	37,098,193
Credit institutions	-	56,646	22,908	-	286,621	382,092	60,003	226,600	12,887	1,047,757
Customers	358,249	807,298	1,307,723	1,729,292	3,225,846	11,571,996	15,956,444	1,378,822	(285,234)	36,050,436
TOTAL	**4,028,107**	**1,063,565**	**1,364,227**	**2,125,278**	**3,763,003**	**13,730,983**	**27,869,161**	**1,746,085**	**(1,366,298)**	**54,324,111**
LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities held for trading	**1**	**188**	**174**	**31**	**121**	**236**	**-**	**-**	**-**	**751**
Derivatives	1	188	174	31	121	236	-	-	-	751
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	**35,964,646**	**3,496,368**	**3,442,108**	**1,898,843**	**4,109,698**	**3,886,562**	**1,912,265**	**377,349**	**151,334**	**55,239,173**
Deposits	35,964,599	492,840	3,442,108	1,898,843	4,109,698	2,144,790	316,171	2,185	89,021	48,460,255
Central banks	-	-	949,000	-	-	-	-	-	20,302	969,302
Credit institutions	125,117	12,278	771,488	31,218	901,359	1,834,144	81,113	1,567	12,743	3,771,027
Customers	35,839,482	480,562	1,721,620	1,867,625	3,208,339	310,646	235,058	618	55,976	43,719,926
Debt securities issued	-	-	-	-	-	1,741,772	1,596,094	-	62,313	3,400,179
Other financial liabilities	47	3,003,528	-	-	-	-	-	375,164	-	3,378,739
Memorandum: subordinated liabilities	-	-	-	-	-	-	597,654	-	2,965	600,619
TOTAL	**35,964,647**	**3,496,556**	**3,442,282**	**1,898,874**	**4,109,819**	**3,886,798**	**1,912,265**	**377,349**	**151,334**	**55,239,924**

2022

	Thousands of Euros									
ASSETS	**Demand**	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Indeterminate, unclassified maturity**	**Valuation adjustments**	**Total**
Cash, cash balances at central banks and other on demand deposits	**3,512,243**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**535**	**3,512,778**
Financial assets held for trading	**-**	**-**	**-**	**7**	**626**	**1,424**	**-**	**-**	**-**	**2,057**
Derivatives	-	-	-	7	626	1,424	-	-	-	2,057
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**467,525**	**2,312**	**-**	**469,837**
Equity instruments	-	-	-	-	-	-	-	2,312	-	2,312
Debt securities	-	-	-	-	-	-	40,000	-	-	40,000
Loans and advances	-	-	-	-	-	-	427,525	-	-	427,525
Customers	-	-	-	-	-	-	427,525	-	-	427,525
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	**-**	**299,829**	**-**	**496,155**	**-**	**628,591**	**99,689**	**137,494**	**(3,056)**	**1,658,702**
Equity instruments	-	-	-	-	-	-	-	137,494	-	137,494
Debt securities	-	299,829	-	496,155	-	628,591	99,689	-	(3,056)	1,521,208
Financial assets at amortised cost	**505,981**	**949,951**	**1,402,455**	**3,583,675**	**3,678,902**	**13,173,778**	**27,154,429**	**1,813,265**	**(1,890,938)**	**50,371,498**
Debt securities	-	-	15,478	1,745,954	504,583	1,549,091	11,571,592	-	(1,412,026)	13,974,672
Loans and advances	505,981	949,951	1,386,977	1,837,721	3,174,319	11,624,687	15,582,837	1,813,265	(478,912)	36,396,826
Credit institutions	-	58,211	-	-	-	10,000	60,004	426,277	13,701	568,193
Customers	505,981	891,740	1,386,977	1,837,721	3,174,319	11,614,687	15,522,833	1,386,988	(492,613)	35,828,633
TOTAL	**4,018,224**	**1,249,780**	**1,402,455**	**4,079,837**	**3,679,528**	**13,803,793**	**27,721,643**	**1,953,071**	**(1,893,459)**	**56,014,872**
LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Financial liabilities held for trading	**-**	**-**	**-**	**5**	**642**	**1,374**	**-**	**-**	**-**	**2,021**
Derivatives	-	-	-	5	642	1,374	-	-	-	2,021
Financial liabilities designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities at amortised cost	**36,844,313**	**7,366,210**	**1,508,439**	**7,048,961**	**1,092,656**	**1,993,942**	**1,556,305**	**378,316**	**(92,889)**	**57,696,253**
Deposits	36,844,313	4,028,189	1,508,439	6,613,766	1,092,656	1,495,192	462,396	4,702	(118,226)	51,931,427
Central banks	-	-	-	5,816,000	-	949,000	-	-	(125,671)	6,639,329
Credit institutions	69,964	1,039,342	497,021	31,166	62,520	329,293	102,862	3,900	2,697	2,138,765
Customers	36,774,349	2,988,847	1,011,418	766,600	1,030,136	216,899	359,534	802	4,748	43,153,333
Debt securities issued	-	-	-	435,195	-	498,750	1,093,909	-	25,337	2,053,191
Other financial liabilities	-	3,338,021	-	-	-	-	-	373,614	-	3,711,635
Memorandum: subordinated liabilities	-	-	-	-	-	-	597,654	-	2,797	600,451
TOTAL	**36,844,313**	**7,366,210**	**1,508,439**	**7,048,966**	**1,093,298**	**1,995,316**	**1,556,305**	**378,316**	**(92,889)**	**57,698,274**

The following table shows the Group's total credit risk net of valuation adjustments at 31 December 2023 and 31 December 2022:

	Thousands of Euros	
	2023	2022
Financial assets held for trading	**814**	**2,057**
Hedging derivatives	814	2,057
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**484,391**	**469,837**
Equity instruments	2,692	2,312
Debt securities	41,560	40,000
Loans and advances	440,139	427,525
Financial assets designated at fair value through profit or loss	**-**	**-**
Debt securities	-	-
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	**886,057**	**1,658,702**
Equity instruments	137,972	137,494
Debt securities	748,085	1,521,208
Financial assets at amortised cost	**49,281,999**	**50,371,498**
Debt securities	12,183,806	13,974,672
Loans and advances	37,098,193	36,396,826
Hedging derivatives	**2,957,536**	**3,238,076**
Total credit risk due to financial assets	**53,610,797**	**55,740,170**
Loan commitments given	5,287,936	5,030,077
Financial guarantees given	378,620	352,800
Other commitments given	998,058	2,299,383
Total off-balance sheet exposures	**6,664,614**	**7,682,260**
Total maximum exposure to credit risk	**60,275,411**	**63,422,430**

Credit risk concentration by activity, geographical area and counterparty at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros				
	2023				
	TOTAL	**Spain**	**Rest of the European Union**	**America**	**Rest of the world**
Central banks and credit institutions	**7,595,962**	**6,863,112**	**726,884**	**3,707**	**2,259**
Public authorities	**14,801,541**	**6,700,923**	**8,097,596**	**-**	**3,023**
Spanish government	12,321,966	4,275,003	8,043,940	-	3,023
Other public authorities	2,479,575	2,425,919	53,656	-	-
Other financial corporations and self-employed individuals (business financing activity)	**2,016,892**	**1,237,378**	**685,163**	**9,666**	**84,686**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by sector)	**19,751,861**	**18,176,725**	**1,303,911**	**75,294**	**195,931**
Construction and property development (including land)	328,774	328,774	-	-	-
Civil works construction	-	-	-	-	-
Other purposes	19,423,088	17,847,951	1,303,911	75,294	195,931
Large companies	8,290,970	6,738,365	1,288,610	72,937	191,058
SMEs and self-employed	11,132,118	11,109,586	15,301	2,357	4,873
Other households (broken down by purpose)	**14,063,746**	**13,798,879**	**132,903**	**14,289**	**117,676**
Housing	12,299,006	12,039,177	129,829	14,112	115,888
Food & drink	514,070	511,120	1,886	87	978
Other purposes	1,250,670	1,248,582	1,188	90	810
TOTAL	**58,230,003**	**46,777,015**	**10,946,458**	**102,956**	**403,574**

2022

	TOTAL	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	**7,227,934**	**6,647,903**	**553,221**	**20,761**	**6,049**
Public authorities	**16,662,815**	**8,324,123**	**8,335,669**	**-**	**3,023**
Spanish government	14,922,732	6,638,537	8,281,172	-	3,023
Other public authorities	1,740,083	1,685,586	54,497	-	-
Other financial corporations and self-employed individuals (business financing activity)	**2,698,885**	**1,972,083**	**632,965**	**9,314**	**84,523**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by sector)	**19,548,543**	**18,128,497**	**1,141,747**	**76,402**	**201,897**
Construction and property development (including land)	373,197	373,197	-	-	-
Civil works construction	3,792	3,792	-	-	-
Other purposes	19,171,554	17,751,508	1,141,747	76,402	201,897
Large companies	6,943,529	5,650,584	1,032,274	74,898	185,773
SMEs and self-employed	12,228,025	12,100,924	109,473	1,504	16,124
Other households (broken down by purpose)	**14,206,535**	**13,945,939**	**125,712**	**12,544**	**122,340**
Housing	12,696,805	12,441,745	122,811	12,367	119,882
Food & drink	326,116	324,684	760	92	580
Other purposes	1,183,614	1,179,510	2,141	85	1,878
TOTAL	**60,344,712**	**49,018,545**	**10,789,314**	**119,021**	**417,832**

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

Credit risk concentration in Spain by geographical area and counterparty at 31 December 2023 and 31 December 2022 is as follows:

Thousands of Euros

	2023									
	TOTAL	Andalusia	Aragón	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla-Leon	Catalonia
Central banks and credit institutions	**6,863,111**	**332,861**	**28,660**	**-**	**710**	**-**	**495,275**	**-**	**-**	**31,096**
Public authorities	**6,700,922**	**691,171**	**18,747**	**45,699**	**26,468**	**398,612**	**-**	**64,583**	**79,323**	**326,411**
Spanish government	4,275,003	-	-	-	-	-	-	-	-	-
Other public authorities	2,425,919	691,171	18,747	45,699	26,468	398,612	-	64,583	79,323	326,411
Other financial corporations and self-employed individuals (business financing activity)	**1,237,378**	**612,611**	**75**	**2**	**878**	**910**	**-**	**223**	**1,463**	**16,981**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by sector)	**18,176,725**	**4,087,794**	**281,279**	**158,998**	**491,633**	**690,284**	**34,590**	**331,272**	**1,020,262**	**1,225,490**
Construction and property development (including land)	328,774	100,618	5	-	3,724	18,043	7	40,962	7,573	5,685
Civil works construction	-	-	-	-	-	-	-	-	-	-
Other purposes	17,847,951	3,987,176	281,274	158,998	487,909	672,241	34,583	290,310	1,012,689	1,219,805
Large companies	6,738,365	716,624	148,254	130,078	82,377	197,922	5,913	48,203	148,579	740,126
SMEs and self-employed	11,109,586	3,270,552	133,020	28,920	405,532	474,319	28,670	242,107	864,110	479,679
Other households (broken down by purpose)	**13,798,879**	**3,800,053**	**118,261**	**20,729**	**436,098**	**448,959**	**13,255**	**146,899**	**582,243**	**931,827**
Housing	12,039,176	3,384,922	32,530	18,764	399,448	398,341	11,495	124,331	469,784	878,307
Food & drink	511,121	121,751	1,380	981	12,138	21,633	437	5,866	38,594	15,696
Other purposes	1,248,582	293,380	84,351	984	24,512	28,985	1,323	16,702	73,865	37,824
TOTAL	**46,777,015**	**9,524,490**	**447,022**	**225,428**	**955,787**	**1,538,765**	**543,120**	**542,977**	**1,683,291**	**2,531,805**

	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencian Community	Basque Country	La Rioja	Ceuta y Melilla
Central banks and credit institutions	**-**	**33,651**	**3,315,990**	**-**	**-**	**46,458**	**2,578,410**	**-**	**-**
Public authorities	**-**	**25,702**	**168,711**	**61,509**	**196**	**410,111**	**-**	**-**	**108,676**
Spanish government	-	-	-	-	-	-	-	-	-
Other public authorities	-	25,702	168,711	61,509	196	410,111	-	-	108,676
Other financial corporations and self-employed individuals (business financing activity)	**61**	**19**	**558,485**	**6,911**	**6**	**13,172**	**25,558**	**9**	**14**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by sector)	**73,345**	**318,886**	**3,127,190**	**2,179,142**	**118,569**	**3,178,018**	**818,697**	**27,667**	**13,609**
Construction and property development (including land)	13	1,750	36,647	34,549	252	77,938	62	-	946
Civil works construction	-	-	-	-	-	-	-	-	-
Other purposes	73,332	317,136	3,090,543	2,144,593	118,317	3,100,080	818,635	27,667	12,663
Large companies	20,224	171,565	2,150,241	514,148	81,470	784,699	785,598	8,952	3,392
SMEs and self-employed	53,108	145,571	940,302	1,630,445	36,847	2,315,381	33,037	18,715	9,271
Other households (broken down by purpose)	**9,936**	**50,041**	**755,018**	**2,419,237**	**50,327**	**3,942,872**	**7,721**	**9,221**	**56,182**
Housing	7,755	47,090	714,333	2,139,940	47,038	3,298,085	7,120	8,569	51,324
Food & drink	391	1,276	12,520	87,938	1,948	186,964	176	374	1,058
Other purposes	1,790	1,675	28,165	191,359	1,341	457,823	425	278	3,800
TOTAL	**83,342**	**428,299**	**7,925,394**	**4,666,799**	**169,098**	**7,590,631**	**3,430,386**	**36,897**	**178,481**

	Thousands of Euros									
	2022									
	TOTAL	Andalusia	Aragón	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla-Leon	Catalonia
Central banks and credit institutions	**6,647,902**	**514,805**	**12,684**	**-**	**710**	**-**	**5,137**	**-**	**-**	**-**
Public authorities	**8,324,123**	**233,221**	**17,334**	**25,175**	**50,765**	**384,660**	**-**	**71,325**	**67,485**	**173,405**
Spanish government	6,638,536	-	-	-	-	-	-	-	-	-
Other public authorities	1,685,587	233,221	17,334	25,175	50,765	384,660	-	71,325	67,485	173,405
Other financial corporations and self-employed individuals (business financing activity)	**1,972,084**	**1,145,819**	**121**	**4**	**1,002**	**942**	**2**	**200**	**1,468**	**19,185**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by sector)	**18,128,496**	**4,348,553**	**327,768**	**141,058**	**530,975**	**711,672**	**33,403**	**356,387**	**1,105,877**	**1,114,843**
Construction and property development (including land)	373,197	134,951	9	-	2,689	18,442	12	25,614	8,738	9,309
Civil works construction	3,791	260	-	-	-	-	-	-	-	-
Other purposes	17,751,508	4,213,342	327,759	141,058	528,286	693,230	33,391	330,773	1,097,139	1,105,534
Large companies	5,650,587	639,935	152,473	109,038	99,296	149,700	4,570	63,231	140,488	535,327
SMEs and self-employed	12,100,921	3,573,407	175,286	32,020	428,990	543,530	28,821	267,542	956,651	570,207
Other households (broken down by purpose)	**13,945,938**	**3,943,504**	**34,240**	**18,647**	**405,026**	**438,594**	**11,633**	**140,827**	**528,633**	**984,124**
Housing	12,441,746	3,522,423	31,658	17,085	368,289	388,700	10,973	128,749	488,242	926,316
Food & drink	324,684	97,141	748	611	7,237	17,322	407	3,473	14,429	10,491
Other purposes	1,179,508	323,940	1,834	951	29,500	32,572	253	8,605	25,962	47,317
TOTAL	**49,018,543**	**10,185,902**	**392,147**	**184,884**	**988,478**	**1,535,868**	**50,175**	**568,739**	**1,703,463**	**2,291,557**

	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencian Community	Basque Country	La Rioja	Ceuta y Melilla
Central banks and credit institutions	**-**	**-**	**6,114,188**	**-**	**-**	**276**	**102**	**-**	**-**
Public authorities	**-**	**-**	**157,864**	**27,163**	**219**	**384,082**	**-**	**1,517**	**91,372**
Spanish government	-	-	-	-	-	-	-	-	-
Other public authorities	-	-	157,864	27,163	219	384,082	-	1,517	91,372
Other financial corporations and self-employed individuals (business financing activity)	**86**	**24**	**765,792**	**7,608**	**6**	**4,794**	**25,007**	**-**	**24**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by sector)	**64,642**	**323,519**	**2,391,900**	**2,388,951**	**130,275**	**3,493,892**	**621,079**	**30,312**	**13,390**
Construction and property development (including land)	22	1,386	27,275	37,504	288	105,943	-	-	1,015
Civil works construction	-	-	3,531	-	-	-	-	-	-
Other purposes	64,620	322,133	2,361,094	2,351,447	129,987	3,387,949	621,079	30,312	12,375
Large companies	11,752	189,265	1,680,882	501,324	84,652	735,312	538,658	10,701	3,983
SMEs and self-employed	52,868	132,868	680,212	1,850,123	45,335	2,652,637	82,421	19,611	8,392
Other households (broken down by purpose)	**8,409**	**42,484**	**784,266**	**2,484,924**	**45,599**	**3,999,188**	**7,872**	**9,317**	**58,651**
Housing	7,708	39,326	742,812	2,217,867	42,503	3,438,122	7,188	8,606	55,179
Food & drink	224	846	8,741	59,872	914	100,975	151	197	905
Other purposes	477	2,312	32,713	207,185	2,182	460,091	533	514	2,567
TOTAL	**73,137**	**366,027**	**10,214,010**	**4,908,646**	**176,099**	**7,882,232**	**654,060**	**41,146**	**163,437**

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

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 sheets are as follows:

	Thousands of Euros			
	Assets		**Liabilities**	
	2023	**2022**	**2023**	**2022**
Derivatives	814	2,057	751	2,021
Equity instruments	-	-	-	-
Debt securities	-	-	-	-
Loans and advances	-	-	-	-
Total	**814**	**2,057**	**751**	**2,021**

8.2.1. Derivatives

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

At 31 December 2023 and 31 December 2022, the fair value of trading derivatives on the asset side is €814 thousand and €2,057 thousand, respectively, and the fair value of derivatives on the liabilities side is €751 thousand and €2,021 thousand, respectively.

The 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. For the most part they consist of interest rate derivatives, whose notional amount at 31 December 2023 was €844,753 thousand (€1,086,073 thousand at 31 December 2022).

The notional amounts of the financial derivatives recorded as "Trading derivatives" at 31 December 2023 and 31 December 2022 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							
	2023				2022			
	Carrying amount		Notional amount		Carrying amount		Notional amount	
	Financial assets held for trading	Financial liabilities held for trading	Total trading	Of which: sold	Financial assets held for trading	Financial liabilities held for trading	Total trading	Of which: sold
Interest rate	**395**	**381**	**844,753**	**7,334**	**2,057**	**2,021**	**1,086,073**	**9,044**
OTC options	109	108	14,669	7,334	131	131	18,088	9,044
Other OTC	286	273	830,084		1,926	1,890	1,067,985	
Other OTC	-	-	-		-	-	-	
Foreign exchange and gold	**419**	**370**	**60,330**	**-**	**-**	**-**	**-**	**-**
Other OTC	419	370	60,330	-	-	-	-	
DERIVATIVES	**814**	**751**	**905,083**	**7,334**	**2,057**	**2,021**	**1,086,073**	**9,044**
Of which: OTC – credit institutions	492	301	871,160		2,057	-	1,049,735	
Of which: OTC – others	322	450	33,923		-	2,021	36,338	

The fair value of the Group's financial asset and liability derivatives, by nature and counterparty, at 31 December 2023 and 31 December 2022 is as follows (Note 3.27):

	Thousands of Euros									
2023			Fair value hierarchy:			Change in fair value in the year		Accumulated change in fair value before taxes		
	Balance	*Of which: Securities*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading										
Derivatives	814	814	-	814	-	85,825	-	-	(116,515)	-
Financial liabilities held for trading										
Derivatives	751	751	-	751	-	(85,792)	-	-	(117,275)	-

2022	Thousands of Euros									
			Fair value hierarchy:			Change in fair value in the year		Accumulated change in fair value before taxes		
	Balance	*Of which: Securities*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading										
Derivatives	2,057	2,057	-	2,057	-	110,480	-	-	(109,977)	-
Financial liabilities held for trading										
Derivatives	2,021	2,021	-	2,021	-	(110,371)	-	-	(116,680)	-

8.2.2 Equity instruments

At 31 December 2023 and 31 December 2022, the Group does not hold any positions in this portfolio, but in 2023 a portfolio was established in the amount of €87,621 thousand (€70,786 thousand euros in 2022) and was removed from the balance sheet that the same year.

Income from “Equity instruments” at 31 December 2023 was zero (€3 thousand at 31 December 2022) (Note 26).

The result on disposal of assets classified in this portfolio at 31 December 2023 was a gain of €13 thousand (a loss of €44 thousand at 31 December 2022) (Note 26).

8.2.3. Debt securities

At 31 December 2023 and 31 December 2022 the Group had no positions in this portfolio.

8.2.4. Loans and advances

At 31 December 2023 and 31 December 2022 there were no balances classified under this balance sheet heading.

8.3. Non-trading financial assets mandatorily at fair value through profit or loss

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

	Thousands of Euros	
	2023	**2022**
Equity instruments	2,692	2,312
Debt securities	41,560	40,000
Loans and advances	440,139	427,525
Total	**484,391**	**469,837**

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 2023 and 31 December 2022 the breakdown of this heading by the issuer's business sector is as follows:

	Thousands of Euros	
	2023	**2022**
Credit institutions	-	-
Other resident sectors	-	-
Non-residents	2,692	2,312
Total	**2,692**	**2,312**

The breakdown of the "Equity instruments" account at 31 December 2023 and 31 December 2022, showing the percentages of the total, is as follows:

	2023		**2022**	
	Thousands of Euros	**% of total**	**Thousands of Euros**	**% of total**
Non-listed:	**2,692**	**100.00%**	**2,312**	**100.00%**
Cost	832	30.91%	862	37.28%
Valuation adjustments against profit or loss	1,860	69.09%	1,450	62.72%
Total	**2,692**	**100.00%**	**2,312**	**100.00%**

The movements in the "Equity instruments" account during 2023 and 2022, without considering impairment losses, were as follows:

	Thousands of Euros	
	Non-listed	
	2023	**2022**
Opening balance	**2,312**	**4,119**
Additions	-	-
Disposals	-	(751)
Value adjustments against profit and loss	410	(1,149)
Correction of the cost due to currency conversion	(30)	93
Closing balance	**2,692**	**2,312**

The movements due to derecognition of unlisted securities in 2022 relate to the partial settlement of "Class C" (convertible) shares of Visa Inc., representing 46.6% of the investment held at that date, which was executed in the second contractually recognised conversion window and applying the exchange rate at that date.

8.3.2 Debt securities

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

	Thousands of Euros	
	2023	**2022**
Central banks	-	-
General governments	-	-
Credit institutions	34,098	32,075
Other private sectors	7,462	7,925
Non-performing assets	-	-
Total	**41,560**	**40,000**

At 31 December 2023 and 31 December 2022 there were no securities pledged to secure transactions.

Movements in the balance under this heading of the accompanying consolidated balance sheet in 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**40,000**	**108,745**
Procurements	-	2,985
Sales and redemptions	(437)	(65,427)
Portfolio cost allowance	(347)	(5,786)
Accrued interest	29	(517)
Valuation adjustments against profit and loss	2,315	-
Closing balance	**41,560**	**40,000**

At 31 December 2023 the nominal amount of the securities in this portfolio was €46,422 thousand, while their fair value was €41,560 thousand. At 31 December 2022 the nominal amount of the securities in this portfolio was €47,219 thousand, while their fair value was €40,000 thousand.

Income from “Debt securities” at 31 December 2023 amounted to €2,753 thousand (€6,507 thousand at 31 December 2022) (Note 26).

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2023 was 4.36% (3.68% in 2022).

8.3.3. Loans and advances

At 31 December 2023 the Group recognised a receivable from Generali of €440,139 thousand (€427,525 thousand at 31 December 2022) corresponding to the fair value of the best estimate of the variable price of the Cajamar Vida, S.A. transaction and of the balances relating to receivables obtained through various novation agreements.

In 2004, the Group sold 50% of the capital of Cajamar Vida, S.A. de Seguros y Reaseguros to Generali España, Holding de Entidades de Seguros, S.A., retaining the other 50% of the shares. According to the share sale-purchase agreement, the shares’ overall price, which is to be settled in 15 years, consisted of a fixed price and a variable price that will be calculated based on the value of the business and the net value of the assets at the time the contract, which has been rolled over several times, expires. Subsequently, to give coverage to agreements reached by the newly configured SIP and branch network, the contract was renegotiated in subsequent years, mainly to modify the determination of the variable price.

In 2022 the Group signed the fourth novation of its banking insurance agreement with Generali, affirming their continued mutual interest in the alliance, with options to terminate in 2035, and introducing adjustments to the cash flows and calculations thereof, thereby rebalancing the agreement between the parties. In said novation agreement, a part of the variable price was established, referred to as the extraordinary accrued variable price. This income arose from the recognition of services provided in the past and was not, therefore, linked to any plan involving a minimum volume of products to be sold by the Group and its network. As a result of the estimate of the extraordinary accrued variable price and the consolidation of rights prior to the novation, at 31 December 2022 a sum of €18,632 thousand was recognised in the consolidated statement of profit or loss under “Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net” and €2,752 thousand under net interest income as the financial component of the operation.

Also, during the third quarter of 2022, the Group recognized the earn-out corresponding to 2021 for a present value of €56,458 thousand, of which €55,482 thousand was recorded as “Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net” and €976 thousand as net interest income.

At 31 December 2023, €8,537 thousand for the annual recognition until 2035 of the remaining extraordinary variable price resulting from the fourth novation are recognised in the consolidated profit and loss account under the heading “Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net” and €4,077 thousand in net interest income as the financial component of the transaction.

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

At 31 December 2023 and 31 December 2022 there were no balances recognised under this balance sheet heading.

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	
	2023	**2022**
Debt securities	748,085	1,521,208
Equity instruments	137,972	137,494
Loans and advances	-	-
Total	**886,057**	**1,658,702**

The fair value of assets classified in the “Financial assets at fair value through other comprehensive income” portfolio is classified in three levels: Level 1 includes all those assets whose valuation prices are obtained from active markets; Level 2 is for assets having prices or valuations based on variables other than those that apply to Level 1 and which are directly or indirectly observable in the market; and Level 3 contains assets whose valuation or valuation price is provided by a third party or calculated internally on the basis of in-house criteria and models (Note 8.1).

8.5.1. Debt securities

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

	Thousands of Euros	
	2023	**2022**
Central banks	-	-
Public administrations	593,359	1,373,595
Credit institutions	107,004	115,002
Other private sectors	50,778	35,667
Non-performing assets	-	-
Valuation adjustments:		
Valuation adjustments for impairment	(3,056)	(3,056)
Total	**748,085**	**1,521,208**

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2023 was 0.80% (0.33% in 2022).

At 31 December 2023 no amount of the balance of "Debt securities" related to "Repurchase agreements" (€529,235 thousand at 31 December 2022).

The movements in the balance of this item in the accompanying consolidated balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**1,521,208**	**438,952**
Procurements	-	1,232,241
Sales and redemptions	(800,986)	(102,534)
Portfolio cost allowance	1,564	(1,974)
Accrued interest	(70)	216
Valuation adjustments in equity	26,369	(45,694)
Valuation adjustments for impairment	-	1
Closing balance	**748,085**	**1,521,208**

The gains or losses on disposal of assets classified as "Financial assets at fair value through other comprehensive income" recognised in profit or loss at 31 December 2023 are zero (€3,632 thousand at 31 December 2022) (Note 26).

The interest accrued on "Debt securities" at 31 December 2023 was €5,914 thousand (€5,763 thousand at 31 December 2022) (Note 26).

The breakdown of impairment losses booked at 31 December 2023 and 31 December 2022 for assets under the "Financial assets at fair value through other comprehensive income – Debt securities" heading is as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**(3,056)**	**(3,057)**
Allowances taken to profit or loss	-	-
Recoveries	-	1
Cancellations due to use and others	-	-
Closing balance	**(3,056)**	**(3,056)**

8.5.2 Equity instruments

This heading of the accompanying 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 2023 and 31 December 2022 the breakdown of this heading by the issuer's business sector is as follows:

	Thousands of Euros	
	2023	**2022**
General governments	358	631
Credit institutions	2,952	2,952
Other sectors - Residents	71,491	68,558
Non-residents	63,170	65,353
Total	**137,971**	**137,494**

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 €5,013 thousand at 31 December 2023 (€6,588 thousand at 31 December 2022) (Note 18.2).

Income from "Equity instruments" at 31 December 2023 and 31 December 2022 amounted to €4,724 thousand and €3,778 thousand, respectively (Note 26).

The breakdown of the "Equity instruments" account at 31 December 2023 and 31 December 2022, based on whether the shares are listed or not and showing the percentages of the total, is as follows:

	2023		**2022**	
	Thousands of Euros	**% of total**	**Thousands of Euros**	**% of total**
Listed:	**12,630**	**9.15%**	**14,245**	**10.36%**
Cost	13,540	9.81%	15,613	11.36%
Accumulated other comprehensive income	(910)	(0.66%)	(1,368)	(0.99%)
Non-listed:	**125,341**	**90.85%**	**123,249**	**89.64%**
Cost	123,604	89.59%	124,522	90.57%
Accumulated other comprehensive income	1,737	1.26%	(1,273)	(0.93%)
Total	**137,971**	**100.00%**	**137,494**	**100.00%**

In 2023 and 2022 the "Equity instruments" account 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	
	2023	2022	2023	2022
Opening balance	**14,245**	**16,292**	**123,249**	**114,962**
Additions	7,231	3,709	11,678	41,548
Disposals	(9,425)	(3,800)	(12,474)	(36,431)
Transfers and reclassifications	122	-	(122)	10
Cost correction	-	-	-	343
Accumulated other comprehensive income	458	(1,956)	3,010	2,817
Closing balance	**12,631**	**14,245**	**125,341**	**123,249**

The additions to "Equity instruments" in 2023 in the unlisted securities category consist mainly of new contributions to funds of the companies Altamar Global Private X F.C.R., Pemberton Senior Loan Fund SCSP SICAV-RAIF (A), Alteralia III S.C.A., Oquendo IV, S.C.A. SICAV-RAIF and Oquendo Senior Debt Fund II, S.C.A. SICAV.

The derecognitions in 2023 consist mainly of redemptions of shares in funds of the companies AC Advantage-Credit Strategies (Arcano Fund), Oquendo Senior Debt Fund One, S.C.A. SICAV-RAIF, Pemberton Senior Loan Fund SCSP SICAV-RAIF (A) and Altamar Global Secondaries IX, F.C.R.

The most significant additions to "Equity instruments" in 2022 in the unlisted securities category consist mainly of new contributions to investment funds of the companies Pemberton Senior Loan Fund SCSP SICAV-RAIF (A), Oquendo Senior Debt Fund II, S.C.A. SICAV-RAIF, Private Debt Co-Investor Fund II and Altamar Global Private X.

In 2022, as provided in the original contract signed by the Group in 2021 as part of the "Project Jaguar" deal, the Group took an equity stake in the company Promontoria Jaguar Real Estate, S.L. and subsequently divested the entire stake.

The main derecognitions in 2022 relate to repayments of shares in investment funds of Pemberton Senior Loan Fund SCSP SICAV-RAIF (A), Private Debt Co-Investor Fund II, Trea Direct Lending S.C.A. SICAV-RAIF (TREA DL II), and Oquendo Senior Debt Fund One, S.C.A. SICAV-RAIF.

8.5.3. Loans and advances

At 31 December 2023 and 31 December 2022 there were no balances classified under this balance sheet heading.

8.5.4. Accumulated other comprehensive income

In accordance with the description provided in Note 3.1 to the accompanying annual accounts, the re-measurement of "Financial assets at fair value through other comprehensive income", net of taxes, is recorded in equity under "Accumulated other comprehensive income", which therefore records the changes in fair value net of taxes (Note 20).

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.

Details of these changes in the consolidated balance sheets at 31 December 2023 and 31 December 2022 are as follows:

Items that will not be reclassified to profit or loss	Thousands of Euros	
	2023	2022
Changes in the fair value of equity instruments at fair value through other comprehensive income	**5,624**	**2,403**
Gains/losses	13,721	10,274
Tax effect	(8,097)	(7,871)
Total valuation adjustments	**5,624**	**2,403**

Items that will be reclassified to profit or loss	Thousands of Euros	
	2023	2022
Debt instruments at fair value through other comprehensive income	**(17,995)**	**(36,833)**
Gains/losses	(24,407)	(50,766)
Tax effect	6,412	13,933
Total valuation adjustments	**(17,995)**	**(36,833)**

8.6. Financial assets at amortised cost

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

	Thousands of Euros	
	2023	2022
Loans and advances to credit institutions	1,047,757	568,193
Loans and advances to customers	36,050,436	35,828,633
Debt securities	12,183,806	13,974,672
Total	**49,281,999**	**50,371,498**

The following table shows loans and receivables drawn down and financial guarantees given at 31 December 2023 and 31 December 2022 by segment, portfolio and sub-portfolio:

	Thousands of Euros			
	2023		2022	
	Exposure	Distribution (%)	Exposure	Distribution (%)
Retail:	**22,538,496**	**53.36%**	**23,717,054**	**57.28%**
Home mortgage:	**12,407,862**	**29.37%**	**13,026,981**	**31.46%**
Primary	10,884,110	25.76%	11,527,676	27.84%
Other uses	1,523,752	3.61%	1,499,305	3.62%
Other household financing:	**1,106,135**	**2.62%**	**991,280**	**2.39%**
Micro-consumer	749,925	1.78%	577,009	1.39%
Other goods and services	356,210	0.84%	414,271	1.00%
Automatically renewable:	**706,240**	**1.67%**	**686,713**	**1.66%**
Credit cards	700,843	1.66%	678,417	1.64%
Overdrafts	5,397	0.01%	8,296	0.02%
Small businesses:	**4,602,929**	**10.90%**	**5,191,357**	**12.54%**
Self-employed	1,344,575	3.18%	1,544,893	3.74%
Micro companies	1,691,844	4.01%	1,995,013	4.82%
Small retail	1,115,090	2.64%	1,206,868	2.91%
Medium retail	451,420	1.07%	444,583	1.07%
Retail agro-food:	**3,715,330**	**8.80%**	**3,820,723**	**9.23%**
Greenhouse cultivation	673,054	1.60%	739,430	1.79%
Other agro-food sector	3,042,276	7.20%	3,081,293	7.44%
Corporate:	**14,371,739**	**34.03%**	**13,095,285**	**31.63%**
Developers:	**479,569**	**1.15%**	**599,042**	**1.45%**
Housing development	314,190	0.75%	393,354	0.95%
Land	53,314	0.13%	63,580	0.15%
Other developers	112,065	0.27%	142,108	0.34%
Corporate agro-food:	**4,855,147**	**11.49%**	**4,769,784**	**11.52%**
Agrofood producer	1,073,873	2.54%	1,194,976	2.89%
Agrofood distributor	3,025,531	7.16%	2,965,917	7.16%
Agrofood auxiliary industry	755,743	1.79%	608,891	1.47%
SMEs:	**2,472,391**	**5.85%**	**2,498,088**	**6.03%**
Small	1,499,570	3.55%	1,429,281	3.45%
Medium	972,821	2.30%	1,068,807	2.58%
Large companies:	**6,564,632**	**15.54%**	**5,228,371**	**12.63%**
Public administrations:	**3,944,189**	**9.34%**	**3,149,711**	**7.60%**
Non-profits:	**157,475**	**0.37%**	**160,411**	**0.39%**
Financial intermediaries:	**1,225,506**	**2.90%**	**1,281,462**	**3.10%**
Total loan portfolio	**42,237,405**	**100.00%**	**41,403,923**	**100.00%**
Of which: structured transactions	**2,893,408**	**6.85%**	**2,832,746**	**6.84%**

Note: the figures presented in the table above correspond to the information managed by the Loan Book Control Area and not the balance sheet figures. They include customer loans and advances, contingent liabilities, undrawn balances drawable by third parties (with the exception of developer loans which exclude amounts drawable due to subrogations), write-off assets and loans securitised and derecognised; they do not include valuation adjustments.

8.6.1. Loans and advances – Deposits at credit institutions

Details of this account under "Loans and advances" on the consolidated balance sheets according to the instrument type are as follows:

	Thousands of Euros	
	2023	**2022**
Term deposits	**75,000**	**80,000**
Reverse repurchase agreement	**686,621**	**-**
Other financial assets	**273,249**	**474,492**
Valuation adjustments	**12,887**	**13,701**
Accrued interest	1,914	825
Unaccrued transaction costs	18	15
Premium (discount) on acquisition	10,955	12,861
Total	**1,047,757**	**568,193**

Details of the amounts, without valuation adjustments, at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Performing exposure	1,034,870	554,492
Of which: Performing exposures under special monitoring	-	-
Non-performing exposure	-	-
Closing balance	**1,034,870**	**554,492**

The movement in impairment losses recognised at 31 December 2023 is as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2022	**-**	**-**	**-**	**-**
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	-	6	-	6
Balance at 31 December 2023	**-**	**-**	**-**	**-**

The movement in impairment losses recognised at 31 December 2022 is as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2021	**(1)**	**(1)**	**-**	**(2)**
Increases due to origination and acquisition	-	-	-	-
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	1	(5)	-	(4)
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	-	6	-	6
Balance at 31 December 2022	**-**	**-**	**-**	**-**

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	
	2023	**2022**
By credit type and status:		
Commercial loans	1,654,615	1,529,700
Secured loans	17,252,301	18,308,103
Other term loans	15,280,981	13,938,071
Finance leases	292,529	291,949
Receivables on demand and others	713,878	557,112
Non-performing assets	778,278	1,013,625
Other financial assets:		
Commissions for financial guarantees and other commitments given (Note 22.2) (Note 22.3)	55,313	56,193
Other financial assets	307,775	626,493
Of which in arrears	*394*	*254*
Valuation adjustments	(285,234)	(492,613)
Total	**36,050,436**	**35,828,633**
By sector:		
General governments	2,668,151	1,875,728
Other private sectors:		
Financial corporations	1,144,577	1,619,907
Non-financial corporations	15,659,027	15,119,778
Households	16,578,681	17,213,220
Total	**36,050,436**	**35,828,633**

The heading “Other financial assets – Other assets” includes other balances receivable by the Group for transactions that are not classified as loans, primarily guarantees required to operate in markets.

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2023 was 4.59% (2.04% in 2022).

In 2023 the Group individually assigned certain loans for non-material amounts, recognising income in profit or loss of €8,000 thousand (€7,925 thousand in 2022). In 2023 and 2022, within the framework of its strategy for the management of non-performing assets, the Group sold a number of loan books containing receivables of various types, origin and amount and generally with varying terms and guarantees (mortgage and non-mortgage) (Notes 1.7, 8.6.5 and 8.6.6).

As a result of these sales the assignees acquired full ownership of the assigned loans.

Financial assets classified under “Loans and advances - Customer loans” are initially measured at fair value, adjusted for the transaction costs that are directly attributable at the transaction date. These assets are subsequently measured at amortised cost using the effective interest rate method. The Group estimates the fair value of these assets net of valuation adjustments at €37,808,596 thousand at 31 December 2023 (€38,032,824 thousand at 31 December 2022).

Details of the amounts, without valuation adjustments, of loans and advances to customers at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Performing exposure	35,556,998	35,307,367
Of which: Performing exposures under special monitoring	*2,520,767*	*2,665,235*
Non-performing exposure	778,278	1,013,625
Other assets in arrears	394	254
Closing balance	**36,335,670**	**36,321,246**

The amount of the collateral received to secure the transactions recorded under "Loans and advances to customers" at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros						
	Maximum amount of collateral or personal guarantee that can be considered						
2023	**Loans collateralised by property**		**Other collateralised loans**				**Financial guarantees received**
	Residential buildings	**Commercial buildings**	**Cash, deposit, [debt securities issued]**	**Moveable goods**	**Equity instruments and Debt securities**	**Other**	
Loans and advances	**13,198,211**	**3,795,690**	**23,068**	**2,144**	**-**	**16,756**	**3,185,969**
Of which: Other financial corporations	1,206	10,806	50	-	-	-	**18,896**
Of which: Non-financial corporations	384,218	2,698,476	15,860	2,063	-	1,660	**2,561,917**
Of which: Small and medium-sized enterprises	378,810	2,262,176	10,133	2,063	-	1,660	**1,972,144**
Of which: Business property loans to small and medium-sized enterprises	282,915	2,262,176	1,174	510	-	-	**120,580**
Of which: Business property loans to non-financial corporations other than small and medium-sized enterprises	5,060	436,300	-	-	-	-	**3,202**
Of which: Households	12,794,005	1,077,537	6,952	81	-	15,097	**600,491**
Of which: Lending for house purchase	11,993,615	133,074	1,220	-	-	22	**15,701**
Of which: Consumer credit	69,997	8,234	1,624	-	-	-	**9,512**

	Miles de euros						
	Maximum amount of collateral or personal guarantee that can be considered						
2022	**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	**13,804,747**	**3,970,979**	**20,907**	**2,636**	**-**	**3,369**	**3,305,365**
Of which: Other financial corporations	1,312	11,723	81	-	-	-	**20,020**
Of which: Non-financial corporations	435,651	2,732,006	13,419	2,363	-	3,259	**2,793,035**
Of which: Small and medium-sized enterprises	432,974	2,413,004	10,917	2,363	-	3,259	**2,318,089**
Of which: Business property loans to small and medium-sized enterprises	321,838	2,413,004	1,616	-	-	-	**19,027**
Of which: Business property loans to non-financial corporations other than small and medium-sized enterprises	1,920	319,002	-	-	-	-	**-**
Of which: Households	13,347,320	1,218,031	7,071	273	-	109	**487,261**
Of which: Lending for house purchase	12,408,995	161,529	1,434	-	-	34	**11,304**
Of which: Consumer credit	2,551	163	1,053	-	-	-	**7,726**

The breakdown of loans and advances to customers at 31 December 2023 and 31 December 2022 by counterparty, showing the amount covered by each of the main guarantees and the distribution of the secured loans according to the ratio of the carrying amount of the loan to the amount of the latest available appraisal or valuation of the collateral, is as follows:

	Thousands of Euros							
2023				Secured loans, carrying amount 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%
General governments	**2,651,264**	**32,269**	**205**	**9,225**	**10,297**	**2,114**	**205**	**10,633**
Other financial corporations and self-employed individuals (financial business activity)	**914,520**	**16,172**	**766**	**13,256**	**2,004**	**888**	**163**	**627**
Non-financial corporations and self-employed individuals (non-financial business activity)	**18,581,787**	**4,471,905**	**253,434**	**1,889,754**	**1,574,069**	**804,921**	**156,865**	**299,730**
Real estate development and construction (including land)	258,784	240,632	5,202	77,525	111,300	35,765	8,374	12,870
Other purposes	18,323,003	4,231,273	248,232	1,812,229	1,462,769	769,156	148,491	286,860
Large companies	7,473,225	477,466	43,873	215,058	139,506	72,122	26,556	68,097
SMEs and self-employed individuals	10,849,778	3,753,807	204,359	1,597,171	1,323,263	697,034	121,935	218,763
Other households	**13,902,866**	**12,710,565**	**49,051**	**3,617,967**	**3,721,771**	**4,107,271**	**962,965**	**349,642**
Housing	12,299,007	12,203,069	4,354	3,380,104	3,591,354	4,003,249	929,720	302,996
Food & drink	514,070	79,957	4,346	45,459	19,368	13,027	2,338	4,111
Other purposes	1,089,789	427,539	40,351	192,404	111,049	90,995	30,907	42,535
Total	**36,050,437**	**17,230,911**	**303,456**	**5,530,202**	**5,308,141**	**4,915,194**	**1,120,198**	**660,632**
Memorandum items:								
Refinancing, refinanced and restructured transactions	**987,277**	**617,201**	**4,001**	**176,745**	**172,400**	**130,893**	**57,654**	**83,510**

	Thousands of Euros							
2022				Secured loans, carrying amount 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%
General governments	**1,860,031**	**34,946**	**336**	**8,233**	**11,248**	**3,145**	**1,321**	**11,335**
Other financial corporations and self-employed individuals (financial business activity)	**1,069,414**	**19,123**	**128**	**13,778**	**2,454**	**2,195**	**304**	**520**
Non-financial corporations and self-employed individuals (non-financial business activity)	**18,739,033**	**4,675,443**	**174,860**	**1,827,591**	**1,610,125**	**901,618**	**183,962**	**327,007**
Real estate development and construction (including land)	303,945	295,895	1,359	110,281	101,345	43,486	13,200	28,942
Execution of civil works	3,792	3,792	-	19	3,773	-	-	-
Other purposes	18,431,296	4,375,756	173,501	1,717,291	1,505,007	858,132	170,762	298,065
Large companies	6,198,960	347,687	12,545	127,142	114,906	47,102	26,266	44,816
SMEs and self-employed individuals	12,232,336	4,028,069	160,956	1,590,149	1,390,101	811,030	144,496	253,249
Other households	**14,160,155**	**13,317,606**	**6,820**	**3,744,945**	**3,926,793**	**4,135,458**	**1,108,747**	**408,483**
Housing	12,696,805	12,665,811	1,719	3,500,885	3,759,454	4,004,498	1,047,524	355,169
Food & drink	326,117	2,813	1,116	1,808	313	392	935	481
Other purposes	1,137,233	648,982	3,985	242,252	167,026	130,568	60,288	52,833
Total	**35,828,633**	**18,047,118**	**182,144**	**5,594,547**	**5,550,620**	**5,042,416**	**1,294,334**	**747,345**
Memorandum items:								
Refinancing, refinanced and restructured transactions	**1,175,330**	**836,711**	**11,198**	**246,991**	**234,122**	**224,275**	**68,441**	**74,080**

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 2023 and 31 December 2022 is as follows:

	Thousands of Euros					
	2023			2022		
Thousands of Euros	Risk	Distribution	Of which: Doubtful assets	Risk	Distribution	Of which: Doubtful assets
Exceeding 6,000	10,762,922	29.62%	80,130	9,312,588	25.64%	68,390
Between 3,000 and 6,000	1,485,077	4.09%	35,767	1,605,537	4.42%	59,252
Between 1,000 and 3,000	2,624,901	7.22%	102,171	2,719,554	7.49%	92,864
Between 500 and 1,000	2,113,309	5.82%	98,941	2,265,268	6.24%	104,919
Between 250 and 500	3,057,305	8.41%	83,768	3,257,039	8.97%	133,865
Between 125 and 250	4,994,685	13.75%	130,309	5,377,243	14.80%	217,977
Between 50 and 125	7,718,016	21.24%	148,427	8,264,726	22.75%	218,605
Between 25 and 50	2,185,110	6.01%	48,144	2,250,036	6.19%	63,520
Less than 25	1,394,345	3.84%	51,016	1,269,255	3.49%	54,487
Measurement adjustments	(285,234)			(492,613)		
Loans and advances	**36,050,436**	**100.00%**	**778,672**	**35,828,633**	**99.99%**	**1,013,879**

8.6.2.1 Valuation adjustments

Details of valuation adjustments to transactions classified as “Loans and advances – Customer loans” are as follows:

	Thousands of Euros	
	2023	2022
Valuation adjustments:		
Impairment allowances	(575,753)	(693,240)
Impairment allowances for other financial assets	(590)	(423)
Accrued interest	162,460	75,821
Micro-hedging transactions	3,038	-
Accumulated changes in fair value not due to credit risk	(3,359)	(4,463)
Premiums/discounts on acquisition	(19,022)	6,623
Commissions	(42,792)	(49,862)
Transaction costs	190,784	172,931
Total	**(285,234)**	**(492,613)**

The “Micro-hedging transactions” heading records the fair value hedge used by the Group to hedge a client position.

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 to the accompanying annual accounts. At 31 December 2023 and 31 December 2022 the outstanding balance of these transactions was as follows:

	Thousands of Euros	
	2023	**2022**
Written off the balance sheet:	**188,849**	**67,075**
Other transfers to credit institutions	7,223	6,030
Other transfers	181,626	61,045
Held on the balance sheet:	**3,193,144**	**4,073,097**
Loans granted to securitisation funds	3,193,144	4,073,097
Total	**3,381,993**	**4,140,172**

The change recorded in “Other transfers” at 31 December 2023 is due to the Group’s having derecognised certain transactions as explained in Note 1.7, while continuing to manage and administer the associated receipts.

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 2023 the Group held €2,989,827 thousand in retained securitised bonds from the above-mentioned transformations of loans and credit facilities (€3,738,608 thousand at 31 December 2022) (Note 8.7.3).

No amount of the aforementioned €2,989,827 thousand in securitisation bonds existing at 31 December 2023 or the €3,738,608 thousand existing at 31 December 2022 was pledged in the loan agreement secured by a pledge of securities and other assets entered into with the Bank of Spain (Note 8.7.1).

The gains and losses on the securitised assets removed from the consolidated balance sheet, consisting of all the 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 2023 they amounted to zero (€1,029 thousand at 31 December 2022). At 31 December 2023, the Group did not have any securitisation fund that had been removed from the balance sheet.

The net liability recognised on the balance sheet as a balancing entry for the securitised assets carried on the balance sheet is classified under “Financial liabilities at amortised cost – Customer deposits” in the total amount of €230,397 thousand at 31 December 2023 and €355,213 thousand at 31 December 2022, 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 secure the securitisations carried out, the issue of mortgage bonds as well as the transformations carried out, as follows:

	Thousands of Euros	
	2023	**2022**
Secured loans and credit facilities		
Securing asset securitisations	3,374,770	4,134,142
Securing mortgage bonds and securities	6,995,959	6,246,525
Total	**10,370,729**	**10,380,667**

In accordance with the minimum coverage established by legislation governing the issue of mortgage bonds, the loans and credit facilities securing these issues have been calculated by applying 125% to the issues in force and they constitute the minimum coverage of the total eligible portfolio for these issues.

During 2023, the fund "Rural Hipotecario Global I FTA", originated in November 2005 in the amount of €588,002 thousand, which was held on the balance sheet, was cancelled.

In 2022 the Group set up a new €900 million securitisation fund, the "Fondo de Titulización IM BCC Cajamar PYME 4 FT". The bonds were fully retained by Cajamar and backed by loans given to SMEs. The Group also cancelled the €330,000 thousand "Fondo de Titulización TDA 18 Mixto FTA", originated in November 2003 and held off-balance sheet. As indicated above, since this fund expired, the Group no longer has any off-balance sheet securitisation funds.

The securitisation arrangements in force at 31 December 2023 and 31 December 2022 to which the Group is party are as follows:

31 December 2023

Identifier	Stake	Origination date	Type of securitisation	Nature	Thousands of Euros: Amount at origination date	Thousands of Euros: Amount of securitised positions at reporting date
TDA19-MIXTO FTA	67.63%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	18,860
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	76,120
IM CAJAMAR3 FTA	100.00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000	131,543
RURAL HIPOTECARIO VIII FTA	34.54%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	39,643
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	140,944
RURAL HIPOTECARIO IX FTA	44.22%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	587,354	92,756
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	144,405
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	370,178
RURAL HIPOTECARIO X FTA	29.86%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	561,467	103,327
RURAL HIPOTECARIO XI FTA	29.02%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	633,195	146,325
RURAL HIPOTECARIO XII F.T.A.	29.55%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	268,786	61,732
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	328,899
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	161,246
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	457,270
IM BCC CAJAMAR PYME 3, F.T.	100.00%	06/04/2021	Other	ON-BALANCE SHEET	1,000,000	394,835
IM BCC CAJAMAR PYME 4, F.T.	100.00%	16/03/2022	Other	ON-BALANCE SHEET	900,000	525,061
					13,299,760	**3,193,144**

31 December 2022

Identifier	Stake	Origination date	Type of securitisation	Nature	Thousands of Euros: Amount at origination date	Thousands of Euros: Amount of securitised positions at reporting date
TDA19-MIXTO FTA	66.91%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	23,722
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	95,595
RURAL HIPOTECARIO Global I FTA	54.20%	18/11/2005	Multi-assignor	ON-BALANCE SHEET	588,002	48,990
IM CAJAMAR3 FTA	100.00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000	160,549
RURAL HIPOTECARIO VIII FTA	34.37%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	48,015
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	172,372
RURAL HIPOTECARIO IX FTA	44.40%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	587,354	110,999
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	176,113
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	435,264
RURAL HIPOTECARIO X FTA	29.86%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	561,467	122,028
RURAL HIPOTECARIO XI FTA	29.02%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	633,195	167,122
RURAL HIPOTECARIO XII F.T.A.	29.55%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	268,786	70,671
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	391,510
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	237,573
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	545,926
IM BCC CAJAMAR PYME 3, F.T.	100.00%	06/04/2021	Other	ON-BALANCE SHEET	1,000,000	568,798
IM BCC CAJAMAR PYME 4, F.T.	100.00%	16/03/2022	Other	ON-BALANCE SHEET	900,000	697,850
					13,887,762	**4,073,097**

8.6.2.3 Impairment losses on loans and advances – Customer loans

Details of and changes in impairment losses booked at 31 December 2023 for financial assets at amortised cost are as follows:

	Thousands of Euros				
	Valuation adjustments				
	Stage 1	Stage 2	Stage 3	Rights to financial assets acquired or originated with credit impairment	Total allowance
Balance at 31 December 2022	**(129,111)**	**(101,786)**	**(462,343)**	**-**	**(693,240)**
Increases due to origination and acquisition	(12,096)	(13,633)	(8,383)	-	(34,112)
Decreases due to derecognitions	14,687	10,356	229,417	-	254,460
Changes due to variation in credit risk (net)	(11,061)	(21,592)	(163,806)	-	(196,459)
Changes due to modifications with no derecognitions (net)	878	(3,399)	(7,689)	-	(10,210)
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	-	161	103,001	-	103,162
Other adjustments	66	(33)	765	(152)	646
Balance at 31 December 2023	**(136,637)**	**(129,926)**	**(309,038)**	**(152)**	**(575,753)**

Changes in gross exposures and impairment during 2023 are as follows:

	Thousands of Euros			
Gross exposure transfers:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		849,429	9,749	**859,178**
To Stage 2:	1,105,704		52,702	**1,158,406**
To Stage 3:	141,122	206,277		**347,399**
Impairment transfers:				
To Stage 1:		4,334	45	**4,379**
To Stage 2:	42,163		3,483	**45,646**
To Stage 3:	45,952	49,482		**95,434**

Details of and changes in impairment losses booked at 31 December 2022 for financial assets at amortised cost are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	Stage 2	Stage 3	Total allowance
Balance at 31 December 2021	**(121,750)**	**(115,351)**	**(697,066)**	**(934,167)**
Increases due to origination and acquisition	(11,664)	(10,066)	(11,436)	(33,166)
Decreases due to derecognitions	5,970	8,908	182,888	197,766
Changes due to variation in credit risk (net)	(1,648)	15,231	(154,109)	(140,526)
Changes due to modifications with no derecognitions (net)	(26)	(935)	737	(224)
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	-	418	217,955	218,373
Other adjustments	7	9	(1,312)	(1,296)
Balance at 31 December 2022	**(129,111)**	**(101,786)**	**(462,343)**	**(693,240)**

Changes in gross exposures and impairment during 2022 are as follows:

	Thousands of Euros			
Gross exposure transfers:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		688,260	2,738	**690,998**
To Stage 2:	1,099,092		45,617	**1,144,709**
To Stage 3:	84,165	237,932		**322,097**
Impairment transfers:				
To Stage 1:		2,565	34	**2,599**
To Stage 2:	29,078		4,169	**33,247**
To Stage 3:	23,357	59,903		**83,260**

Details of and changes in impairment losses on other financial assets classified in “Loans and advances – Customer loans” at 31 December 2023 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2022	**(229)**	**-**	**(194)**	**(423)**
Increases due to origination and acquisition	(9)	-	(260)	(269)
Decreases due to derecognitions	-	-	105	105
Changes due to variation in credit risk (net)	10	-	(13)	(3)
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 2023	**(228)**	**-**	**(362)**	**(590)**

Details of and changes in impairment losses on other financial assets classified in “Loans and advances – Customer loans” at 31 December 2022 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2021	**(247)**	**-**	**(751)**	**(998)**
Increases due to origination and acquisition	(12)	-	587	575
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	30	-	(30)	-
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 2022	**(229)**	**-**	**(194)**	**(423)**

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 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Charges for the year:	**(863,556)**	**(793,998)**
Allowances recognised in profit or loss	(793,543)	(720,297)
Repayments, net of loan losses	(70,013)	(73,701)
Recovery of write-offs	**31,366**	**16,447**
Other recoveries	**584,193**	**559,099**
Country risk	**25**	**(28)**
Charges	(29)	(51)
Recoveries	54	23
Total	**(247,972)**	**(218,480)**

8.6.4. Debt securities

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

	Thousands of Euros	
	2023	**2022**
Central banks	-	-
General governments	11,538,804	13,411,733
Credit institutions	173,188	110,919
Other private sectors	474,440	454,470
Non-performing assets	-	-
Valuation adjustments for impairment	(2,626)	(2,450)
Total	**12,183,806**	**13,974,672**

At 31 December 2023 and 31 December 2022, the fair value of the securities in this portfolio, including their valuation adjustments, amounted to €11,053,643 thousand and €12,239,257 thousand, respectively.

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2023 was 1.84% (1.69% in 2022).

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.

Of the balance of "Debt securities" at 31 December 2023, €2,600,595 thousand was pledged as collateral (€3,015,456 thousand at 31 December 2022), €4,469,435 thousand in the loan agreement secured by a pledge of securities and other assets entered into with the Bank of Spain (€6,915,125 thousand at 31 December 2022) and none in repurchase agreements (€4,023,345 thousand at 31 December 2022).

The return on "Debt securities" at 31 December 2023 was €266,806 thousand (€277,961 thousand at 31 December 2022) (Note 26).

Movements in the balance under this heading of the accompanying consolidated balance sheets in 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**13,974,672**	**14,599,303**
Procurements	185,472	2,518,985
Redemptions	(2,324,120)	(2,358,124)
Portfolio cost allowance	25,142	71,697
Accrued interest	2,535	1,357
Valuation adjustments, micro-hedge transaction	320,281	(858,515)
Valuation adjustments for impairment	(176)	(31)
Closing balance	**12,183,806**	**13,974,672**

Details of the impairment losses recognised at 31 December 2023 and 31 December 2022 for assets carried under the heading “Financial assets at amortised cost – Debt securities” are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance, impairment	**(2,450)**	**(2,418)**
Allowances taken to profit or loss	(10,631)	(166)
Recoveries	265	134
Cancellations due to use and others	10,190	-
Closing balance, impairment	**(2,626)**	**(2,450)**

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:

2023	Thousands of Euros				
	Total	Not past due or past due <=30 days	Past due > 30 days <= 90 days	Of which: Instruments without a significant increase in credit risk since initial recognition (Stage 1)	Of which: Instruments with a significant increase in credit risk since initial recognition but not impaired (Stage 2)
Loans and advances (*)	**36,895,863**	**36,577,387**	**318,476**	**34,373,028**	**2,520,767**
Central banks	-	-	-	-	-
General governments	2,668,150	2,667,182	968	2,667,183	968
Credit institutions	1,047,757	1,047,757	-	1,047,757	-
Other financial corporations	1,147,765	1,147,710	55	1,146,968	797
Non-financial corporations	15,496,309	15,406,431	89,878	14,297,014	1,199,292
Of which: Small and medium-sized enterprises	7,967,153	7,882,899	84,254	7,087,541	879,611
Of which: Collateralised by commercial immovable property	2,836,593	2,810,008	26,585	2,346,341	490,253
Households	16,535,882	16,308,307	227,575	15,214,106	1,319,710
Of which: Loans collateralised by residential immovable property	12,953,682	12,770,350	183,332	11,911,831	1,041,850
Of which: Consumer credit	508,932	502,996	5,936	484,078	24,855
Total debt instruments at amortised cost	**36,895,863**	**36,577,387**	**318,476**	**34,373,028**	**2,520,767**

2022	Thousands of Euros				
	Total	Not past due or past due <=30 days	Past due > 30 days <= 90 days	Of which: Instruments without a significant increase in credit risk since initial recognition (Stage 1)	Of which: Instruments with a significant increase in credit risk since initial recognition but not impaired (Stage 2)
Loans and advances (*)	**36,076,610**	**35,812,219**	**264,391**	**33,382,516**	**2,666,168**
Central banks	-	-	-	-	-
General governments	1,875,727	1,875,727	-	1,874,678	1,049
Credit institutions	568,193	568,193	-	568,193	-
Other financial corporations	1,623,364	1,623,293	71	1,622,949	416
Non-financial corporations	14,909,637	14,845,102	64,535	13,698,552	1,198,104
Of which: Small and medium-sized enterprises	8,658,014	8,593,551	64,463	7,670,661	975,286
Of which: Collateralised by commercial immovable property	2,859,961	2,838,273	21,688	2,341,748	510,784
Households	17,099,689	16,899,904	199,785	15,618,144	1,466,599
Of which: Loans collateralised by residential immovable property	13,480,494	13,317,015	163,479	12,329,464	1,141,408
Of which: Consumer credit	325,458	321,931	3,527	297,147	27,964
Total debt instruments at amortised cost	**36,076,610**	**35,812,219**	**264,391**	**33,382,516**	**2,666,168**

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

In 2023, as indicated in Notes 1.8 and 8.6.2, the Group sold various loan books. These sales resulted in the derecognition of performing assets in a gross amount of €36,597 thousand.

8.6.6. Information on non-performing exposures

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

2023 — Thousands of Euros

	Total	Unlikely to be paid <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year	Of which: Defaulted	Of which: Impaired instruments (Stage 3)	Of which: a Financial assets acquired or originated with credit impairment	Collateral received on non-performing exposures
Central banks	-	-	-	-	-	-	-	-	-
General governments	491	-	-	-	491	491	491	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	122	33	24	20	45	122	122	-	-
Non-financial corporations	496,416	143,267	70,588	62,815	219,746	493,073	488,718	7,698	108,916
Of which: Small and medium-sized enterprises	458,126	122,287	61,382	57,220	217,237	457,738	450,428	7,698	105,919
Of which: Collateralised by commercial immovable property	167,626	69,430	24,525	5,860	67,811	167,609	167,626	-	96,339
Households	281,643	68,221	32,053	37,158	144,211	275,474	281,643	-	136,900
Of which: Loans collateralised by residential immovable property	174,969	57,218	23,073	24,888	69,790	172,486	174,969	-	119,468
Of which: Consumer credit	16,546	1,626	1,821	2,534	10,565	16,446	16,546	-	2,005
Total debt instruments at amortised cost	**778,672**	**211,521**	**102,665**	**99,993**	**364,493**	**769,160**	**770,974**	**7,698**	**245,816**

2022 — Thousands of Euros

	Total	Unlikely to be paid <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year	Of which: Defaulted	Of which: Impaired instruments (Stage 3)	Of which: a Financial assets acquired or originated with credit impairment	Collateral received on non-performing exposures
Central banks	-	-	-	-	-	-	-	-	-
General governments	488	1	-	-	487	487	488	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	321	158	-	23	140	321	321	-	92
Non-financial corporations	561,933	126,601	33,407	85,087	316,838	556,743	561,933	-	158,076
Of which: Small and medium-sized enterprises	533,156	105,803	33,407	80,918	313,028	530,270	533,156	-	149,992
Of which: Collateralised by commercial immovable property	265,711	67,516	6,639	20,726	170,830	263,587	265,711	-	141,145
Households	451,137	84,988	18,529	31,368	316,252	446,198	451,137	-	201,224
Of which: Loans collateralised by residential immovable property	346,736	72,581	11,854	20,187	242,114	341,393	346,736	-	180,806
Of which: Consumer credit	6,467	609	739	1,081	4,038	6,415	6,467	-	81
Total debt instruments at amortised cost	**1,013,879**	**211,748**	**51,936**	**116,478**	**633,717**	**1,003,749**	**1,013,879**	**-**	**359,392**

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 €11,016 thousand at 31 December 2023 (€12,064 thousand at 31 December 2022).

Details of and movements in financial liabilities at amortised cost classified as non-performing at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**1,013,879**	**1,311,924**
Additions	579,417	526,097
Disposals	814,624	824,143
Collected in cash	146,535	207,695
Foreclosure or receipt of assets	19,125	91,568
Performing	23,221	14,520
Performing exposures under special monitoring	152,145	61,564
Write-offs	164,257	279,015
Asset transfers	297,458	135,226
Other disposals	11,883	34,556
Closing balance	**778,672**	**1,013,879**

Details of and movements in financial liabilities at amortised cost classified as write-offs at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Write-offs (a)		
Opening balance	**613,328**	**1,795,882**
Total additions	214,706	347,594
Use of accumulated impairment balance	113,293	218,373
Direct write-down in profit and loss	80,942	80,468
Contractually callable interest (b)	18,492	46,009
Other items	1,979	2,744
Total disposals	273,367	1,530,148
Collection of principal in cash from counterparties	58,215	50,084
Collection of interest in cash from counterparties	111	685
Forgiveness	9,597	37,253
Prescription	3,193	42,877
Foreclosure of tangible assets	-	-
Foreclosure of other assets	-	-
Debt refinancing or restructuring	-	-
Sale	202,251	1,399,249
Collection from assignees	12,365	36,712
Final write-off	189,886	1,362,537
Other items	-	-
Exchange differences	-	-
Closing balance	**554,667**	**613,328**

(a) Amount of additions and disposals during the year recognised under "Write-offs". Therefore does not include final write-offs due to forgiveness or outright sale of debt instruments recognised under assets on the date of forgiveness or sale.
(b) Contractually callable interest on debt instruments classified as write-offs.

As indicated in Notes 1.7 and 8.6.2 to these annual accounts, the Group has derecognised a gross total of €260,447 thousand of non-performing assets and €104,344 thousand of assets classified as write-offs. Following the same strategy for the management of non-performing assets, in 2022 the Group derecognised €112,258 thousand of non-performing assets and €987,811 thousand of write-off assets.

8.7. Financial liabilities at amortised cost

Details of this liabilities account on the accompanying consolidated balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Deposits from central banks	969,302	6,639,329
Deposits from credit institutions	3,771,027	2,138,765
Customer deposits	43,719,926	43,153,333
Debt securities issued	3,400,179	2,053,191
Of which: Subordinated liabilities	*600,619*	*600,451*
Other financial liabilities	3,378,739	3,711,635
Total	**55,239,173**	**57,696,253**

The fair value of financial liabilities at amortised cost at 31 December 2023 was €55,194,857 thousand (€57,485,545 thousand at 31 December 2022).

8.7.1. Deposits from central banks

The balances under this heading on the accompanying consolidated balance sheets at 31 December 2023 and 31 December 2022 are comprised as follows:

	Thousands of Euros	
	2023	**2022**
Bank of Spain	949,000	6,765,000
Other central banks	-	-
Valuation adjustments	20,302	(125,671)
Total	**969,302**	**6,639,329**

The Group has €949,000 thousand of funding from the TLTRO III auctions at 31 December 2023 (€6,765,000 thousand at 31 December 2022).

The ECB continued to gradually raise interest rates in 2023, bringing the main refinancing rate to 4.50% and the deposit facility rate to 4% on 20 September 2023. On the same date, the change in the remuneration of minimum reserves announced by the ECB's Governing Council on 27 July 2023 came into force, setting the rate at 0%.

In response to this rate environment, the greater diversity of wholesale funding sources and the growth in customer deposits during 2023, the Group reduced ECB funding by €5,816,000 during 2023 (June TLTRO maturity). As a result, the use of ECB funding at 31 December 2023 amounted to a single TLTRO auction of €949,000 thousand, due to expire on 27 March 2024 and representing only 1.6% of total assets.

On 27 October 2022 the ECB announced that it was recalibrating the interest rates applicable to TLTRO III (from 23 November 2022 until the expiry or early repayment of the corresponding live TLTRO III. The interest rate applicable to TLTRO III is benchmarked to the average applicable official ECB rate over the life of the operation), offering credit institutions additional dates for the voluntary early repayment of these operations. Due to the upward movement of the interest rate curve and in order to seek other sources of funding, and in the light of the ECB announcement, the Group effected the early repayment of two TLTRO III auctions in the amount of €1,833,000 thousand. The remuneration of minimum reserves was thus set at the ECB deposit facility interest rate. Prior to that they were remunerated at the main refinancing operations (MRO) rate. This change was applied on 21 December 2022.

In 2023, the Group recognised €145,004 thousand of interest expense from drawdowns on the TLTRO III facilities (€47,884 thousand of interest income at 31 December 2022) under the "Interest income" and "Interest expense" headings on the statement of profit or loss.

Under the loan agreement secured by a pledge of securities and other assets entered into with the Bank of Spain in accordance with the mechanisms governing Eurosystem monetary policy, the Group has a obtained a loan for which it has pledged securities totalling €9,776,519 thousand (€16,281,926 thousand at 31 December 2022) (Notes 8.5.1, 8.6.4., 8.7.4.1).

8.7.2 Deposits from credit institutions

Details of this account under "Financial liabilities measured at amortised cost" on the liabilities side of the consolidated balance sheets according to instrument type are as follows:

	Thousands of Euros	
	2023	**2022**
Reciprocal accounts	149	132
Current accounts	124,968	69,832
Term deposits	483,652	573,040
Repurchase agreement	3,149,515	1,493,064
Valuation adjustments:		
Accrued interest	12,743	2,697
Total	**3,771,027**	**2,138,765**

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	
	2023	**2022**
Repurchase agreements through central counterparties	-	2,545,781
Demand deposits	35,839,191	36,773,069
Term deposits	7,589,810	3,470,400
Participation mortgages issued	230,397	355,213
Cash received	*3,226,163*	*4,099,760*
Loans (-)	*(5,939)*	*(5,939)*
Debt securities (-)	*(2,989,827)*	*(3,738,608)*
Other accounts	4,552	4,122
Valuation adjustments:		
Accrued interest	*60,795*	*8,805*
Unaccrued transaction costs	*(4,819)*	*(4,057)*
Micro-hedging transactions	*-*	*-*
Total	**43,719,926**	**43,153,333**

The average effective interest rate on customers' demand and term deposits at the Group in 2023 was 2.14% (0.08% in 2022).

8.7.4. Debt securities issued

Details of this heading under "Financial liabilities measured at amortised cost" on the liabilities side of the accompanying consolidated balance sheets are as follows:

	Thousands of Euros	
	2023	**2022**
Marketable debt securities	2,799,560	1,452,740
Subordinated Liabilities	600,619	600,451
Total	**3,400,179**	**2,053,191**

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	
	2023	**2022**
Mortgage bonds	5,596,768	4,997,220
Other secured bonds	750,000	-
Treasury shares	(5,250,000)	(4,562,025)
Other debt instruments issued	1,643,444	995,005
Valuation adjustments	59,348	22,540
Total	**2,799,560**	**1,452,740**

The movement of each type of financial liability during 2023 and 2022, without taking into account valuation adjustments, is as follows:

	Thousands of Euros				
	2023				
	Opening balance	**Issuances**	**Repurchases or redemptions**	**Exchange rate and other adjustments**	**Closing balance**
Debt securities issued in a EU member state that required the registration of a prospectus	**1,430,200**	2,495,206	(1,185,195)	-	**2,740,211**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage securities	**435,195**	1,096,767	(435,195)	-	**1,096,767**
Other debt instruments issued	**995,005**	648,439	-	-	**1,643,444**
Other debt instruments issued	**-**	750,000	(750,000)	-	**-**
	2022				
	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	**1,723,125**	1,498,750	(1,791,675)	-	**1,430,200**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage securities	**1,226,870**	1,000,000	(1,791,675)	-	**435,195**
Other debt instruments issued	**496,255**	498,750	-	-	**995,005**
Other debt instruments issued	**-**	-	-	-	**-**

In 2023 the Group completed two issues of mortgage bonds for a total of €1,096,767 thousand. It also redeemed an issue of bonds at maturity for €497,220 thousand in cash. At year-end 2022 the Group completed two mortgage bond placements of €1,000 million, fully retained and assigned to replenish collateral in the asset pledge facility with the Bank of Spain. It also redeemed a bond placement on expiration for €791,675 thousand and fully redeemed the 2016 and 2017 placements of €500,000 thousand each, expiring on 31 January 2022 and 30 June 2022, respectively, the whole amount of which remains on the balance sheet.

Details of issues placed and pending maturity under “Mortgage bonds” at 31 December 2023 are as follows:

Date		Thousands of Euros				
Issuance	**Maturity**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**
15/09/2017	15/09/2024	750,000	(750,000)	AA+	Standard & Poor's	1.15%
07/05/2020	07/05/2025	1,000,000	(1,000,000)	AA+	Standard & Poor's	0.15%
21/12/2020	21/12/2027	750,000	(750,000)	AA+	Standard & Poor's	0.00%
15/07/2021	15/07/2029	1,000,000	(1,000,000)	AAH	DBRS	0.10%
17/05/2022	17/05/2032	1,000,000	(1,000,000)	AAH	DBRS	2.00%
16/02/2023	16/02/2028	746,767	-	AA+	Standard & Poor's	3.38%
31/03/2023	31/03/2029	350,000	-	AA+	Standard & Poor's	3.55%
	Total issuances	**5,596,767**	**(4,500,000)**			

Details of issues placed and pending maturity under “Mortgage bonds” at 31 December 2022 were as follows:

Date		Thousands of Euros				
Issuance	Maturity	Cash	Treasury shares	Rating	Agency	Interest rate
15/09/2017	15/09/2024	750,000	(750,000)	AA	Standard & Poor's	1.15%
07/06/2018	18/06/2023	497,220	(62,025)	AA	Standard & Poor's	0.88%
07/05/2020	07/05/2025	1,000,000	(1,000,000)	AA	Standard & Poor's	0.15%
21/12/2020	21/12/2027	750,000	(750,000)	AA	Standard & Poor's	0.00%
15/07/2021	15/07/2029	1,000,000	(1,000,000)	AAH	DBRS	0.10%
17/05/2022	17/05/2032	1,000,000	(1,000,000)	AAH	DBRS	2.00%
	Total issuances	**4,997,220**	**(4,562,025)**			

Details of the balances of “Other secured bonds” and “Other debt instruments issued” at 31 December 2023 are as follows:

Date		Thousands of Euros				
Issuance	Maturity	Cash	Treasury shares	Rating	Agency	Interest rate
09/09/2021	09/03/2028	496,255	-	BB+ / BBBL	Standard & Poor's / DBRS	1.75%
22/09/2022	22/09/2026	498,750	-	BB+ / BBBL	Standard & Poor's / DBRS	8.00%
14/09/2023	14/09/2029	648,439	-	BB+ / BBBL	Standard & Poor's / DBRS	7.50%
17/03/2023	17/03/2029	750,000	(750,000)	AAL	DBRS	3.55%
	Issuance	**2,393,444**	**(750,000)**			

In 2023, the Group completed an issue of public sector bonds for a nominal amount of €750,000 thousand, which were fully retained. It also completed an issue of Simple Preferred Debt classified as green for a cash amount of €648,439 thousand.

Details of the balances of “Other secured bonds” and “Other debt instruments issued” at 31 December 2022 are as follows:

Date		Thousands of Euros				
Issuance	Maturity	Cash	Treasury shares	Rating	Agency	Interest rate
09/09/2021	09/03/2028	496,255	-	BB / BBH	Standard & Poor's /DBRS	1.75%
22/09/2022	22/06/2026	498,750	-	BB	Standard & Poor's	8.00%
	Issuance	**995,005**	**-**			

The Parent holds an issue of senior preferred debt amounting to €500 million, with a coupon of 1.75% and expiring in March 2028, which is classified as “Other debt instruments issued”. This placement increased the volume of eligible liabilities to comply with the MREL (Note 1.9).

In line with its commitment to sustainable development, in September 2022 the Parent made its first debt issue based on ESG criteria, namely, an issue of socially-responsible senior preferred debt amounting to €498,750 thousand at 8.0%.

All of the issues were accepted for trading on the AIAF Fixed Income Market.

The interest accrued at 31 December 2023 on debt securities issued amounted to €98,212 thousand (€26,107 thousand at 31 December 2022) (Note 26) and is included in “Interest expenses” on the accompanying consolidated statement of profit or loss.

Of the balance of "Debt securities issued" at 31 December 2023, €1,934 thousand was pledged under the loan agreement secured by a pledge of securities and other assets entered into with the Bank of Spain (€2,372 thousand at 31 December 2022) (Note 8.7.1).

8.7.4.2 Subordinated liabilities

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 10/2014, of 26 June 2014.
Details on the accompanying consolidated balance sheet, by type of financial liability and counterparty, are as follows:

	Thousands of Euros	
	2023	**2022**
Subordinated marketable debt securities:	**597,654**	**597,654**
Convertible	-	-
Non-convertible	597,654	597,654
Subordinated deposits	**-**	**-**
Valuation adjustments	**2,965**	**2,797**
Total	**600,619**	**600,451**

Movements in 2023 and 2022, without taking valuation adjustments into account, are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**597,654**	**639,460**
Additions	-	-
Disposals	-	(41,806)
Transfers	-	-
Closing balance	**597,654**	**597,654**

At 31 December 2023 the Group had one issue of subordinated bonds, the details of which are as follows:

Date		Thousands of Euros						
Issuance	**Maturity**	**Nominal**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**	**Issuance**
27/05/2021	27/11/2031	600,000	597,654	-	B+ / BB	Standard & Poor's / DBRS	5.25%	Tier2 Subordinated Fixed Reset Notes due 27 November 2031
	Total issuances	**600,000**	**597,654**	**-**				

The Group's outstanding issues at 31 December 2022 were as follows:

Date		Thousands of Euros						
Issuance	**Maturity**	**Nominal**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**	**Issuance**
27/05/2021	27/11/2031	600,000	597,654	-	B / BBL	Standard & Poor's /DBRS	5.25%	Tier2 Subordinated Fixed Reset Notes due 27 November 2031
	Total issuances	**600,000**	**597,654**	**-**				

The interest accrued on these subordinated liabilities at 31 December 2023 and 31 December 2022 totalled €31,696 thousand and €33,643 thousand, respectively (Note 26) and is 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.

8.7.5. Other financial liabilities

All of the financial liabilities recorded in this account on the accompanying consolidated balance sheet are classified as part of the "Financial liabilities at amortised cost" portfolio and therefore they are recognised at amortised cost. This account includes the payment obligations recognised as financial liabilities and not included under other headings.

Details of other financial liabilities grouped by financial instrument type are as follows:

	Thousands of Euros	
	2023	**2022**
Bonds payable	128,424	154,692
Guarantees received	2,943,098	3,249,047
Clearing houses	15,706	10,996
Tax collection accounts	134,177	169,743
Special accounts	92,847	62,879
Financial guarantees	18,781	20,037
Other items	45,706	44,241
Total	**3,378,739**	**3,711,635**

At 31 December 2023 and 31 December 2022 the "Guarantees received" account includes mainly the guarantees totalling €2,930,115 thousand and €2,886,666 thousand, respectively, received from various credit institutions to mitigate the risk in hedging derivative transactions linked to the portfolio of debt securities at amortised cost (Note 9).

The liabilities recognised under "Payment obligations" on the accompanying consolidated balance sheets at 31 December 2023 and 31 December 2022 and arising from the obligations assumed by the Group in operating leases, by remaining lease term, are as follows:

2023	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 office premises	**25,434**	6,994	3,467	3,542	3,385	3,369	776	3,901
Rest of spaces	**1,103**	583	104	104	101	104	71	36
Vehicles	**1,944**	652	261	247	237	214	207	126
Computer equipment	**1,243**	651	592	-	-	-	-	-
Total	**29,724**	**8,880**	**4,424**	**3,893**	**3,723**	**3,687**	**1,054**	**4,063**

2022	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 office premises	**27,618**	6,699	3,158	3,244	3,153	3,217	3,059	5,088
Rest of spaces	**1,608**	643	287	268	98	99	99	114
Vehicles	**1,199**	710	167	117	80	59	43	23
Computer equipment	**1,592**	688	448	-	456	-	-	-
Total	**32,017**	**8,740**	**4,060**	**3,629**	**3,787**	**3,375**	**3,201**	**5,225**

The average discount rate used to determine the bonds payable arising from operating leases is 4.23% at 31 December 2023 (3.30% at 31 December 2022).

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

9. Derivatives – Hedge accounting (asset and liability)

This heading on the accompanying consolidated balance sheets records the hedging instruments carried at fair value in accordance with the explanation provided in Note 3.4 to the accompanying annual accounts.

At 31 December 2023 the Group had recognised €2,957,536 thousand for the fair value of derivatives that are assets (€3,238,076 at 31 December 2022). On the other hand, the fair value of derivatives on the liabilities side totalled €141,993 thousand at 31 December 2023 (€146,774 thousand at 31 December 2022).

Instruments covered by micro-hedges are as follows:

- Sovereign debt instruments with a fixed-rate coupon; and
- Wholesale issues with a fixed-rate coupon; and
- Inflation-linked sovereign debt instruments (linkers) that offer a fixed-rate coupon and a premium on expiration tied to an inflation index.

The hedging instruments are fixed-to-floating interest rate swaps in the first and second cases, and inflation derivatives through which the Bank transfers flows received from inflation-linked bonds in exchange for a fixed or variable coupon in the third case.

Also regarding micro-hedges, in order to hedge the interest rate risk associated with the value of mortgages, the Entity has an interest rate swap (IRS) portfolio. This portfolio economically hedges the fair value of a raft of mortgage loans granted to customers at fixed rates against a reference rate, thereby reducing exposure to changes in the fair value of the loans granted as a result of fluctuations in the reference rates. At 31 December 2023 the result of the fair-value adjustment to loans and receivables was a negative amount of €1,103 thousand (€3,670 thousand at 31 December 2022).

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 inflation-linked instruments, 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 values of financial derivatives recorded under "Derivatives – Hedge accounting" at 31 December 2023 and 31 December 2022 are set out below, by counterparty, remaining term and type of risk:

	Thousands of Euros							
	2023				2022			
	Carrying amount		Notional amount		Carrying amount		Notional amount	
	Assets	Liabilities	Total hedges	Of which: sold	Assets	Liabilities	Total hedges	Of which: sold
Interest rate	**2,953,907**	**2,996**	**12,048,800**	**-**	**3,233,543**	**-**	**9,073,800**	**-**
Other OTC	**2,953,907**	**2,996**	**12,048,800**		**3,233,543**	**-**	**9,073,800**	
FAIR VALUE HEDGES	**2,953,907**	**2,996**	**12,048,800**	**-**	**3,233,543**	**-**	**9,073,800**	**-**
Interest rate	**-**	**138,997**	**400,000**	**-**	**-**	**146,774**	**400,000**	**-**
OTC options	-	-	-	-	-	-	-	-
Other OTC	-	138,997	400,000		-	**146,774**	**400,000**	
Options on organised markets	-	-	-	-	-	-	-	-
Others on organised markets	-	-	-		-	-	-	
CASH FLOW HEDGES	**-**	**138,997**	**400,000**	**-**	**-**	**146,774**	**400,000**	**-**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**3,629**	**-**	**20,000**	**-**	**4,532**	**-**	**20,000**	**-**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
DERIVATIVES-HEDGE ACCOUNTING	**2,957,536**	**141,993**	**12,468,800**	**-**	**3,238,076**	**146,774**	**9,493,800**	**-**
Of which: OTC – credit institutions	2,957,536	141,993	12,468,800		**3,238,076**	**146,774**	**9,493,800**	
Of which: OTC – other financial corporations	-	-	-		**-**	**-**	**-**	
Of which: OTC – others	-	-	-		**-**	**-**	**-**	

The fair value of the Group's financial asset and liability derivatives, by nature and counterparty, at 31 December 2023 and 31 December 2022 is as follows (Note 3.27):

	Thousands of Euros									
2023			Fair value hierarchy:			Change in fair value in the year		Accumulated change in fair value before taxes		
	Balance	*Of which: Securities*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS										
Derivatives – Hedge accounting	2,957,536	2,957,536	-	2,957,536	-	1,149,347	-	-	1,320,560	-
LIABILITIES										
Derivatives – Hedge accounting	141,993	141,993	-	141,993	-	(2,996)	-	-	2,996	-

	Thousands of Euros									
2022			Fair value hierarchy:			Change in fair value in the year		Accumulated change in fair value before taxes		
	Balance	*Of which: Securities*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS										
Derivatives – Hedge accounting	3,238,076	3,238,076	-	3,238,076	-	1,356,847	-	-	1,549,026	-
LIABILITIES										
Derivatives – Hedge accounting	146,774	146,774	-	146,774	-	-	-	-	-	-

Gains or losses from hedge accounting at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Changes in the fair value of the hedging instrument [including discontinued operations]	(323,225)	814,310
Changes in the fair value of the hedged item attributable to the hedged risk	323,115	(813,799)
Ineffectiveness in profit or loss of cash flow hedges	-	-
Ineffectiveness in profit or loss of hedges of net investments in foreign operations	-	-
GAINS OR (-) LOSSES FROM HEDGE ACCOUNTING, NET	**(110)**	**511**

To mitigate the risk in hedging derivative transactions linked to the portfolio of debt securities at amortised cost, at 31 December 2023 and 31 December 2022 the Group has posted guarantees in the amount of €2,930,115 thousand and €2,886,666 thousand, respectively (Note 8.7.5).

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

The composition of this item on the accompanying consolidated balance sheets at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros	
	2023	**2022**
Tangible assets for own use	**43,282**	**17,502**
Acquisition cost	45,215	19,496
Impairment allowances	(1,933)	(1,994)
Investment property	**8,766**	**9,023**
Acquisition cost	14,745	14,751
Accumulated depreciation	(1,443)	(1,446)
Impairment allowances	(4,536)	(4,282)
Tangible assets foreclosed	**42,194**	**88,291**
Acquisition cost	84,679	133,094
Accumulated depreciation	(1,776)	(1,734)
Impairment allowances	(40,709)	(43,069)
Total	**94,242**	**114,816**

Details of non-current assets held for sale classified by use, without taking into account impairment adjustments, are as follows:

	Thousands of Euros							
	Residential		**Industrial**		**Agriculture**		**Other**	
Tangible assets	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Property, plant and equipment for own use	26,600	654	18,615	18,842	-	-	-	-
Property, plant and equipment foreclosed	54,848	95,256	24,082	29,197	3,595	5,866	378	1,041
Investment property	3,641	2,198	9,423	10,434	237	673	-	-
Total	**85,089**	**98,108**	**52,120**	**58,473**	**3,833**	**6,539**	**378**	**1,041**

The fair value of the property, plant and equipment recorded under this heading at 31 December 2023 and 31 December 2022 matches the carrying amount.

Movements in these headings on the consolidated balance sheet during 2023 and 2022, without taking impairment losses into account, are as follows:

	Thousands of Euros		
	Tangible assets	Foreclosed	Investment property
Cost			
Balance at 31 December 2021	**21,492**	**177,723**	**13,849**
Additions	-	15,859	-
Disposals	(945)	(59,652)	(1,023)
Transfers (Note 12) y (Note 16)	(1,051)	(837)	1,925
Balance at 31 December 2022	**19,496**	**133,094**	**14,751**
Additions	25,946	4,810	-
Disposals	(227)	(52,710)	(464)
Transfers (Note 12) y (Note 16)	-	(514)	458
Balance at 31 December 2023	**45,215**	**84,680**	**14,745**
Accumulated depreciation			
Balance at 31 December 2021	**-**	**(1,775)**	**(1,392)**
Additions with effects on results	-	-	-
Disposals	-	147	28
Transfers (Note 12) y (Note 16)	-	(107)	(82)
Balance at 31 December 2022	**-**	**(1,734)**	**(1,446)**
Additions with effects on results	-	-	-
Disposals	-	158	3
Transfers (Note 12) y (Note 16)	-	(202)	-
Balance at 31 December 2023	**-**	**(1,778)**	**(1,443)**

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

At 31 December 2023 the gains from sales and write-downs of certain items of property, plant and equipment totalled €2,768 thousand (€2,877 thousand at 31 December 2022), while the losses came to €10,294 thousand (€12,349 thousand at 31 December 2022) (Note 26).

In 2023, loans granted to finance the sale of the Group’s foreclosed property, plant and equipment totalled €11,864 thousand (€15,455 thousand in 2022). The average amount of foreclosed assets financed as a percentage of the total amount sold at 31 December 2023 was 37.26% (43.58% in 2022). At 31 December 2023 there are no unrecognised gains from the sale of these assets (no amount at 31 December 2022).

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

Impairment losses recognised for assets classified in this balance sheet heading in 2023 and 2022 are as follows:

	Thousands of Euros		
	Tangible assets	**Foreclosed**	**Investment property**
Balance at 31 December 2021	**(2,428)**	**(49,678)**	**(3,174)**
Allowances recognised in profit or loss (Note 26)	-	(32,798)	(174)
Recovered funds (Note 26)	434	21,491	477
Cancellation due to use, transfers and others	-	17,917	(1,410)
Balance at 31 December 2022	**(1,994)**	**(43,069)**	**(4,282)**
Allowances recognised in profit or loss (Note 26)	-	(20,795)	-
Recovered funds (Note 26)	-	1,894	-
Cancellation due to use, transfers and others	60	21,260	(254)
Balance at 31 December 2023	**(1,933)**	**(40,710)**	**(4,536)**

11. Investments in subsidiaries, joint ventures and associates

This heading on the accompanying consolidated balance sheets comprises the value of the investments in associates, the details of which, together with other relevant information at 31 December 2023 and 31 December 2022, are provided in Appendix I.

	Thousands of Euros	
	2023	**2022(*)**
Group companies	-	-
Associates	**87,814**	**85,185**
Securities held by the entity	87,814	85,185
Impairment allowances	-	-
Total	**87,814**	**85,185**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

In 2023 and 2022 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	
	2023	**2022(*)**
Opening balance	**85,185**	**106,821**
Additions due to transfers, acquisitions and capital increases	3	1,917
Sale of shares and refund of contributions	(674)	(1,359)
Dividend settlement	(48,825)	(48,146)
Disposals due to transfers of holdings and withdrawals from scope of consolidation	-	(899)
Share of profit/(loss) of entities accounted for using the equity method	45,423	42,930
Other consolidation movements	6,702	(16,080)
Closing balance	**87,814**	**85,185**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

The results of entities accounted for using the equity method at 31 December 2023 and 31 December 2022 totalled €45,423 thousand and €42,930 thousand, respectively (Note 26).

The addition in 2023 relates to the payment of €3 thousand for Other partner contributions to the company "Biocolor, S.L.".

The main additions in 2022 relate to partner contributions to the company Promontoria Jaguar, S.A. amounting to €1,917 thousand.

Details of investments in companies accounted for using the equity method on the Group's consolidated balance sheet at 31 December 2023 and at 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022(*)**
Cajamar Vida, S.A. de seguros y reaseguros	19,748	15,071
Murcia Emprende, S.C.R, S.A.	709	858
Hábitat Utiel, S.L.	1	1
Giesmed Parking, S.L.	458	904
Biocolor, S.L.	379	376
Cajamar Seguros Generales, S.A	7,777	5,898
GCC Consumo Establecimiento Financiero de Crédito, S.A.	44,834	46,351
Parque de Innovación y Tecnológico de Almería, S.A.	5,526	5,725
Renovables la Unión, S.C.P.	68	84
Promontoria Jaguar, S.A.	8,315	9,920
Total	**87,814**	**85,185**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

At 31 December 2023 and 31 December 2022 there was 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, which was reviewed and updated in 2023, be extended/novated to boost sales with new business plans. This change involved the agreement term being extended, the Group's technical commission rate being altered, and new products to be sold being added.

Moreover, the 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 item on the consolidated balance sheet at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
For own use		
Amortised cost		
Computer hardware	34,289	35,028
Of which: Capitalised rights to use in leases	*1,265*	*1,436*
Furniture, installations and other	107,575	114,516
Of which: Capitalised rights to use in leases	*1,856*	*1,115*
Buildings	489,336	524,633
Of which: Capitalised rights to use in leases	*24,977*	*27,163*
Construction in progress	100,040	41,581
Other tangible assets	28,225	18,049
Of which: Capitalised rights to use in leases	*430*	*564*
Accumulated impairment	(1,146)	(1,173)
Total	**758,319**	**732,634**

	Thousands of Euros	
	2023	**2022**
For social projects		
Amortised cost		
Furnishings and fixtures	67	73
Constructions	1,927	1,987
Accumulated impairment	-	-
Total	**1,994**	**2,060**

	Thousands of Euros	
	2023	**2022**
Investment property		
Amortised cost		
Furniture, vehicles and other fixtures	818	977
Buildings	130,607	148,752
Rural properties, land and plots	33,826	37,640
Accumulated impairment	(36,657)	(26,786)
Total	**128,594**	**160,583**

The breakdown of tangible assets for own use recorded under this heading on the consolidated balance sheet and movements during 2023 and 2022 are as follows:

	Thousands of Euros					
	Own use					
	Computer hardware	Furniture, fixtures and other	Buildings	Construction in progress	Other tangible assets	Total
Cost						
Balance at 31 December 2021	**232,847**	**544,738**	**676,874**	**32,960**	**30,545**	**1,517,964**
Additions	4,947	11,082	5,031	20,221	110	41,391
Disposals	(53)	(5,566)	(11,197)	-	(578)	(17,394)
Transfers (Note 10) (Note 16)	4	2,424	(8,843)	(11,601)	(5,908)	(23,924)
Balance at 31 December 2022	**237,745**	**552,678**	**661,865**	**41,580**	**24,169**	**1,518,037**
Additions	12,783	15,313	10,641	65,409	11,024	115,170
Disposals	(26,309)	(13,235)	(46,653)	(3,584)	(876)	(90,657)
Transfers (Note 10) (Note 16)	1	923	1,278	(3,365)	-	(1,163)
Other movements	1,185	2,097	29,519	-	693	33,494
Balance at 31 December 2023	**225,405**	**557,776**	**656,650**	**100,040**	**35,010**	**1,574,881**
Accumulated depreciation						
Balance at 31 December 2021	**(189,215)**	**(421,368)**	**(133,355)**	**-**	**(6,663)**	**(750,600)**
Additions with effects on results (Note 26)	(13,247)	(21,683)	(8,348)	-	(267)	(43,545)
Disposals	41	4,889	831	-	39	5,800
Transfers (Note 10) (Note 16)	-	-	3,640	-	771	4,411
Other movements	(295)	-	-	-	-	(295)
Balance at 31 December 2022	**(202,716)**	**(438,162)**	**(137,232)**	**-**	**(6,120)**	**(784,230)**
Additions with effects on results (Note 26)	(13,121)	(21,904)	(15,268)	-	(414)	(50,707)
Disposals	26,266	11,961	14,702	-	443	53,372
Transfers (Note 10) (Note 16)	-	-	-	-	-	-
Other movements	(1,546)	(2,096)	(29,517)	-	(693)	(33,852)
Balance at 31 December 2023	**(191,117)**	**(450,201)**	**(167,315)**	**-**	**(6,784)**	**(815,417)**

*Cost includes the value of rights-of-use, net of depreciation.

Grupo Cooperativo Cajamar decided to move the headquarters of its central services in Almeria to the Almeria Science and Technology Park (PITA). Accordingly, at its meeting held on 26 June 2023, the Governing Council of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, resolved to enter into a commercial exchange agreement with the government of Andalucía (Junta de Andalucía), which was decided and approved on 21 December 2023. Under this agreement, Cajamar Caja Rural, Sociedad Cooperativa de Crédito will deliver to the Junta de Andalucía part of the singular buildings housing its central services, together with furniture and fittings, with a net carrying amount of €27,371 thousand (€43,784 thousand of gross carrying amount), in exchange for a number of developable plots in the Toyo development in the municipality of Almería with a value of €25,946 thousand (Note 10).

Thus, the main retirements under the headings of “Buildings” and “Furniture, Fittings and Others” in 2023 relate to the assets included in the aforementioned transaction.

Movements in valuation adjustments for impairment of tangible assets for own use in 2023 and 2022 were as follows:

Own use	Thousands of Euros					
Impairment losses	**Computer hardware**	**Furniture, fixtures and other**	**Buildings**	**Construction in progress**	**Other tangible assets**	**Total**
Balance at 31 December 2021	**-**	**-**	**(690)**	**-**	**-**	**(690)**
Allowances recognised in profit or loss	-	-	(685)	-	-	(685)
Recovered funds	-	-	-	-	-	-
Cancellation due to use, transfers and others	-	-	202	-	-	202
Balance at 31 December 2022	**-**	**-**	**(1,173)**	**-**	**-**	**(1,173)**
Allowances recognised in profit or loss	-	-	-	-	-	-
Recovered funds	-	-	27	-	-	27
Cancellation due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2023	**-**	**-**	**(1,146)**	**-**	**-**	**(1,146)**

Capitalised rights of use in operating leases:

Details of capitalised rights of use in leases as per IFRS 16 included in tangible assets for own use under this heading on the consolidated balance sheets and movements in 2023 are as follows:

	Capitalised rights to use in leases				
	Business units	**Other**	**Vehicles**	**Computer hardware**	**Total**
Cost					
Balance at 31 December 2021	**48,460**	**3,673**	**3,056**	**2,130**	**57,319**
Additions	4,515	787	554	491	6,347
Disposals	(3,818)	(706)	(439)	-	(4,963)
Transfers	-	-	-	-	-
Balance at 31 December 2022	**49,157**	**3,754**	**3,171**	**2,621**	**58,703**
Additions	6,183	700	1,545	945	9,373
Disposals	(2,710)	(1,079)	(675)	-	(4,464)
Transfers	(32)	32	-	-	-
Balance at 31 December 2023	**52,598**	**3,407**	**4,041**	**3,566**	**63,612**
Accumulated depreciation					
Balance at 31 December 2021	**(18,221)**	**(2,272)**	**(1,654)**	**(266)**	**(22,413)**
Additions with effects on results (Note 26)	(6,382)	(613)	(742)	(919)	(8,656)
Disposals	1,657	643	344	-	2,644
Transfers	-	-	-	-	-
Balance at 31 December 2022	**(22,946)**	**(2,242)**	**(2,052)**	**(1,185)**	**(28,425)**
Additions with effects on results (Note 26)	(6,640)	(665)	(775)	(1,116)	(9,196)
Disposals	1,318	576	642	-	2,536
Transfers	(5)	5	-	-	-
Balance at 31 December 2023	**(28,273)**	**(2,326)**	**(2,185)**	**(2,301)**	**(35,085)**

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

No valuation adjustments have been recognised for impairment of tangible assets for own use in connection with capitalised rights of use in operating leases at 31 December 2023 and 31 December 2022.

The breakdown of investment property and assets assigned to the Education and Development Fund recorded under this heading on the consolidated balance sheet and the movements during 2023 and 2022, 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 2021	**2,087**	**179,820**	**56,877**	**2,907**	**3,610**
Additions	77	1,317	2,093	2	-
Disposals	-	(50,474)	(21,330)	-	-
Transfers (Note 10) (Note 16)	-	37,608	-	-	-
Balance at 31 December 2022	**2,164**	**168,271**	**37,640**	**2,909**	**3,610**
Additions	73	4,579	11,146	-	-
Disposals	-	(41,296)	(556)	-	-
Transfers (Note 10) (Note 16)	-	18,934	(14,404)	-	-
Balance at 31 December 2023	**2,237**	**150,488**	**33,826**	**2,909**	**3,610**
Accumulated depreciation					
Balance at 31 December 2021	**(961)**	**(15,791)**	**-**	**(2,826)**	**(1,561)**
Additions with effects on results (Note 26)	(225)	(3,417)	-	(10)	(62)
Disposals	-	3,900	-	-	-
Transfers (Note 10) (Note 16)	-	(4,212)	-	-	-
Balance at 31 December 2022	**(1,186)**	**(19,520)**	**-**	**(2,836)**	**(1,623)**
Additions with effects on results (Note 26)	(233)	(2,853)	-	(6)	(60)
Disposals	-	2,144	-	-	-
Transfers (Note 10) (Note 16)	-	348	-	-	-
Balance at 31 December 2023	**(1,419)**	**(19,881)**	**-**	**(2,842)**	**(1,683)**
Impairment losses					
Balance at 31 December 2021	**-**	**(31,038)**	**(345)**	**-**	**-**
Allowances recognised in profit or loss	-	(22,529)	(79)	-	-
Recovered funds	-	8,079	31	-	-
Cancellation due to use, transfers and others	-	19,095	-	-	-
Balance at 31 December 2022	**-**	**(26,393)**	**(393)**	**-**	**-**
Allowances recognised in profit or loss	-	(25,059)	(6,081)	-	-
Recovered funds	-	8,374	7,958	-	-
Cancellation due to use, transfers and others	-	6,635	(1,698)	-	-
Balance at 31 December 2023	**-**	**(36,443)**	**(214)**	**-**	**-**

At 31 December 2023 the gains from sales and write-downs of certain tangible assets totalled €11,121 thousand (€2,170 thousand at 31 December 2022), while the losses came to €14,309 thousand (€5,258 thousand at 31 December 2022) (Note 26).

At 31 December 2023 the Group had granted €7,869 thousand of financing in the sale of certain assets, which represents an average of 9.50% of the total sales for the year (€14,748 thousand at 31 December 2022, representing 37.19% of total sales for the year).

At 31 December 2023 and 31 December 2022 the Group had no unrecognised gains from financing in sales of assets classified as investment property.

At 31 December 2023 the Group had €1,294 thousand of fixed asset purchase commitments (€1,114 thousand at 31 December 2022).

Fully depreciated assets still in use by the Group at 31 December 2023 totalled €498,310 thousand (€507,578 thousand at 31 December 2022).

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

Rental income from investment property amounted to €6,322 thousand at 31 December 2023 (€7,865 thousand at 31 December 2022) (Note 26). Operating expenses recognised in connection with these investments amounted to €1,304 thousand in 2023 (€940 thousand at 31 December 2022) (Note 26).

13. Intangible assets

Details of this item on the consolidated balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Goodwill	2,817	1,511
Computer software	348,334	277,837
Administrative concessions	18,468	18,468
Other intangible assets	4,586	2,399
Total, gross	**374,205**	**300,215**
Accumulated amortisation	(103,461)	(82,385)
Impairment losses	(6,423)	(6,386)
Total, net	**264,321**	**211,444**

The movement in computer software, administrative concessions and other intangible assets under this heading of the consolidated balance sheet in 2023 and 2022 was as follows:

	Thousands of Euros	
Cost	**2023**	**2022**
Opening balance	**298,704**	**245,850**
Additions	71,811	53,347
Disposals	(2,081)	(7,852)
Other	2,954	7,357
Closing balance	**371,388**	**298,704**
Amortisation		
Opening balance	**(82,385)**	**(66,762)**
Additions with effects on results	(20,721)	(15,026)
Disposals	811	6,761
Other	(1,166)	(7,358)
Closing balance	**(103,461)**	**(82,385)**
Impairment losses		
Opening balance	**(6,386)**	**(6,386)**
Allowances recognised in profit or loss	(398)	-
Recovered funds	662	-
Cancellation due to use, transfers and others	(301)	-
Closing balance	**(6,423)**	**(6,386)**
Total, net	**261,504**	**209,933**

Goodwill at 31 December 2023 corresponds to the valuation of the investments in new companies incorporated into the scope of consolidation following the acquisition of 100% of FV La Cañada de Tabernas, S.L.U., FV Turrillas Matanegra, S.L.U. and Eco Energía de Cubiertas I, S.L.U. The Group has not recognised any impairment in respect of this investment and under IAS 22 the initial accounting for a business combination is considered to be temporary but must be completed within one year from the acquisition date.

Fully amortised intangible assets included in "Computer software" and "Administrative concessions" still in use in the Group at 31 December 2023 totalled €51,119 thousand (€48,727 thousand at 31 December 2022).

14. Provisions

Details of this item on the consolidated balance sheet at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Pensions and other post-employment defined benefit obligations	2,693	2,114
Other long-term employee benefits	325	626
Commitments and guarantees given	10,199	9,003
Loan commitments given	*3,824*	*3,593*
Financial guarantees given	*3,176*	*3,015*
Other commitments given	*3,199*	*2,395*
Other provisions	65,263	68,349
Total	**78,480**	**80,092**

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	
	2023	**2022**
Other assets – Net pension plan assets	(54)	(78)
Provisions – Provisions for pensions and similar obligations	3,018	2,740

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					
	2023			2022		
	Active and retired employees		Early retirees	Active and retired employees		Early retirees
	Other assets	Provisions	Provisions	Other assets	Provisions	Provisions
Present value of obligations:						
Commitments accrued with active employees	231	26,327	-	246	25,228	-
Commitments accrued with early retired employees	-	-	325	-	-	626
Commitments with retired employees	487	16,482	-	511	17,532	-
Fair value of plan net assets (-):						
Pension plan assets	(262)	(27,945)	-	(279)	(27,300)	-
Insurance contract	(510)	(12,171)	-	(556)	(13,346)	-
Actuarial gains not recognised on the balance sheet (+)	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (+)	-	-	-	-	-	-
Past service not yet recognised on the balance sheet (-)	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (+)	-	-	-	-	-	-
(Other assets) / Provisions recognised on the balance sheet	**(54)**	**2,693**	**325**	**(78)**	**2,114**	**626**

Movements in net assets and liabilities during 2023 and 2022, recognised on the consolidated balance sheet, are as follows:

	Thousands of Euros					
	2023			2022		
	Active and retired employees		Early retirees	Active and retired employees		Early retirees
	Other assets	Provisions	Provisions	Other assets	Provisions	Provisions
(Other assets) / Provisions – opening balance	**(78)**	**2,114**	**626**	**(98)**	**4,536**	**1,140**
Allocations made during the period	10	1,498	-	17	587	-
Gains and losses on other long-term employee benefits	-	-	34	-	-	(51)
Actuarial gains and losses adjusted to equity	19	802	-	3	(1,419)	-
Recovered funds	-	-	-	-	-	-
Other movements	(2)	2	-	3	(3)	-
Cash outflows	(3)	(1,723)	(335)	(3)	(1,587)	(463)
(Other assets) / Provisions – closing balance	**(54)**	**2,693**	**325**	**(78)**	**2,114**	**626**

Details of total income and expenses recognised on the consolidated statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Staff expenses – Appropriations to defined benefit plans (Note 26)	(1,258)	(1,755)
Pension fund interest expense (Note 26)	(1,457)	(577)
Interest income – Yield on plan assets (Note 26)	1,359	548
Appropriations to pension funds and similar obligations (Note 26)(*)	(186)	1,231
Accounting income/(expense)	**(1,542)**	**(553)**

(*) 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 2023 and 31 December 2022 totalled €12,464 thousand and €11,694 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 2023 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2022	**5,090**	**1,113**	**2,799**	**9,002**
Increases due to origination and acquisition	1,964	22	22	2,008
Decreases due to derecognitions	(1,291)	(1,430)	(706)	(3,427)
Changes due to variation in credit risk (net)	641	932	1,209	2,782
Changes due to modifications with no derecognitions (net)	3	9	-	12
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	-	-	(137)	(137)
Other adjustments	(48)	(8)	15	(41)
Balance at 31 December 2023	**6,360**	**637**	**3,201**	**10,198**

Changes in gross exposures and impairment during 2023 are as follows:

	Thousands of Euros			
Transfers of commitments and financial guarantees given, gross:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		47,041	1,101	**48,142**
To Stage 2:	46,673		133	**46,806**
To Stage 3:	1,496	1,112		**2,608**
Transfers of provisions:				
To Stage 1:		137	5	**142**
To Stage 2:	322		1	**323**
To Stage 3:	297	409		**706**

Details of this heading on the consolidated balance sheet and movement in 2022 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Stage 1	**Stage 2**	**Stage 3**	**Total allowance**
Balance at 31 December 2021	**3,255**	**1,155**	**3,194**	**7,604**
Increases due to origination and acquisition	1,679	73	69	1,821
Decreases due to derecognitions	(400)	(197)	(1,620)	(2,217)
Changes due to variation in credit risk (net)	544	71	1,305	1,920
Changes due to modifications with no derecognitions (net)	14	14	1	29
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	-	-	(91)	(91)
Other adjustments	(1)	(3)	(59)	(63)
Balance at 31 December 2022	**5,091**	**1,113**	**2,799**	**9,003**

Changes in gross exposures and impairment during 2022 are as follows:

	Thousands of Euros			
Transfers of commitments and financial guarantees given, gross:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		15,601	280	**15,881**
To Stage 2:	117,276		145	**117,421**
To Stage 3:	1,954	623		**2,577**
Transfers of provisions:				
To Stage 1:		31	1	**32**
To Stage 2:	881		1	**882**
To Stage 3:	722	177		**899**

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

There are no balances under this heading at 31 December 2023 and 31 December 2022 (Note 3.12).

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 2023 and 2022 were as follows:

	Thousands of Euros			
	Market	**Miscellaneous**	**Other responsibilities**	**Total**
Opening balances 31 December 2021	**3,319**	**24,817**	**53,787**	**81,923**
Allocations made during the period (Note 26)	1,159	12,456	30,302	**43,917**
Recovered funds (Note 26)	(29)	(16,298)	(3,986)	**(20,313)**
Funds used and other movements	(4,205)	(8,222)	(24,751)	**(37,178)**
Opening balances 31 December 2022	**244**	**12,753**	**55,352**	**68,349**
Allocations made during the period (Note 26)	3,223	6,669	69,292	**79,184**
Recovered funds (Note 26)	(62)	(1,077)	(6,533)	**(7,672)**
Funds used and other movements	(2,549)	(9,049)	(62,999)	**(74,597)**
Closing balances 31 December 2023	**856**	**9,296**	**55,111**	**65,263**

On 31 May 2023, Grupo Cooperativo Cajamar entered into an agreement regulating the 2023 Early Retirement Plan (supplements and social security contributions) for active employees born between 1 January 1961 and 31 December 1965 who had 15 or more years' service and had worked in Grupo Cooperativo Cajamar for at least five years immediately before the date of the agreement. The early retirements have been implemented through termination of the employment contract by mutual agreement. From 1 October 2023, early retirement is voluntary and extends to the age of 63 years and 3 months. To cover these retirements, the Group set aside a provision of €36,512 thousand, which has been used to settle in full the acquired commitments, which were insured with the company MAPFRE España S.A.

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 amount of the provision established at 31 December 2023 is €22,059 thousand (€25,003 thousand at 31 December 2022).

To cover the workforce adjustment plan implemented in 2015, at 31 December 2023 the Group has recorded a provision for "Other liabilities" in the amount of €4,483 thousand (€4,552 thousand at 31 December 2022).

Additionally, at 31 December 2023 the Group has recorded provisions totalling €25,790 thousand to cover various legal proceedings (€25,496 thousand at 31 December 2022).

At 31 December 2023, within the framework of its strategy for the management of non-performing assets, the Group has recognised, under the heading "Sundry provisions", provisions totalling €7,328 thousand (€10,852 thousand at 31 December 2022) for expenses associated with legal proceedings in respect of debt instruments included in sales of portfolios of non-performing and write-off assets.

15. Tax assets and liabilities – Corporate income tax

Details of tax assets and liabilities at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2023	2022	2023	2022
Current taxes	**34,299**	**33,905**	**31,331**	**28,189**
Deferred taxes	**1,123,509**	**1,127,326**	**52,908**	**48,174**
For temporary differences:	**818,666**	**841,089**	**52,908**	**48,174**
Goodwill on the acquisition of assets	272	339	-	-
Impairment losses on assets	66,755	75,538	-	-
Pension funds and other insurance	53,164	53,112	-	-
Unaccrued fees, Bank of Spain Circular 4/2004	204	207	-	-
Early retirement and dismissal fund	6,513	6,513	-	-
Impairment losses on loans	564,130	574,111	5	5
Funds and provisions created	22,316	22,536	-	-
Excess amortisation/depreciation charge	1,251	2,440	-	-
Undervaluations of financial assets at fair value through other comprehensive income	20,730	22,956	-	-
Revaluation of properties	-	-	36,894	40,298
Revaluation of financial assets at fair value through other comprehensive income	-	-	15,948	7,808
Actuarial gains and losses	2,527	2,308	12	14
Fair value of loans and other	61,112	61,105	-	-
Limitation of the deduction of finance expenses	17,589	17,839	-	-
Other	2,103	2,085	49	49
Tax loss carryforwards	**294,441**	**275,788**	-	-
Tax deductions and credits	**10,402**	**10,449**	-	-
	1,157,808	**1,161,231**	**84,239**	**76,363**

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 2023 and 2022 are as follows:

	Thousands of Euros			
	Assets		**Liabilities**	
	2023	**2022**	**2023**	**2022**
Opening balance	**1,127,326**	**1,110,520**	**48,174**	**50,350**
Prior year adjustments	280	1,073	(250)	(1,448)
Corporate income tax for the year				
Impairment losses on assets	(3,126)	3,624	-	-
Goodwill	(69)	(72)	-	-
Pension funds and other insurance	52	918	-	-
Impairment losses on financial assets at amortised cost	(6,783)	3,255	-	-
Unaccrued fees, Bank of Spain Circular 4/2001	(1)	(4)	-	-
Funds and provisions created	(300)	(4,770)	-	-
Excess amortisation/depreciation charge (Act 16/2012)	(1,207)	(1,245)	-	-
Tax loss carryforwards	14,184	10,775	-	-
Deductions and credits	(2,719)	(9)	-	-
Revaluation of properties	-	-	(3,155)	(566)
Intangible assets and other	18	-	-	-
Other	-	22	-	(2)
Transfers and other				
Fair value of financial assets at fair value through other comprehensive income	(2,225)	8,694	8,139	(160)
Actuarial gains and losses	220	(406)	-	-
Change in current tax assets and liabilities	(1,228)	(2,710)	-	-
Change in payables to group companies	(670)	(1,755)	-	-
Limitation of the deduction of finance expenses	(250)	(500)	-	-
Other	7	(84)	-	-
Closing balance	**1,123,509**	**1,127,326**	**52,908**	**48,174**

At 31 December 2023, the Group has deferred tax assets arising from unused tax losses and tax credits totalling €11,289 thousand (€8,830 thousand at 31 December 2022). The time limit for using unrecognised tax credits is 18 years from the tax period in which the credits arose, whereas there is no time limit for using tax losses. The breakdown is as follows:

		Thousands of Euros	
Year generated	**Item**	**2023**	**2022**
2023	Tax credits for tax loss carryforwards	1,792	-
2022	Deductions and credits	667	-
2021	Deductions and credits	1,333	1,333
2020	Tax credits for tax loss carryforwards	4	4
2020	Deductions and credits	701	701
2019	Deductions and credits	401	401
2018	Deductions and credits	299	299
2017	Deductions and credits	132	132
2016	Deductions and credits	108	108
2015	Tax credits for tax loss carryforwards	1,118	1,118
2014	Tax credits for tax loss carryforwards	45	45
2013	Tax credits for tax loss carryforwards	798	798
2011	Tax credits for tax loss carryforwards	735	735
2010	Tax credits for tax loss carryforwards	648	648
2009	Tax credits for tax loss carryforwards	306	306
2008	Tax credits for tax loss carryforwards	786	786
2007	Tax credits for tax loss carryforwards	721	721
2004	Tax credits for tax loss carryforwards	695	695
	Total	**11,289**	**8,830**

The maximum period for utilising uncapitalised tax credits is 18 years from the tax period in which the credits were generated, whereas there is no time limit for utilisation of unused tax losses. 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 regime established in Corporate Income Tax Act 27/2014 with effect from 2016. Consequently, the Bank and all the entities in which it holds a direct or indirect ownership interest of at least 75% and a majority of the voting rights form a tax consolidated group for corporate income tax purposes. However, the savings banks in the Group pay income tax separately, as the special tax consolidation regime does not apply between them and Banco de Crédito Cooperativo, so it is impossible to obtain a 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 2023 and 2022:

	Thousands of Euros	
	2023	**2022**
Aggregate profit/(loss) before tax	**88,181**	**(86,248)**
Permanent differences:	**(29,044)**	**97,758**
Appropriation to Community Projects Fund	(9,095)	(4,149)
Mandatory Reserve Fund	(10,344)	(4,701)
Interest on capital contributions	(54,422)	(22,922)
Dividends and other	(55,684)	49,214
Other provisions	100,501	80,316
Adjusted accounting profit/(loss) after permanent differences	**59,137**	**11,510**
Temporary differences:	**53,290**	**(30,016)**
Impairment losses on assets	(3,870)	(7,826)
Goodwill	(271)	(271)
Impairment losses on loans	(17,013)	(4,899)
Unaccrued fees, Bank of Spain Circular 4/2001	(8)	(14)
Funds and provisions created	(916)	(15,426)
Excess amortisation/depreciation charge (Act 16/2012)	(4,667)	(4,674)
Revaluation of properties	10,833	2,162
Portfolio valuation adjustments	79	(456)
Limitation of the deduction of financial expenses	(1,000)	(1,000)
Financial assets at fair value through other comprehensive income	2,332	2,388
Limitation of negative tax bases (DA 18 Law 27/2014 Corporate Tax)	67,791	-
Tax base before offset	**112,427**	**(18,506)**
Of which:		
Taxable income	120,037	35,549
Tax losses	(7,610)	(54,055)
Losses due to defaults (Articles 11, 12 of nish Corporate Income Tax Act (LIS))	**2,700**	**8,314**
Tax base before offset of tax loss carryforwards	**115,127**	**(10,192)**
Of which:		
Taxable income	122,737	35,549
Tax losses	(7,610)	(45,741)
Offset of prior years' tax loss carryforwards	**(11,731)**	**(4,752)**
Tax base	**103,396**	**(14,944)**
Gross tax payable (30%-25%)	**26,786**	**(9,635)**
Of which:		
Gross tax payable	28,688	4,047
Gross tax refundable	(1,902)	(13,682)
Monitisable tax asset expenses and losses (applied to tax payable)	**(15,240)**	**(4,409)**
Impairment losses on loans	(14,220)	(2,165)
Pension funds and other insurance	(1,020)	(2,244)
Application of the limit on monetisable tax assets	12,289	5,972
Tax payable (30%-25%)	**23,838**	**(8,072)**
Of which:		
Gross tax payable	25,740	5,481
Gross tax refundable	(1,902)	(13,553)
Tax credits for tax loss carryforwards	(4,175)	(785)
Deductions and credits	(2,719)	(9)
Withholdings and payments on account	(42,663)	(18,069)
Other	-	(445)
Tax payable/(refundable)	**(23,817)**	**(13,827)**

The breakdown of corporate income tax included on the consolidated statement of profit or loss for 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	**2022**
Tax payable (30%-25%)	12,901	(4,305)
Adjustments to prior year corporate income tax	(628)	(2,509)
Consolidation adjustment, portfolio standardisation	94	37
Other	3,001	-
Corporate income tax	**15,368**	**(6,777)**

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 statements of profit or loss for the years ended 31 December 2023 and 31 December 2022, the Group has recognised the following amounts in equity (deferred taxes) for the following items:

	Thousands of Euros	
	2023	**2022**
Fair value of tangible assets	36,893	40,296
Fair value of financial assets at fair value through other comprehensive income (revaluation)	12,142	7,806
Fair value of financial assets at fair value through other comprehensive income (undervaluation)	(5,228)	(2,159)
Fair value of loans and receivables and other (undervaluation)	(61,112)	(61,105)
Actuarial gains and losses	(2,515)	(2,295)

The movement in corporate income tax on items that may or may not be reclassified to profit or loss presented on the statement of recognised income and expenses was a loss of €8,822 thousand at 31 December 2023 (a gain of €16,098 thousand at 31 December 2022) and relates to financial assets at fair value through other comprehensive income, actuarial gains on defined benefit pension plans and hedging derivatives (the effective portion of cash flow hedges).

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 2023 in respect of this ‘asset charge’ amounted to €7,988 thousand (€7,898 thousand at 31 December 2022).

Monetisable tax assets at 31 December 2023 amounted to €618,857 thousand (€620,650 thousand at 31 December 2022).

The breakdown of tax credits for tax loss carryforwards, deductions and allowances available for offset in future years at 31 December 2023 and 31 December 2022 is as follows:

		Thousands of Euros	
Year generated	**Item**	**2023**	**2022**
2023	Tax credits for tax loss carryforwards	20,088	-
2022	Tax credits for tax loss carryforwards	17,438	13,552
2022	Deductions and credits	2,668	-
2021	Tax credits for tax loss carryforwards	1,614	1,665
2021	Deductions and credits	3,314	3,705
2020	Tax credits for tax loss carryforwards	16,677	16,677
2020	Deductions and credits	2,804	1,473
2019	Tax credits for tax loss carryforwards	7,274	7,274
2019	Deductions and credits	1,121	2,004
2018	Tax credits for tax loss carryforwards	16,580	16,810
2018	Deductions and credits	-	1,496
2017	Tax credits for tax loss carryforwards	30,213	30,223
2017	Deductions and credits	-	660
2016	Deductions and credits	-	542
2015	Tax credits for tax loss carryforwards	30,704	28,914
2014	Tax credits for tax loss carryforwards	3,121	6,640
2014	Deductions and credits	63	64
2013	Tax credits for tax loss carryforwards	69	27
2013	Deductions and credits	65	66
2012	Tax credits for tax loss carryforwards	150,173	153,316
2012	Deductions and credits	139	142
2011	Tax credits for tax loss carryforwards	383	404
2011	Deductions and credits	72	77
2010	Tax credits for tax loss carryforwards	107	284
2010	Deductions and credits	149	175
2009	Deductions and credits	7	47
	Total	**304,843**	**286,237**

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 these headings in the assets and liabilities sections on the accompanying consolidated balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	2022
Other assets:		
Prepayments and accrued income	24,093	28,069
Inventories:	277,391	486,298
Amortised cost	693,534	840,886
Valuation adjustments for impairment	(416,143)	(354,588)
Other:		
Net pension plan assets (Note 14.1)	54	78
Transactions in transit	1,411	6,171
Other items	78,753	74,180
Total	**381,702**	**594,796**

	Thousands of Euros	
	2023	2022
Other liabilities:		
Accruals and deferred income	102,071	99,555
Other:		
Transactions in transit	9,689	12,070
Other items	486,988	413,503
Education and Development Fund	4,297	4,791
Total	**603,045**	**529,919**

The “Inventories” heading comprises assets, including land and other properties, that are held for sale in the normal course of business. Movements in the assets mentioned in the above paragraph on the consolidated balance sheets, without taking into account valuation adjustments, throughout 2023 and 2022, are as follows:

	Thousands of Euros	
Cost	2023	2022
Opening balance	**840,885**	**1,089,093**
Additions	43,314	131,418
Disposals	(184,403)	(365,894)
Transfers (Note 10) (Note 12)	(6,263)	(13,731)
Closing balance	**693,534**	**840,885**

	Thousands of Euros	
Impairment losses	2023	2022
Opening balance	**(354,588)**	**(415,460)**
Additions (Note 26)	(239,678)	(198,027)
Disposals (Note 26)	102,613	108,404
Transfers, applications and other	75,510	150,495
Closing balance	**(416,143)**	**(354,588)**

In 2023, assets classified as Inventories of the Group with a carrying amount of €125,182 thousand were derecognised on being sold (€149,337 thousand in 2022). Loans totalling €42,301 thousand (€76,108 thousand in 2022) were granted to finance these sales The average amount of inventories financed as a percentage of the total amount sold at 31 December 2023 was 33.79% (50.96% at 31 December 2022).

In 2023, the Group derecognised €13,665 thousand in gross acquisition cost (€10,113 thousand in gross carrying amount) of assets acquired in payment of debt which, given their specific characteristics, are considered, on a reasoned and documented basis, unlikely to generate returns in the future and whose value therefore is close to zero.

The "Inventories" heading comprises assets, including land and other properties, that are held for sale in the normal course of business. The fair value of the inventories recorded under this heading at 31 December 2023 and 31 December 2022 matches the carrying amount.

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 2023 and 2022 being as follows:

- Research, development, innovation and knowledge transfer, which has been a driving force of the Group entities since 1975 and is aimed at nurturing an entrepreneurial culture in the agri-food sector, applying know-how to create value, and driving up the profitability of farming through sustainable and environmentally-friendly practices. Our laboratories in Almeria and Valencia are the clearest example of the work of our Welfare Fund. The centres carry out applied research projects and develop new production technologies, and especially focus on disseminating the outcomes thereof. There are currently four main areas of knowledge: agrosustainability, food and health, the bioeconomy, and greenhouse technologies.
- Technical and professional training is at the heart of our model to create value for society and the business community. We have therefore committed to forging a permanent link between research and transferring the findings thereof to society. We organise occasional and on-going knowledge transfer activities (conferences, seminars and workshops) and training courses.
- Our Agri-food Training School is there to contribute to enhancing the leadership skills of agents in the agri-food sector through technical and business courses for various groups: executives, directors, farmers and young people. To achieve this, we have put in place a wide-ranging systemic proposal across all agri-food sub-sectors and the regions we serve. Looking ahead, we are focusing on matters related with the intensive use of technology, digitalisation, the creation of added value, efficient use of available resources including the circular economy, and differentiation as a key tool to compete in the global market.

- We are actively involved in forums related with the agri-food sector in Spain and abroad.

- We also contribute to developing and promoting the agri-food sector and social economy through research and the publication of books, journals, newsletters, reports and case studies. We currently boast a private collection of agri-food publications, which is the largest in Spain and an invaluable resource for professionals and researchers as well as for the general public who are increasingly interested in finding out more about this sector given its economic, social and environmental importance. Our publications are fruit of the experiments and analysis performed by our specialists, partnerships with renowned experts and entities, institutions and businesses around the world.

- We have established a Universities Network we will work with to further research and analysis in the agri-food sector and its various sub-sectors. By publishing the papers from this work, we will offer the key agents in the sector valuable resources to help them make strategic decisions in their respective businesses. We will also boost interest in the agri-food business among university students through work experience and events to foster entrepreneurship.

- Analysis of the current position and structural aspects of the agri-food sector. The agri-food system is constantly evolving to cater for the changing needs of consumers and the markets. Our 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.

- We champion the digitalisation of the agri-food sector to more efficiently use resources and better position the various agents in the value chain. In doing this, our aim is to increase financial returns, preserve a social fabric connected with food production, and protect and conserve the environment.

- We help promote policies, measures and instruments that contribute to developing sustainable finance and the social economy, aimed at meeting human needs and the sustainable development of local productive sectors. We promote instruments that encourage and support our partners and customers in the areas of sustainability and the ecological transition.

- By engaging permanently and constructively with stakeholders, we help identify and monitor the factors and trends that shape society's future priorities regarding sustainable finance, the social economy and good corporate governance within the framework of the Sustainable Development Goals.

- We play a role in and contribute to financial education, rural development, financial inclusion, nature conservation, sustainable renewable energy models, social integration, healthy diets and living.

- On the social well-being side, continuing support for action aimed at helping at-risk groups of the population, through the financing of projects of non-profit organisations, to enhance these people's quality of life and facilitate their access to services and inclusion in the communities and society they belong to.

- Partnering on institutional and private-sector projects involving music, painting, dance and theatre, especially cultural activities and sports for children and young people, with a programme promoting the values in sport and increasing physical activity through grassroots sport.

- Backing of social and economic development programmes in the areas in which we operate, and cultural heritage conservation work.

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 breakdown by item of the balances earmarked for the Group's Education and Development Fund at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros	
	2023	**2022**
Application of the Education and Development Fund: (Note 12)		
Property, plant and equipment:	**1,993**	**2,060**
Cost	6,518	6,519
Accumulated depreciation	(4,525)	(4,459)
Other receivables	-	-
Total	**1,993**	**2,060**
Education and Development Fund:		
Appropriation:	**3,830**	**3,875**
Applied to property, plant and equipment	1,927	1,987
Applied to other investments	66	73
Expenses committed during the year	9,128	7,792
Current year maintenance expenses	(8,011)	(6,741)
Amount not committed	720	764
Other liabilities	**467**	**916**
Total	**4,297**	**4,791**

The Education and Development Fund's expenditure and investment budget at 31 December 2023 amounted to €9,128 thousand (€7,792 thousand at 31 December 2022).

Movements in property, plant and equipment linked to the Education and Development Fund are set out in detail in Note 12.

Movements in the Fund during 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**4,791**	**5,124**
Distribution of prior year surplus, Credit Cooperatives	4,151	2,213
Extraordinary appropriation	3,365	4,183
Maintenance expenses for the year	(8,011)	(6,741)
Other	1	12
Closing balance	**4,297**	**4,791**

18. Equity

The breakdown of the "Equity" item on the accompanying consolidated balance sheets at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros	
	2023	**2022(*)**
Capital	**1,059,028**	**1,059,028**
Paid up capital	1,059,028	1,059,028
Parent's reserves	**31,963**	**27,084**
Non-distributable reserves:	**14,758**	**13,359**
Legal reserve	14,758	13,359
Other reserves	**17,205**	**13,725**
Voluntary reserves	28,377	26,370
Other reserves	(11,172)	(12,645)
Parent's equity subject to solvency commitment	**1,090,991**	**1,086,112**
Equity of the Group's cooperative societies subject to solvency commitment	**3,823,410**	**3,683,032**
Equity of Cajamar Caja Rural subject to solvency commitment	**3,533,547**	**3,398,080**
Contributions to the capital of Cajamar Caja Rural	3,355,597	3,251,583
Reserves of Cajamar Caja Rural	177,979	146,526
Mandatory reserve fund	33,723	26,221
Revaluation reserves	39,589	39,589
Voluntary reserve fund	94,842	70,925
Other reserves	9,825	9,791
Less: Treasury shares	(29)	(29)
Equity of the rest of the Group's cooperative societies subject to solvency commitment	**289,863**	**284,952**
capital contributions to the rest of the Group's cooperative societies	95,858	93,563
Reserves of the rest of the cooperative societies	194,033	191,417
Mandatory reserve fund	183,032	181,134
Revaluation reserves	5,805	5,806
Voluntary reserve fund	5,288	4,617
Other reserves	(92)	(140)
Less: Treasury shares	(28)	(28)
Reserves generated during the consolidation process	**(17,632)**	**(33,842)**
Other Consolidable Group Reserves	**(3,571)**	**(3,594)**
Reserves of entities accounted for using the equity method	**29,241**	**31,623**
Parent's shares (-)	**(977,349)**	**(977,349)**
Profit or loss attributable to the Parent	**126,947**	**75,737**
Dividends (-)	**(26,691)**	**(11,137)**
Dividends to Cajamar Caja Rural capital	(25,939)	(10,910)
Dividends to the capital of the rest of the Group's rural savings banks	(752)	(227)
Interim dividends (-)	**(1,852)**	**(816)**
Items that may be reclassified to profit or loss	**(34,288)**	**(62,419)**
Items that may not be reclassified to profit or loss	**(447)**	**(3,071)**
Changes in the fair value of equity instruments at fair value through other comprehensive income	5,624	2,402
Actuarial gains or losses on defined benefit pension plans	(6,071)	(5,473)
Total equity	**4,008,759**	**3,784,275**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

The reconciliation of Equity and Other items that may or may not be reclassified to profit or loss on the accompanying consolidated balance sheet at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros 2023		
Equity	**4,043,494**	**4,043,494**	**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	**3,451,398**	**3,451,398**	**Total equity instruments**
		3,355,597	*Contributions to the capital of Cajamar Caja Rural (Equity subject to solvency commitments)*
		(29)	*Less: Treasury shares of Cajamar Caja Rural (Equity subject to solvency commitments)*
		95,858	*Contributions to the 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	**342,388**	**342,388**	**Total other retained earnings (Reserves)**
		43,135	*Parent's reserves*
		128,565	*Mandatory, voluntary and other reserves at Cajamar Caja Rural (Equity subject to solvency commitments)*
		188,320	*Mandatory, voluntary and other reserves at the other cooperative societies (Equity subject to solvency commitments)*
		(17,632)	*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	**24,231**	**24,231**	**Total other reserves**
Reserves of entities accounted for using the equity method	-	*29,241*	*Reserves of entities accounted for using the equity method*
Other	-	*(5,010)*	*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	**126,947**	**126,947**	**Profit or loss attributable to the Parent**
(-) Interim dividends	**(28,543)**	**(28,543)**	**Total interim dividends**
		(25,939)	**Dividends to Cajamar Caja Rural capital**
		(752)	*Dividends to the capital of the rest of the Group's rural savings banks*
		(1,852)	*Interim dividends to the Parent*
Accumulated other comprehensive income	**(34,735)**	**(34,735)**	**Total accumulated other comprehensive income**
Items that will not be reclassified to profit or loss	**(447)**	**(447)**	**Items that may not be reclassified to profit or loss**
		(4,947)	*Actuarial gains or (-) losses on defined benefit pension plans of the Parent*
		(847)	*Actuarial gains or (-) losses on defined benefit pension plans of Cajamar Caja Rural*
		(278)	*Actuarial gains or (-) losses on defined benefit pension plans of the of the rest of the Group's cooperative societies*
		5,624	*Changes in the fair value of equity instruments at fair value through other comprehensive income*
Items that may be reclassified to profit or loss	**(34,288)**	**(34,288)**	**Items that may be reclassified to profit or loss**
		-	*Foreign currency translation*
		(9,086)	*Hedging derivatives. Cash flow hedges [effective portion]*
		(17,994)	*Changes in the fair value of debt instruments at fair value through other comprehensive income*
		(7,208)	*Share of other recognised income and expense of investments in joint ventures and associates*

	Thousands of Euros 2022(*)		
Equity	**3,849,766**	**3,849,766**	**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	**3,345,089**	**3,345,089**	**Total equity instruments**
	-	*3,251,583*	*Contributions to the capital of Cajamar Caja Rural (Equity subject to solvency commitments)*
	-	*(29)*	*Less: Treasury shares of Cajamar Caja Rural (Equity subject to solvency commitments)*
	-	*93,563*	*Contributions to the 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	**288,784**	**288,784**	**Total other retained earnings (Reserves)**
		39,729	*Parent's reserves*
		97,146	*Mandatory, voluntary and other reserves at Cajamar Caja Rural (Equity subject to solvency commitments)*
		185,751	*Mandatory, voluntary and other reserves at the other cooperative societies (Equity subject to solvency commitments)*
		(33,842)	*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	**25,035**	**25,035**	**Total other reserves**
Reserves of entities accounted for using the equity method	-	*30,480*	*Reserves of entities accounted for using the equity method*
Other	-	*(5,445)*	*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	**75,737**	**75,737**	**Profit or loss attributable to the Parent**
(-) Interim dividends	**(11,953)**	**(11,953)**	**Total interim dividends**
		(10,910)	**Dividends to Cajamar Caja Rural capital**
		(227)	*Dividends to the capital of the rest of the Group's rural savings banks*
		(816)	*Interim dividends to the Parent*
Accumulated other comprehensive income	**(65,491)**	**(65,491)**	**Total accumulated other comprehensive income**
Items that will not be reclassified to profit or loss	**(3,071)**	**(3,071)**	**Items that may not be reclassified to profit or loss**
		(4,814)	*Actuarial gains or (-) losses on defined benefit pension plans of the Parent*
		(413)	*Actuarial gains or (-) losses on defined benefit pension plans of Cajamar Caja Rural*
		(246)	*Actuarial gains or (-) losses on defined benefit pension plans of the of the rest of the Group's cooperative societies*
		2,402	*Changes in the fair value of equity instruments at fair value through other comprehensive income*
Items that may be reclassified to profit or loss	**(62,420)**	**(62,420)**	**Items that may be reclassified to profit or loss**
		(14,468)	*Hedging derivatives. Cash flow hedges [effective portion]*
		(36,833)	*Changes in the fair value of debt instruments at fair value through other comprehensive income*
		(11,119)	*Share of other recognised income and expense of investments in joint ventures and associates*

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

18.1. Capital:

18.1.1. Parent's capital

The composition of the Parent's capital at 31 December 2023 and 31 December 2022, by shareholder contribution, is as follows:

	Percentage ownership	
Shareholders that form part of Grupo Cooperativo Cajamar	**2023**	**2022**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	84.874%	84.874%
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	1.509%	1.510%
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	0.873%	0.873%
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	0.728%	0.728%
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	0.631%	0.631%
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	0.759%	0.759%
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	0.525%	0.520%
Caja Rural San Jaime de Alquerías del Niño Perdido, Sociedad Cooperativa de Crédito	0.389%	0.389%
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	0.340%	0.340%
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	0.298%	0.298%
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	0.253%	0.253%
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	0.228%	0.228%
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	0.228%	0.228%
Caja Rural de Villar, Sociedad Cooperativa de Crédito	0.213%	0.213%
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	0.145%	0.145%
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	0.108%	0.108%
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	0.089%	0.089%
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	0.096%	0.096%
Shareholders that do not form part of Grupo Cooperativo Cajamar		
Caja Rural de Almendralejo, Sociedad Cooperativa de Crédito	1.557%	1.557%
Eurocaja Rural, Sociedad Cooperativa de Crédito	0.094%	0.094%
Caja Rural de Guissona, S. Coop. de Crédito	0.014%	0.014%
Caja Rural de Baena Ntra. Señora de Guadalupe, Sociedad Cooperativa de Crédito Andaluza	0.028%	0.028%
Caja Rural de Utrera, Sociedad Cooperativa Andaluza de Crédito	0.028%	0.028%
Caja Rural de Cañete de las Torres Ntra. Sra. del Campo, Sociedad Cooperativa Andaluza de Crédito	0.028%	0.028%
Caja Rural de Nueva Carteya, Sociedad Cooperativa Andaluza de Crédito (*)	0.028%	-
Caja Rural Ntra. Madre del Sol, S. Coop. Andaluza de Crédito	0.028%	0.028%
Caixa Rural La Vall San Isidro Sociedad Cooperativa de Crédito Valenciana	0.001%	0.001%
Caja Rural San José de Almassora, S.Coop de Crédito	0.094%	0.094%
Caixa Rural de Benicarló, S.Coop de Crédito	0.094%	0.094%
Caixa Rural Vinaros, S. Coop. de Crédito	0.094%	0.094%
Caixa Rural Les Coves de Vinroma, S.Coop de Crédito	0.047%	0.047%
Team & Work 5000, SL	2.833%	2.833%
Crédito Agrícola SGPS, SA	0.472%	0.472%
Garunter Locales, SL	0.472%	0.472%
Pepal 2002, SL	0.142%	0.142%
Acor Sociedad Cooperativa General Agropecuaria	0.189%	0.189%
Gespater S.L	0.283%	0.283%
Publindal, S.L.	0.425%	0.425%
Surister del Arroyo, S.L	0.189%	0.189%
Grupo Juramenta, S.L.	0.094%	0.094%
Repalmar, S.L.	0.094%	0.094%
Frutas de Guadalentin, S.L.	0.283%	0.283%
Other minority interests [Non-controlling interests]	0.097%	0.097%

At 31 December 2023 the Parent's capital amounts to €1,059,028 thousand (€1,059,028 thousand at 31 December 2022), made up of 1,059,028 thousand 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 2022). 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. Shares of the Parent (Controlling Company)

The "Treasury shares" item in Equity includes the shares held by Group entities in the Parent. At 31 December 2023 treasury shares amounted to €977,349 thousand (€977,349 thousand at 31 December 2022), as follows:

	Thousands of Euros	
	2023	**2022**
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. Contributions to the capital of Group Cooperative Societies

Members' contributions to the capital of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, amount to €3,355,568 thousand at 31 December 2023 (€3,251,554 thousand at 31 December 2022) 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 2023 the largest contribution equalled 0.15% of capital (0.15% at the end of 2022).

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 amounted to €95,830 thousand at 31 December 2023 (€93,535 thousand at 31 December 2022) 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 Credit Cooperatives during 2023 and 2022 are as follows:

2023

	Thousands of Euros									
Group entity	**Entity's 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	3,251,583	(27)	3,251,556	53,304,193	382,790	6,275,241	(278,776)	(4,570,101)	-	3,355,569
Caixa Rural de Torrent, Coop. de Crédito Valenciana	15,734	-	15,734	261,751	1,721	28,634	(716)	(11,916)	-	16,739
Caixa Rural de Altea, Coop. de Crédito Valenciana	7,798	-	7,798	129,757	594	9,880	(584)	(9,714)	-	7,808
Caja Rural San José de Burriana, Sdad. Coop. de Crédito	5,434	-	5,434	90,419	184	3,060	(254)	(4,234)	-	5,364
Caja de Crédito de Petrel, Caja Rural, Coop. de Crédito Valenciana	4,563	-	4,563	75,925	618	10,281	(169)	(2,808)	-	5,012
Caja Rural Católico Agraria, Sdad. Coop. de Crédito	17,127	-	17,127	284,967	1,744	29,019	(1,025)	(17,049)	-	17,846
Caja Rural de Callosa d'en Sarriá, Sdad. Coop. de Crédito	9,527	-	9,527	158,523	349	5,801	(628)	(10,445)	-	9,248
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad. Coop. de Crédito	4,517	-	4,517	75,154	143	2,381	(258)	(4,299)	-	4,401
Caja Rural de Cheste, Sdad. Coop. de Crédito	2,143	-	2,143	35,659	79	1,309	(53)	(889)	-	2,169
Caja Rural San José de Nules, Sdad. Coop. de Crédito	7,235	-	7,235	120,378	214	3,556	(432)	(7,186)	-	7,017
Caja Rural de Alginet, Sdad. Coop. de Crédito	3,108	(28)	3,080	51,254	220	3,659	(244)	(4,056)	-	3,057
Caixa Rural de Turís, Coop. de Crédito Valenciana	2,035	-	2,035	30,783	303	4,584	(46)	(689)	-	2,293
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,944	-	3,944	65,616	280	4,659	(383)	(6,367)	-	3,841
Caja Rural de Villar, Sdad. Coop. de Crédito	5,376	-	5,376	89,448	746	12,412	(295)	(4,905)	-	5,827
Caja Rural San José de Vilavella, Sdad. Coop. de Crédito	1,167	-	1,167	19,425	27	456	(34)	(565)	-	1,161
Caja Rural San Roque de Almenara, Sdad. Coop. de Crédito	1,143	-	1,143	19,021	113	1,885	(96)	(1,605)	-	1,160
Caja Rural San Isidro de Vilafamés, Sdad. Coop. de Crédito	524	-	524	7,485	16	231	(9)	(125)	-	531
Caja Rural La Junquera de Chilches, Sdad. Coop. de Crédito	2,186	-	2,186	36,380	277	4,605	(107)	(1,773)	-	2,357
Total	**3,345,145**	**(55)**	**3,345,090**	**54,856,137**	**390,417**	**6,401,653**	**(284,108)**	**(4,658,726)**	**-**	**3,451,399**

2022

	Thousands of Euros									
Group entity	**Entity's 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	3,060,694	(27)	3,060,667	50,174,869	387,359	6,350,154	(196,471)	(3,220,830)	-	3,251,556
Caixa Rural de Torrent, Coop. de Crédito Valenciana	14,593	-	14,593	242,777	1,735	28,856	(594)	(9,882)	-	15,734
Caixa Rural de Altea, Coop. de Crédito Valenciana	6,098	-	6,098	101,467	2,108	35,071	(408)	(6,781)	-	7,798
Caja Rural San José de Burriana, Sdad. Coop. de Crédito	4,642	-	4,642	77,237	971	16,158	(179)	(2,976)	-	5,434
Caja de Crédito de Petrel, Caja Rural, Coop. de Crédito Valenciana	3,630	-	3,630	60,402	1,121	18,651	(188)	(3,128)	-	4,563
Caja Rural Católico Agraria, Sdad. Coop. de Crédito	14,665	-	14,665	244,007	3,029	50,394	(567)	(9,434)	-	17,127
Caja Rural de Callosa d'en Sarriá, Sdad. Coop. de Crédito	8,014	-	8,014	133,348	1,822	30,309	(309)	(5,134)	-	9,527
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad. Coop. de Crédito	3,572	-	3,572	59,439	1,029	17,120	(84)	(1,405)	-	4,517
Caja Rural de Cheste, Sdad. Coop. de Crédito	2,041	-	2,041	33,955	141	2,342	(38)	(638)	-	2,143
Caja Rural San José de Nules, Sdad. Coop. de Crédito	6,191	-	6,191	103,018	1,273	21,180	(230)	(3,820)	-	7,235
Caja Rural de Alginet, Sdad. Coop. de Crédito	2,652	(28)	2,624	43,668	503	8,371	(47)	(785)	-	3,080
Caixa Rural de Turís, Coop. de Crédito Valenciana	1,853	-	1,853	28,024	359	5,424	(176)	(2,665)	-	2,035
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,282	-	3,282	54,608	975	16,224	(313)	(5,216)	-	3,944
Caja Rural de Villar, Sdad. Coop. de Crédito	4,690	-	4,690	78,041	799	13,290	(113)	(1,883)	-	5,376
Caja Rural San José de Vilavella, Sdad. Coop. de Crédito	1,011	-	1,011	16,826	200	3,323	(44)	(724)	-	1,167
Caja Rural San Roque de Almenara, Sdad. Coop. de Crédito	1,031	-	1,031	17,152	147	2,439	(34)	(570)	-	1,143
Caja Rural San Isidro de Vilafamés, Sdad. Coop. de Crédito	502	-	502	7,170	38	536	(15)	(221)	-	524
Caja Rural La Junquera de Chilches, Sdad. Coop. de Crédito	1,847	-	1,847	30,739	466	7,754	(127)	(2,113)	-	2,186
Total	**3,141,010**	**(55)**	**3,140,955**	**51,506,746**	**404,072**	**6,627,596**	**(199,937)**	**(3,278,205)**	**-**	**3,345,090**

At 31 December 2023 the Board of Directors of Grupo Cooperativo Cajamar has classified €3,451,398 thousand (€3,345,089 thousand at 31 December 2022) 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 2023 and 31 December 2022 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

At 31 December 2023 and 31 December 2022, the Group had no balance under this heading of the accompanying consolidated balance sheet.

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 2023 and at 31 December 2022 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 2023 and 31 December 2022 the Group has not issued any instruments with a potential dilutive effect.

	Thousands of Euros	
	2023	**2022(*)**
Profit/(loss) attributable to the Parent, net	126,947	75,737
Weighted average number of shares	1,059,028	1,059,028
Basic earnings per share (in euros)	**0.12**	**0.07**

	Thousands of Euros	
	2023	**2022(*)**
Profit/(loss) attributable to the Parent, net	126,947	75,737
Corrections to results due to issuance of convertibles/options	-	-
Adjusted profit/(loss)	**126,947**	**75,737**
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 (in euros)	**0.12**	**0.07**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

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.

The breakdown of the interim dividends paid out at year-end 2023 is as follows:

2023

	First dividend paid				Second dividend paid				Total
	% of nominal amount	Thousands of shares	Euros per share	Thousands of euros	% of nominal amount	Thousands of shares	Euros per share	Thousands of euros	Thousands of euros
Ordinary shares:									
Cajamar Caja Rural, S.C.C.	84.874%	898,842	0.011	10,184.90	84.874%	898,842	0.011	10,184.90	20,369.80
Caixa Rural de Torrent, C.C.V.	1.509%	15,981	0.011	181.09	1.509%	15,981	0.011	181.09	362.18
Caixa Rural de Altea, C.C.V.	0.873%	9,242	0.011	104.72	0.873%	9,242	0.011	104.72	209.44
Caja Rural San José de Burriana, S.C.C.	0.728%	7,714	0.011	87.41	0.728%	7,714	0.011	87.41	174.82
Caja de Crédito de Petrel Caja Rural, C.C.V.	0.631%	6,681	0.011	75.70	0.631%	6,681	0.011	75.70	151.40
Caja Rural Católico Agraria, S.C.C.	0.759%	8,040	0.011	91.10	0.759%	8,040	0.011	91.10	182.20
Caja Rural de Callosa d'en Sarriá, S.C.C.	0.525%	5,556	0.011	62.95	0.525%	5,556	0.011	62.95	125.90
Caja Rural San Jaime de Alquerías del Niño Perdido, S.C.C.	0.389%	4,124	0.011	46.73	0.389%	4,124	0.011	46.73	93.46
Caja Rural de Cheste, S.C.C.	0.340%	3,606	0.011	40.86	0.340%	3,606	0.011	40.86	81.72
Caja Rural San José de Nules, S.C.C.	0.298%	3,155	0.011	35.75	0.298%	3,155	0.011	35.75	71.50
Caja Rural de Alginet, S.C.C.	0.253%	2,676	0.011	30.32	0.253%	2,676	0.011	30.32	60.64
Caixa Rural de Turís, C.C.V.	0.228%	2,413	0.011	27.35	0.228%	2,413	0.011	27.35	54.70
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo, C.C.V.	0.228%	2,416	0.011	27.38	0.228%	2,416	0.011	27.38	54.76
Caja Rural de Villar, S.C.C.	0.213%	2,257	0.011	25.57	0.213%	2,257	0.011	25.57	51.14
Caja Rural San José de Vilavella, S.C.C.	0.145%	1,536	0.011	17.41	0.145%	1,536	0.011	17.41	34.82
Caja Rural San Roque de Almenara, S.C.C.	0.108%	1,147	0.011	12.99	0.108%	1,147	0.011	12.99	25.98
Caja Rural San Isidro de Vilafamés, S.C.C.	0.089%	948	0.011	10.74	0.089%	948	0.011	10.74	21.48
Caja Rural La Junquera de Chilches, C.C.V.	0.096%	1,018	0.011	11.53	0.096%	1,018	0.011	11.53	23.06
Caja Rural de Almendralejo, S.C.C.	1.557%	16,491	0.011	186.86	1.557%	16,491	0.011	186.86	373.72
Eurocaja Rural, Sociedad Cooperativa de Crédito	0.094%	1,000	0.011	11.33	0.094%	1,000	0.011	11.33	22.66
Caixa Rural La Vall San Isidro, C.C.V.	0.001%	9	0.011	0.10	0.001%	9	0.011	0.10	0.20
Caja Rural San José de Almassora, S.C.C.	0.094%	1,000	0.011	11.33	0.094%	1,000	0.011	11.33	22.66
Caixa Rural de Benicarló, S.C.C.	0.094%	1,000	0.011	11.33	0.094%	1,000	0.011	11.33	22.66
Caixa Rural Vinaros, S.C.C.	0.094%	1,000	0.011	11.33	0.094%	1,000	0.011	11.33	22.66
Caixa Rural Les Coves de Vinroma, S.C.C.	0.047%	500	0.011	5.67	0.047%	500	0.011	5.67	11.34
Caja Rural de Baena Ntra. Señora de Guadalupe, S.C.C.A.	0.028%	300	0.011	3.40	0.028%	300	0.011	3.40	6.80
Caja Rural de Utrera, S.C.C.A.	0.028%	300	0.011	3.40	0.028%	300	0.011	3.40	6.80
Caja Rural Cañete de las Torres Ntra. Sra. del Campo, S.C.C.A.	0.028%	300	0.011	3.40	0.028%	300	0.011	3.40	6.80
Caja Rural de Nueva Carteya, Sociedad Cooperativa Andaluza de Crédito (*)	0.028%	300	0.011	3.40	0.028%	300	0.011	3.40	6.80
Caja Rural Ntra. Madre del Sol, S.C.C.A.	0.028%	300	0.011	3.40	0.028%	300	0.011	3.40	6.80
Caja Rural de Guissona, S.C.C.	0.014%	150	0.011	1.70	0.014%	150	0.011	1.70	3.40
Team & Work 5000, S.L. (Grupo TREA)	2.833%	30,000	0.011	339.93	2.833%	30,000	0.011	339.93	679.86
Crédito Agrícola, S.G.P.S., S.A.	0.472%	5,000	0.011	56.66	0.472%	5,000	0.011	56.66	113.32
Garunter Locales, S.L.	0.472%	5,000	0.011	56.66	0.472%	5,000	0.011	56.66	113.32
Pepal 2002, S.L.	0.142%	1,500	0.011	17.00	0.142%	1,500	0.011	17.00	34.00
Acor Sociedad Cooperativa General Agropecuaria	0.189%	2,000	0.011	22.66	0.189%	2,000	0.011	22.66	45.32
Gespater, S.L.	0.283%	3,000	0.011	33.99	0.283%	3,000	0.011	33.99	67.98
Publindal, S.L.	0.425%	4,500	0.011	50.99	0.425%	4,500	0.011	50.99	101.98
Surister del Arroyo, S.L.	0.189%	2,000	0.011	22.66	0.189%	2,000	0.011	22.66	45.32
Grupo Juramenta, SL	0.094%	1,000	0.011	11.33	0.094%	1,000	0.011	11.33	22.66
Rapalmar, SL	0.094%	1,000	0.011	11.33	0.094%	1,000	0.011	11.33	22.66
Frutas del Guadalentín, SL	0.283%	3,000	0.011	33.99	0.283%	3,000	0.011	33.99	67.98
Other minority interests [Non-controlling interests]	0.097%	1,028	0.011	11.65	0.097%	1,028	0.011	11.65	23.30
Total dividends paid	**100.000%**	**1,059,028**	**0.011**	**12,000.00**	**100.000%**	**1,059,028**	**0.011**	**12,000.00**	**24,000.00**
Dividends charged to profit or loss	1	1,059,028	0.011	12,000.00	1	1,059,028	0.011	12,000.00	24,000.00
Dividend charged to reserves or share premium	-	-	-	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-	-	-	-

(*) Caja Rural Ntra. Sra. del Rosario, S.C.C.A. changes its name to Caja Rural de Nueva Carteya, Sociedad Cooperativa Andaluza de Crédito.

At the dates of payment of the dividends paid by the Parent, in accordance with legal requirements, it has sufficient funds to pay interim dividends. Details of the liquidity position at the dividend payment dates are as follows:

	Thousands of Euros	
Supporting Statement for the Distribution of the Interim Dividend	**First dividend paid**	**Second dividend paid**
	30/06/2023	**31/10/2023**
1) Profit for the year from January 1	14,811	27,809
2) Less	1,481	2,781
a) Mandatory application to reserves	1,481	2,781
b) Allocated amount to Equity less than capital	-	-
3) Less interim dividend paid for the period	-	12,000
4) Maximum amount distributable (1-2-3)	13,330	13,028
Proposed interim dividend	**12,000**	**12,000**
Financial situation		**-**
Cash	123,860	137,198
Deposits at Central Banks	3,780,559	3,771,784
Available cash balance	**3,904,419**	**3,908,982**
Available cash balance after dividend	**3,892,419**	**3,896,982**

The breakdown of dividends paid in 2022 correspond to an interim dividend against 2022 earnings and a supplementary interim dividend against 2021 earnings. At the date of payment of the aforementioned dividends, the Parent, in accordance with legal requirements, had sufficient funds to distribute them.

2022

	Dividend paid			
	% of nominal amount	Thousands of shares	Euros per share	Thousands of euros
Ordinary shares:				
Cajamar Caja Rural, S.C.C.	84.874%	898,842	0.010	8,988.42
Caixa Rural de Torrent, C.C.V.	1.509%	15,981	0.010	159.81
Caixa Rural de Altea, C.C.V.	0.873%	9,242	0.010	92.42
Caja Rural San José de Burriana, S.C.C.	0.728%	7,714	0.010	77.14
Caja de Crédito de Petrel Caja Rural, C.C.V.	0.631%	6,681	0.010	66.81
Caja Rural Católico Agraria, S.C.C.	0.759%	8,040	0.010	80.40
Caja Rural de Callosa d'en Sarriá, S.C.C.	0.525%	5,556	0.010	55.56
Caja Rural San Jaime de Alquerías del Niño Perdido, S.C.C.	0.389%	4,124	0.010	41.24
Caja Rural de Cheste, S.C.C.	0.340%	3,606	0.010	36.06
Caja Rural San José de Nules, S.C.C.	0.298%	3,155	0.010	31.55
Caja Rural de Alginet, S.C.C.	0.253%	2,676	0.010	26.76
Caixa Rural de Turís, C.C.V.	0.228%	2,413	0.010	24.13
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo, C.C.V.	0.228%	2,416	0.010	24.16
Caja Rural de Villar, S.C.C.	0.213%	2,257	0.010	22.57
Caja Rural San José de Vilavella, S.C.C.	0.145%	1,536	0.010	15.36
Caja Rural Albalat dels Sorells, S.C.C.	0.000%	-	0.010	-
Caja Rural San Roque de Almenara, S.C.C.	0.108%	1,147	0.010	11.47
Caja Rural San Isidro de Vilafamés, S.C.C.	0.089%	948	0.010	9.48
Caja Rural La Junquera de Chilches, C.C.V.	0.096%	1,018	0.010	10.18
Caja Rural de Almendralejo, S.C.C.	1.557%	16,491	0.010	164.91
Eurocaja Rural, Sociedad Cooperativa de Crédito	0.094%	1,000	0.010	10.00
Caixa Rural La Vall San Isidro, C.C.V.	0.001%	9	0.010	0.09
Caja Rural San José de Almassora, S.C.C.	0.094%	1,000	0.010	10.00
Caixa Rural de Benicarló, S.C.C.	0.094%	1,000	0.010	10.00
Caixa Rural Vinaros, S.C.C.	0.094%	1,000	0.010	10.00
Caixa Rural Les Coves de Vinroma, S.C.C.	0.047%	500	0.010	5.00
Caja Rural de Baena Ntra. Señora de Guadalupe, S.C.C.A.	0.028%	300	0.010	3.00
Caja Rural de Utrera, S.C.C.A.	0.028%	300	0.010	3.00
Caja Rural Cañete de las Torres Ntra. Sra. del Campo, S.C.C.A.	0.028%	300	0.010	3.00
Caja Rural Ntra. Sra. del Rosario, S.C.C.A.	0.028%	300	0.010	3.00
Caja Rural Ntra. Madre del Sol, S.C.C.A.	0.028%	300	0.010	3.00
Caja Rural de Guissona, S.C.C.	0.014%	150	0.010	1.50
Team & Work 5000, S.L. (Grupo TREA)	2.833%	30,000	0.010	300.00
Crédito Agrícola, S.G.P.S., S.A.	0.472%	5,000	0.010	50.00
Garunter Locales, S.L.	0.472%	5,000	0.010	50.00
Pepal 2002, S.L.	0.142%	1,500	0.010	15.00
Acor Sociedad Cooperativa General Agropecuaria	0.189%	2,000	0.010	20.00
Gespater, S.L.	0.283%	3,000	0.010	30.00
Publindal, S.L.	0.425%	4,500	0.010	45.00
Surister del Arroyo, S.L.	0.189%	2,000	0.010	20.00
Grupo Juramenta, SL	0.094%	1,000	0.010	10.00
Rapalmar, SL	0.094%	1,000	0.010	10.00
Frutas del Guadalentín, SL	0.283%	3,000	0.010	30.00
Other minority interests [Non-controlling interests]	0.097%	1,028	0.010	10.28
Total dividends paid	**100.000%**	**1,059,028**	**0.010**	**10,590.28**
Dividends charged to profit or loss	1	1,059,028	0.010	10,590.28
Dividend charged to reserves or share premium	-	-	-	-
Dividends in kind	-	-	-	-

2022

	Complementary dividend of the result of 2021			
	% of nominal amount	Thousands of shares	Euros per share	Thousands of euros
Ordinary shares:				
Cajamar Caja Rural, S.C.C.	84.874%	898,842	0.008	6,789.93
Caixa Rural de Torrent, C.C.V.	1.509%	15,981	0.008	120.73
Caixa Rural de Altea, C.C.V.	0.873%	9,242	0.008	69.82
Caja Rural San José de Burriana, S.C.C.	0.728%	7,714	0.008	58.27
Caja de Crédito de Petrel Caja Rural, C.C.V.	0.631%	6,681	0.008	50.47
Caja Rural Católico Agraria, S.C.C.	0.759%	8,040	0.008	60.74
Caja Rural de Callosa d'en Sarriá, S.C.C.	0.525%	5,556	0.008	41.97
Caja Rural San Jaime de Alquerías del Niño Perdido, S.C.C.	0.389%	4,124	0.008	31.15
Caja Rural de Cheste, S.C.C.	0.340%	3,606	0.008	27.24
Caja Rural San José de Nules, S.C.C.	0.298%	3,155	0.008	23.83
Caja Rural de Alginet, S.C.C.	0.253%	2,676	0.008	20.21
Caixa Rural de Turís, C.C.V.	0.228%	2,413	0.008	18.23
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo, C.C.V.	0.228%	2,416	0.008	18.25
Caja Rural de Villar, S.C.C.	0.213%	2,257	0.008	17.05
Caja Rural San José de Vilavella, S.C.C.	0.145%	1,536	0.008	11.61
Caja Rural Albalat dels Sorells, S.C.C.	0.000%	-	0.008	-
Caja Rural San Roque de Almenara, S.C.C.	0.108%	1,147	0.008	8.66
Caja Rural San Isidro de Vilafamés, S.C.C.	0.089%	948	0.008	7.16
Caja Rural La Junquera de Chilches, C.C.V.	0.096%	1,018	0.008	7.69
Caja Rural de Almendralejo, S.C.C.	1.557%	16,491	0.008	124.57
Eurocaja Rural, Sociedad Cooperativa de Crédito	0.094%	1,000	0.008	7.55
Caixa Rural La Vall San Isidro, C.C.V.	0.001%	9	0.008	0.07
Caja Rural San José de Almassora, S.C.C.	0.094%	1,000	0.008	7.55
Caixa Rural de Benicarló, S.C.C.	0.094%	1,000	0.008	7.55
Caixa Rural Vinaros, S.C.C.	0.094%	1,000	0.008	7.55
Caixa Rural Les Coves de Vinroma, S.C.C.	0.047%	500	0.008	3.78
Caja Rural de Baena Ntra. Señora de Guadalupe, S.C.C.A.	0.028%	300	0.008	2.27
Caja Rural de Utrera, S.C.C.A.	0.028%	300	0.008	2.27
Caja Rural Cañete de las Torres Ntra. Sra. del Campo, S.C.C.A.	0.028%	300	0.008	2.27
Caja Rural Ntra. Sra. del Rosario, S.C.C.A.	0.028%	300	0.008	2.27
Caja Rural Ntra. Madre del Sol, S.C.C.A.	0.028%	300	0.008	2.27
Caja Rural de Guissona, S.C.C.	0.014%	150	0.008	1.13
Team & Work 5000, S.L. (Grupo TREA)	2.833%	30,000	0.008	226.62
Crédito Agrícola, S.G.P.S., S.A.	0.472%	5,000	0.008	37.77
Garunter Locales, S.L.	0.472%	5,000	0.008	37.77
Pepal 2002, S.L.	0.142%	1,500	0.008	11.33
Acor Sociedad Cooperativa General Agropecuaria	0.189%	2,000	0.008	15.11
Gespater, S.L.	0.283%	3,000	0.008	22.66
Publindal, S.L.	0.425%	4,500	0.008	33.99
Surister del Arroyo, S.L.	0.189%	2,000	0.008	15.11
Grupo Juramenta, SL	0.094%	1,000	0.008	7.55
Rapalmar, SL	0.094%	1,000	0.008	7.55
Frutas del Guadalentín, SL	0.283%	3,000	0.008	22.66
Other minority interests [Non-controlling interests]	0.097%	1,028	0.008	7.77
Total dividends paid	**100.000%**	**1,059,028**	**0.008**	**8,000.00**
Dividends charged to profit or loss	1	1,059,028	0.008	8,000.00
Dividend charged to reserves or share premium	-	-	-	-
Dividends in kind	-	-	-	-

18.1.7. Remuneration on contributions to the 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.

In the first half of 2023, the Group's Rural Savings Banks settled interest of €11,790 thousand accrued on contributions to capital in the second half of 2022 (€10,779 thousand paid in the first half of 2022 and accrued in the second half of 2021), which was applied in full in the allocation of the banks' profit or loss. In the first half of 2023, €26,691 thousand of interest accrued on capital contributions for that period was settled, while at 31 December 2023 a total of €27,730 thousand of interest has accrued, to be settled in the first half of 2024.

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 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022(*)**
Parent's reserves		
Legal and statutory reserve fund	14,758	13,359
Voluntary reserves	28,377	26,370
	43,135	**39,729**
Reserves of the Group's credit cooperatives		
Mandatory reserve fund	216,756	207,354
Voluntary reserve fund and other reserves	100,131	75,542
	316,887	**282,896**
Reserves generated during the consolidation process	**(17,634)**	**(33,841)**
Total retained earnings	**342,388**	**288,784**
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 of entities accounted for using the equity method	29,241	31,623
Other reserves (Note 8.5.2)	(5,013)	(6,588)
Total other reserves	**24,228**	**25,035**
Total	**412,011**	**359,214**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

18.2.1. Parent's reserves

a) 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 the reserve 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 2023 and 31 December 2022 the Parent recorded €14,758 thousand and €13,359 thousand, respectively, in this account on the accompanying consolidated balance sheet.

b) Voluntary reserves

Voluntary reserves are those unrestricted reserves freely constituted by the Parent that are not required by law.

At 31 December 2023 and 31 December 2022 the Parent held a total of €28,377 thousand and €26,370 thousand, respectively.

18.2.2 Reserves in Group Credit Cooperatives

Details of the reserves in the Group Credit Cooperatives at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros									
	Mandatory		Voluntary		Revaluation		Other		Total reserves	
Group entity	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	33,723	26,221	94,842	70,925	39,589	39,589	9,825	9,791	177,979	146,526
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	39,100	38,690	1,238	992	-	-	(145)	(145)	40,193	39,537
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	24,950	24,718	288	241	-	-	-	-	25,238	24,959
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	19,257	19,061	294	236	1,762	1,762	-	-	21,313	21,059
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	17,623	17,558	479	414	-	-	54	54	18,156	18,026
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	12,407	12,214	39	-	2,611	2,611	157	109	15,214	14,934
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	11,383	11,236	1,798	1,739	-	-	-	-	13,181	12,975
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad Coop de Crédito	9,376	9,285	481	444	-	-	-	-	9,857	9,729
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	9,713	9,621	84	75	-	-	-	-	9,797	9,696
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	4,869	4,770	85	56	-	-	-	-	4,954	4,826
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	6,646	6,581	30	23	-	-	(29)	(29)	6,647	6,575
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	6,793	6,729	102	89	-	-	9	9	6,904	6,827
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,868	3,814	13	8	449	449	63	63	4,393	4,334
Caja Rural de Villar, Sociedad Cooperativa de Crédito	5,517	5,447	80	66	615	615	-	-	6,212	6,128
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	3,911	3,874	122	107	-	-	(202)	(202)	3,831	3,779
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	2,605	2,575	62	50	368	368	1	1	3,036	2,994
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	2,425	2,402	24	20	-	-	-	-	2,449	2,422
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	2,589	2,559	69	57	-	-	-	-	2,658	2,616
Total reserves	**216,755**	**207,355**	**100,130**	**75,542**	**45,394**	**45,394**	**9,733**	**9,651**	**372,012**	**337,942**

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 2023 and 2022 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 Group.

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 2023 and at 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022(*)**
Cajamar Vida, S.A. de Seguros y Reaseguros	20,688	21,743
Balsa Insa, S.L.	(4,753)	(4,753)
Proyecta Ingenio S.L.	531	(56)
Parque Innovación y Tecnología de Almería, S.A.	(3,628)	(3,655)
Murcia Emprende	(644)	(1,078)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	5,190	4,852
Biocolor S.L.	(52)	(52)
GCC Consumo EFC, S.A.	11,708	14,503
Rest of associated entities	201	119
Total	**29,241**	**31,623**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

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.

On 28 June 2021 Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 ("CRR2") started to be applied. The amendments to the CRR included changes to article 92, stipulating the funds banks must hold at all times. Specifically, CRR2 establishes a minimum leverage ratio of 3% (article 92.1.d), retaining the CET1, T1 and Total Capital requirements previously determined in CRR in this article (Note 3.15).

The eligible capital and capital requirements of Grupo Cooperativo Cajamar on a phased-in basis at 31 December 2023 and 31 December 2022 break down as follows:

	Thousands of Euros	
	2023	**2022(*)**
Eligible own funds	**4,068,402**	**3,960,730**
CET1 Capital	**3,468,433**	**3,360,810**
Eligible CET1 instruments	3,997,428	3,840,988
Capital	*3,533,078*	*3,426,768*
Reserves from profit or loss	*464,350*	*414,220*
Tax credits	(528,995)	(480,178)
TIER 2 Capital	**599,969**	**599,920**
Pillar I capital adequacy requirements	**2,034,013**	**1,990,891**
Credit risk	1,860,782	1,835,458
Operating risk	151,634	128,629
CVA	18,564	23,003
Securitisations	3,033	3,801
Capital adequacy ratio	**16.00%**	**15.92%**
CET1 ratio	**13.64%**	**13.50%**

(*) Solvency at 31 December 2022 has been restated for the application of IFRS 17 to associates, as indicated above.

The Group's phased-in Total Capital ratio was 16.00% at 31 December 2023 (15.92% at 31 December 2022) while the phased-in CET1 ratio was 13.64% (13.50% at 31 December 2022), thus meeting the supervisor's requirements at that date. On the other hand, the fully-loaded CET1 ratio stood at 13.56% at 31 December 2023 (13.25% at 31 December 2022) and the fully-loaded Total Capital ratio stood at 15.92% (15.67% at 31 December 2022).

The improvement in the CET1 ratio and the total capital ratio is attributable mainly to the increase in cooperative capital, the generation of profit, the increase in the value of fixed income and equity instruments at fair value through equity, and the decrease in the deduction for additional provisions. These effects have been partially offset by the increase in intangible assets during 2023, which are deducted from the CET1 numerator, and the increase in RWAs for operational risk, due to the calculation method based on revenue growth over the last three years.

As regards the phased-in ratios, Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 introduced an amendment to the CRR allowing institutions to gradually, between 2018 and 2022, mitigate the negative impact of increasing provisions under IFRS 9 on CET1, which in the Group's case resulted in a 78 basis-point reduction in the fully-loaded CET1 ratio (Note 1.4). Also, in response to Covid-19, Regulation (EU) 2020/873 (known as the "CRR quick fix") was enacted, amending certain aspects of this transitional provision and the extent of said treatment.

The Group decided to apply this transitional rule and therefore the phased-in capital ratios are calculated taking into account this stipulated transitional treatment and subsequent amendments thereto.

Thus, at 31 December 2023, thanks to the CRR Quick Fix to mitigate the effect of the COVID-19 pandemic, CET1 takes into account only the dynamic component of IFRS 9 resulting from the increase in provisions for performing exposures compared to 1 January 2020. The static component of the direct increase in provisions caused by initial application of IFRS 9, computed under the amendment to the CRR introduced by Regulation (EU) 2017/2395, has been excluded from CET1 in 2023, as the transitional application schedule included in the CRR was completed. Removal of the static component partially offsets the increase in the phased-in CET1 ratio during 2023.

The Pillar I and Pillar II capital requirements and the capital conservation buffer for 2023 are the same as those set in 2022: 8.41% – CET1 (4.5% – Pillar I, 2.5% – capital conservation buffer and 1.41% – Pillar II); 10.38% – Tier 1 Capital (6% – Pillar I, 2.5% – capital conservation buffer and 1.88% – Pillar II); and 13% – Total Capital (8% – Pillar I, 2.5% – capital conservation buffer and 2.5% – Pillar 2).

Given the aforesaid, at 31 December 2023 the Group had surplus capital over and above the requirements in the SREP.

Turning to the regulation on resolution, pursuant to Article 12.5 of the Single Resolution Mechanism (SRM) Regulation; Article 44.1 of Act 11/2015 (Credit Institution Recovery and Resolution Act); and Article 23.1.f of Act 13/1994 (Bank of Spain's autonomy), a new notification was received from the Bank of Spain on 10 March 2023 revising the minimum requirements for own funds and eligible liabilities (MREL) established by the Single Resolution Board for the Group to be met no later than 1 January 2025.

The MREL to be met by 1 January 2025 was set at 20.22% (22.72% including the capital conservation buffer) of the total risk exposure amount (TREA) and 5.36% of the leverage ratio exposure (LRE), based on the financial and prudential information available at 31 December 2021. The Group met the requirement set by the SRB for 1 January 2023 of 16.28% (18.78% including the capital conservation buffer) of the TREA and 5.36% of the LRE.

A notable event during the period in relation to equity instruments is the issuance in September 2023 of €650 million of senior preferred debt with a maturity of 6 years to continue to meet MREL, which met with strong demand. As a result, at 31 December 2023 MREL stood at 23.02% as a percentage of TREA and 9.99% as a percentage of LRE. Both ratios are above the intermediate target to be met from 1 January 2023 (18.78% as a percentage of Trea and 5.36% as a percentage of LRE) and the final MREL requirement to be met from 1 January 2025 (22.72% as a percentage of Trea and 5.36% as a percentage of LRE).

A reconciliation of the accounting balances on the consolidated balance sheet and the balances included in the regulatory perimeter for calculating capital requirements is provided below:

	Thousands of Euros	
	2023	**2022(*)**
Own funds	**4,043,494**	**3,849,766**
Capital	1,059,028	1,059,028
Retained earnings, revaluation reserves and other reserves	412,010	359,213
Other capital instruments	3,451,398	3,345,089
(-) Treasury shares	(977,349)	(977,349)
Profit or loss attributable to the Parent	126,947	75,737
(-) Dividends and remuneration	(28,541)	(11,953)
Accumulated other comprehensive income	**(34,735)**	**(65,491)**
Total equity	**4,008,759**	**3,784,275**
(-) Adjustments to eligible results: Appropriation to the Education and Development Fund	(8,263)	(3,365)
(-) Exposures weighted at 1.250% with respect to securitisation funds	(1,812)	(1,719)
(-) Goodwill	(2,817)	(1,511)
(-) Defined benefit pension fund assets	(54)	(78)
(-) Intangible assets net of associated tax liabilities	(184,772)	(128,526)
(+) Eligible subordinated debt	599,969	599,920
(-) Deferred tax assets (DTAs)	(276,762)	(260,428)
(+) Temporary impact on reserves of application of IFRS 9	20,908	63,001
(+/-) CET 1 adjustments due to prudential filters	4,526	8,867
(-) Additional coverage	(36,654)	(63,325)
(-) Other CET1 deductions	(26,124)	(24,591)
(-) Expected dividends and remuneration	(28,502)	(11,790)
Total adjustments	**59,643**	**176,455**
Total own funds for capital adequacy purposes	**4,068,402**	**3,960,730**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

Lastly, the fully-loaded leverage ratio stood at 5.88% at 31 December 2023 (5.31% at 31 December 2022), while the phased-in ratio was 5.92% (5.40% at 31 December 2022). This ratio remains above the 3% minimum requirement stipulated in article 92.1 d) introducing the CRR2.

20. Accumulated other comprehensive income

The breakdown of valuation adjustments by Group entity at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros	
	2023	**2022(*)**
Cajamar Caja Rural, S.C.C	(10,444)	(10,163)
Banco de Crédito Social Cooperativo, S.A.	(13,281)	(34,740)
Cajamar Vida, S.A. de Seguros y Reaseguros	(5,220)	(7,235)
Cimenta2 Gestión e Inversiones, S.A.U	(3,519)	(9,253)
Cajamar Seguros Generales, S.A.	(1,988)	(3,884)
Murcia Emprende S.C.R. S.A.	(8)	2
Caja de Crédito de Petrel, Caja Rural, C.C.V.	(52)	(51)
Caixa Rural de Turís C.C.V.	(31)	(31)
Caja Rural de Alginet, S.C.C.V.	(19)	(18)
Caja Rural San Roque de Almenara, S.C.C.V.	(5)	(4)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	8	10
Caixa Rural Altea, S.C.C.V.	(45)	(32)
Caja Rural San Jose de Burriana, C.C.V.	27	29
Caixa Rural de Callosa de Sarria, C.C.V.	(10)	(8)
Caja Rural de Cheste, S.C.C.	(15)	(12)
Caja Rural la Junquera de Chilches, C.C.V.	(1)	-
Caja Rural San José de Nules, S.C.C.V.	(2)	(1)
Caja Rural de Torrent, S.C.C.	(96)	(87)
Caja Rural San Isidro de Vilafamés, C.C.V.	(4)	(4)
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	1	1
Caja Rural de Villar, C.C.V.	(6)	(5)
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	(19)	(17)
Caixa Rural Vila-Real, S.C.C.	(7)	12
Total	**(34,736)**	**(65,491)**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

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 to the accompanying annual accounts, and must be classified as part of the Group's equity (Note 8.5.4).

Changes in 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Opening balance	**(3,071)**	**(3,980)**
Net changes in actuarial gains or (-) losses on defined benefit pension plans	(598)	1,011
Net changes in the fair value of equity instruments at fair value through other comprehensive income, net	3,221	(102)
Closing balance	**(448)**	**(3,071)**

20.2. Items that may be reclassified to profit or loss

Details of this item on the accompanying consolidated balance sheets at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022(*)**
Opening balance	**(62,420)**	**(12,577)**
Net changes in cash flow hedges	5,383	(119)
Net changes in debt instruments at fair value through other comprehensive income	18,839	(33,645)
Net changes in share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	3,910	(16,079)
Closing balance	**(34,288)**	**(62,420)**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

21. Minority interests

At 31 December 2023 and 31 December 2022 there are no balances recognised under this heading on the accompanying consolidated balance sheet.

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 2023 and 31 December 2022 grouped by counterparty are as follows, including the limits and undrawn amounts thereof:

	Thousands of Euros	
	2023	**2022**
Available in loan commitments	5,287,936	5,030,077
Forward forward deposits	-	-
	5,287,936	**5,030,077**

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 €3,824 thousand at 31 December 2023 (€3,593 thousand at 31 December 2022) (Note 14.2).

The average interest rate offered on these commitments is 4.91% at 31 December 2023 (2.37% in 2022).

22.2. Financial guarantees given

The breakdown of financial guarantees given at 31 December 2023 and 31 December 2022, the nominal amounts of which are recorded in memorandum accounts, is set out below:

	Thousands of Euros	
	2023	**2022**
Financial guarantees given other than credit derivatives	**378,620**	**352,800**
Financial collateral	378,620	352,800
Irrevocable contingent letters of credit	-	-
Other financial guarantees	-	-
Credit derivatives	**-**	**-**
Total	**378,620**	**352,800**

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 is recorded under the heading "Fee and commission income – Financial guarantees given" on the consolidated statement of profit or loss and is calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. The commission yet to accrue at 31 December 2023 and 31 December 2022 totalled €19,182 thousand and €20,311 thousand, respectively.

The present value of future flows yet to be received for these contracts is €18,423 thousand at 31 December 2023 and €19,459 thousand at 31 December 2022.

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 at 31 December 2023 and 31 December 2022 totalled €3,176 thousand and €3,015 thousand, respectively (Note 14.2).

22.3. Other commitments given

Details of other commitments given at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Irrevocable documentary credits	24,579	43,728
Other non-financial guarantees	855,286	704,311
Securities subscribed pending disbursement	46,114	55,633
Other contingent commitments	72,079	1,495,711
Total	**998,058**	**2,299,383**

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 at 31 December 2023 and 31 December 2022 totalled €3,199 thousand and €2,395 thousand, respectively (Note 14.2).

The income obtained from guarantee instruments is recorded under the heading "Fee and commission income" on the consolidated statement of profit or loss and is calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. The commission yet to accrue at 31 December 2023 amounted to €36,442 thousand (€36,096 thousand at 31 December 2022).

The present value of future flows yet to be received for these contracts is €36,891 thousand at 31 December 2023 and €36,735 thousand at 31 December 2022.

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 these types of transactions using transparent criteria included in the *Credit Risk Control and Management Procedures and Policies Manual* (Note 6).

At 31 December 2023 and 31 December 2022 no transactions had been carried out under non-market conditions with parties related to the Group. Balances generated as a result of transactions with related parties are as follows:

	Thousands of Euros					
	Outstanding balances (balance sheet)					
	Associates and joint ventures		Key management of the institution or its Parent		Other related parties	
	2023	2022	2023	2022	2023	2022
Selected financial assets	**449,992**	**428,362**	**3,755**	**3,294**	**28,955**	**29,356**
Equity instruments	87,814	83,980	-	-	3,170	1,100
Debt securities	-	-	-	-	-	-
Loans and advances	362,178	344,382	3,755	3,294	25,785	28,256
Selected financial liabilities	**41,534**	**32,826**	**3,646**	**4,245**	**51,894**	**46,842**
Deposits	41,534	32,826	3,646	4,245	51,894	46,842
Debt securities issued	-	-	-	-	-	-
Nominal amount of loan commitments, financial guarantees and other commitments given	**154,889**	**136,227**	**140**	**145**	**7,792**	**9,202**
Of which: non-performing	-	-	-	-	5	-
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	8,150	3,822	46	10	572	303
Interest expenses	623	-	71	1	554	4
Dividend income	-	-	-	-	-	-
Fee and commission income	61,326	64,086	1	2	53	42
Fee and commission expenses	1	3	-	-	-	-
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	(6)	-
Gains or (-) losses on derecognition of non-financial assets	(4)	1,106	-	-	-	-
Impairment or (-) reversal of impairment of non-performing exposures	-	-	-	-	-	-
Provisions or (-) reversal of provisions for non-performing exposures	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2023 and 31 December 2022 with parties related to the Group are as follows:

	Thousands of Euros	
Outstanding balances	**Related parties**	
	2023	**2022**
Credits:		
Amount	391,718	375,932
Interest rate	0.00% a 11.95%	0.00% to 11.95%
Collateral	Personal and Mortgage	Personal and Mortgage
Remaining term	0 to 32 years	0 to 33 years
Deposits:		
Amount	97,074	83,913
Interest rate	0.00% to 3.78%	0,0% to 2,83%
Remaining term	0 to 2 years	0 to 2 years

24. Directors' remuneration

The remuneration, including all items, accrued to the Board directors and executives of the Group's Parent, Banco de Crédito Social Cooperativo, S.A., in 2023 and at 31 December 2022 is as follows:

	Thousands of Euros				
	2023				
	Fees-Premiums	**Fixed compensation**	**Social Security expenses**	**Post-employment benefits**	**Other remuneration (*)**
Board directors	1,882	1,882	78	120	125
Executives	-	1,954	138	134	283
Total	**1,882**	**3,835**	**216**	**254**	**408**
	2022				
	Fees-Premiums	**Fixed compensation**	**Social Security expenses**	**Post-employment benefits**	**Other remuneration (*)**
Board directors	1,735	1,696	66	103	203
Executives	-	1,868	130	158	336
Total	**1,735**	**3,564**	**196**	**261**	**539**

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

Directors' remuneration at 31 December 2023 includes the remuneration of eight directors included in the Bank of Spain's Register of Senior Officers (eight directors at 31 December 2022). Board members' remuneration at 31 December 2023 includes the remuneration of three executive board members (three executive board members at 31 December 2022).

The heading "Post-employment benefits" records the payments relating to pension and life insurance premium obligations, regardless of whether or not they are directly attributed to the beneficiary, at 31 December 2023 and 31 December 2022.

Remuneration accrued to the members of the Group's Board of Directors for fees and attendance premiums at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros			
	2023		2022	
	Fees	Attendance fees	Fees	Attendance fees
Ms Marta De Castro Aparicio	159	65	159	53
Mr Juan Carlos Rico Mateo	-	-	19	8
Mr Jose Antonio Garcia Perez	-	-	19	8
Mr Bernabe Sanchez Minguet Martinez	59	45	59	35
Ms Maria Teresa Vazquez Calo	26	12	62	26
Mr Antonio Canton Gongora	139	59	137	46
Mr Manuel Yebra Sola	80	45	80	38
Mr Luis Rodriguez Gonzalez	158	52	157	40
Mr Juan Bautista Mir Piqueras	117	19	117	14
Mr Rafael Garcia Cruz	52	30	59	38
Mr Antonio José Carranceja Lopez de Ochoa	145	60	142	47
Ms Ana Nuñez Alvarez	135	36	132	26
Mr Luis Francisco Fernandez-Revuelta Perez	62	36	59	26
Ms Maria Lopez Fernandez	62	45	52	21
Mr Antonio De Parellada Duran	59	29	40	16
Mr Francisco Javier Astiz Fernández	36	18	-	-
Mr Rosa María Vidal Monferrer	30	14	-	-
	1,319	**565**	**1,293**	**442**

At 31 December 2023 the Group has a public liability insurance policy for its directors; the premium paid to the insurance company totalled €312 thousand (€319 thousand at 31 December 2022).

25. Quantitative and qualitative information on the mortgage market and reporting transparency

In accordance with Royal Decree 24/2021 and Circular 3/2020, of 2 November 2020 (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 mortgaged properties, depending on their nature.
- The rules for determining a property's value, which include a rule requiring appraisal values to be certified by an appraisal firm officially approved by the 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 meet the payment obligations of the Group.

25.1. Information on the mortgage market

The qualitative and quantitative information at 31 December 2023 and 31 December 2022 on the assets received in payment of debt, broken down by the purpose of the initially granted finance, is provided below:

	Thousands of Euros (*)					
	31 December 2023					
	Gross Debt	Initial impairment (I)	Gross carrying amount	subsequent impairment (II)	Sum impairment (I+II)	Net carrying amount
Real estate assets from financing provided to construction and real estate development companies	**953,562**	**(343,308)**	**610,254**	**(378,776)**	**(722,084)**	**231,478**
Completed buildings and other constructions	*197,378*	*(59,652)*	*137,726*	*(74,235)*	*(133,887)*	*63,491*
Housing	129,928	(40,564)	89,364	(44,052)	(84,616)	45,312
Other	67,450	(19,088)	48,362	(30,183)	(49,271)	18,179
Buildings and other constructions under construction	*147,741*	*(52,673)*	*95,068*	*(43,853)*	*(96,526)*	*51,215*
Housing	147,418	(52,589)	94,829	(43,844)	(96,433)	50,985
Other	323	(84)	239	(9)	(93)	230
Land	*608,443*	*(230,983)*	*377,460*	*(260,688)*	*(491,671)*	*116,772*
Consolidated urban land	286,864	(100,807)	186,057	(126,345)	(227,152)	59,712
Other land	321,579	(130,176)	191,403	(134,343)	(264,519)	57,060
Real estate assets from mortgage financing to acquire homes	**131,632**	**(48,314)**	**83,318**	**(34,759)**	**(83,073)**	**48,559**
Other foreclosed real estate assets or those received as payment in lieu of debt	**240,768**	**(81,446)**	**159,322**	**(75,230)**	**(156,676)**	**84,092**
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	-	-	**123**	**(4)**	**(4)**	**119**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	-	-	-	-
Total assets acquired in payment of debts	**1,325,962**	**(473,068)**	**852,894**	**(488,765)**	**(961,833)**	**364,129**

(*) Includes real estate investments with a gross debt of €131,155 thousand, an accumulated impairment of €85,976 thousand and a net carrying amount of €45,179 thousand.

	Thousands of Euros (*)					
	31 December 2022					
	Gross Debt	Initial impairment (I)	Gross carrying amount	subsequent impairment (II)	Sum impairment (I+II)	Net carrying amount
Real estate assets from financing provided to construction and real estate development companies	**1,121,194**	**(396,928)**	**724,266**	**(331,457)**	**(728,385)**	**392,809**
Completed buildings and other constructions	*269,991*	*(77,007)*	*192,984*	*(60,163)*	*(137,170)*	*132,821*
Housing	174,610	(50,591)	124,019	(33,841)	(84,432)	90,178
Other	95,381	(26,416)	68,965	(26,322)	(52,738)	42,643
Buildings and other constructions under construction	*157,735*	*(60,916)*	*96,819*	*(31,928)*	*(92,844)*	*64,891*
Housing	156,832	(60,748)	96,084	(31,669)	(92,417)	64,415
Other	903	(168)	735	(259)	(427)	476
Land	*693,468*	*(259,005)*	*434,463*	*(239,366)*	*(498,371)*	*195,097*
Consolidated urban land	327,116	(117,359)	209,757	(113,339)	(230,698)	96,418
Other land	366,352	(141,646)	224,706	(126,027)	(267,673)	98,679
Real estate assets from mortgage financing to acquire homes	**189,500**	**(66,336)**	**123,164**	**(34,134)**	**(100,470)**	**89,030**
Other foreclosed real estate assets or those received as payment in lieu of debt	**330,845**	**(110,094)**	**220,751**	**(53,563)**	**(163,657)**	**167,188**
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	-	-	**122**	**(4)**	**(4)**	**118**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	-	-	-	-
Total assets acquired in payment of debts	**1,641,539**	**(573,358)**	**1,068,181**	**(419,154)**	**(992,512)**	**649,027**

(*) Includes real estate investments with a gross debt of €159,834 thousand, an accumulated impairment of €83,820 thousand and a net carrying amount of €76,014 thousand.

At 31 December 2023 and 31 December 2022, the real estate assets treated as foreclosed assets for measurement purposes, excluding assets that are being operated or leased, which are considered high quality, as per articles 175 and 176 of Annex 9 of Circular 4/2017, are as follows:

	Thousands of Euros					
	31 December 2023					
	Gross Debt	Initial impairment (I)	Gross carrying amount	subsequent impairment (II)	Sum impairment (I+II)	Net carrying amount
Real estate assets from financing provided to construction and real estate development companies	**851,435**	**(320,673)**	**530,762**	**(336,396)**	**(657,069)**	**194,366**
Completed buildings and other constructions	*186,028*	*(55,183)*	*130,845*	*(73,027)*	*(128,210)*	*57,818*
Housing	126,590	(39,824)	86,766	(43,806)	(83,630)	42,960
Other	59,438	(15,359)	44,079	(29,221)	(44,580)	14,858
Buildings and other constructions under construction	*122,190*	*(49,852)*	*72,338*	*(35,443)*	*(85,295)*	*36,895*
Housing	121,867	(49,768)	72,099	(35,434)	(85,202)	36,665
Other	323	(84)	239	(9)	(93)	230
Land	*543,217*	*(215,638)*	*327,579*	*(227,926)*	*(443,564)*	*99,653*
Consolidated urban land	228,544	(86,882)	141,662	(96,034)	(182,916)	45,628
Other land	314,673	(128,756)	185,917	(131,892)	(260,648)	54,025
Real estate assets from mortgage financing to acquire homes	**130,654**	**(48,012)**	**82,642**	**(34,554)**	**(82,566)**	**48,088**
Other foreclosed real estate assets or those received as payment in lieu of debt	**238,230**	**(80,760)**	**157,470**	**(74,854)**	**(155,614)**	**82,616**
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	**-**	**-**	**123**	**(4)**	**(4)**	**119**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	**-**	**-**	**-**	**-**	**-**	**-**
Total assets acquired in payment of debts	**1,220,319**	**(449,445)**	**770,874**	**(445,804)**	**(895,249)**	**325,070**

	Thousands of Euros					
	31 December 2022					
	Gross Debt	Initial impairment (I)	Gross carrying amount	subsequent impairment (II)	Sum impairment (I+II)	Net carrying amount
Real estate assets from financing provided to construction and real estate development companies	**1,023,971**	**(373,718)**	**650,253**	**(292,647)**	**(666,365)**	**357,606**
Completed buildings and other constructions	*256,533*	*(72,189)*	*184,344*	*(59,176)*	*(131,365)*	*125,168*
Housing	170,287	(49,553)	120,734	(33,532)	(83,085)	87,202
Other	86,246	(22,636)	63,610	(25,644)	(48,280)	37,966
Buildings and other constructions under construction	*138,637*	*(57,869)*	*80,768*	*(23,709)*	*(81,578)*	*57,059*
Housing	137,734	(57,701)	80,033	(23,450)	(81,151)	56,583
Other	903	(168)	735	(259)	(427)	476
Land	*628,801*	*(243,660)*	*385,141*	*(209,762)*	*(453,422)*	*175,379*
Consolidated urban land	269,304	(103,434)	165,870	(86,186)	(189,620)	79,684
Other land	359,497	(140,226)	219,271	(123,576)	(263,802)	95,695
Real estate assets from mortgage financing to acquire homes	**188,191**	**(65,921)**	**122,270**	**(34,124)**	**(100,045)**	**88,146**
Other foreclosed real estate assets or those received as payment in lieu of debt	**322,256**	**(106,951)**	**215,305**	**(52,951)**	**(159,902)**	**162,354**
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	**-**	**-**	**122**	**(4)**	**(4)**	**118**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	**-**	**-**	**-**	**-**	**-**	**-**
Total assets acquired in payment of debts	**1,534,418**	**(546,590)**	**987,828**	**(379,722)**	**(926,312)**	**608,106**

The Group has policies and strategies in place to recover the liquidity of these kinds of assets, which are detailed in Note 6 of these annual accounts.

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 below.

Details of the financing for real estate construction and development as well as the corresponding impairment allowances at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros					
	Gross amount		**Excess above the value of collateral**		**Specific allowance**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Financing for real estate construction and development (including land)(businesses in Spain)	**284,697**	**351,802**	**53,601**	**57,995**	**(25,914)**	**(47,857)**
Of which: Non-performing	*31,980*	*74,268*	*12,079*	*28,882*	*(19,398)*	*(43,153)*
Memorandum items:						
Write-off assets	163,073	177,614				

	Thousands of Euros	
	2023	**2022(*)**
Loans and advances to customers excluding Public Administrations (business in Spain) (carrying amount)	33,036,674	33,286,338
Total assets (total businesses) (carrying amount)	60,156,442	62,315,697
Impairment and provisions for performing exposures (total businesses)	(279,483)	(242,843)

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

The gross amount, without deducting impairment allowances, of the transactions classified according to the associated guarantees securing the financing of real estate construction and development at 31 December 2023 and 31 December 2022 breaks down as follows:

	Thousands of Euros	
	2023	**2022**
Without real estate collateral	**21,597**	**11,231**
With real estate collateral (broken down by type of asset received as collateral)	**263,100**	**340,571**
Completed buildings	*152,050*	*201,453*
Housing	117,411	138,398
Other	34,639	63,055
Buildings under construction	*62,231*	*61,517*
Housing	59,904	53,286
Other	2,327	8,231
Land	*48,819*	*77,601*
Consolidated urban land	25,493	50,065
Other land	23,326	27,536
Total	**284,697**	**351,802**

Details of retail loans for home purchases at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros			
	2023		2022	
	Gross carrying amount	Of which: Non-performing	Gross carrying amount	Of which: Non-performing
Lending for home purchases	**11,549,011**	**114,733**	**12,197,818**	**217,057**
Without real estate collateral	118,496	2,590	33,424	1,095
With real estate collateral	11,430,515	112,143	12,164,394	215,962

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros					
	2023					
	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	**2,994,194**	**3,382,129**	**3,811,780**	**920,879**	**321,533**	**11,430,515**
Of which: Non-performing	*14,527*	*22,105*	*36,178*	*17,318*	*22,015*	*112,143*

	Thousands of Euros					
	2022					
	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	**3,112,786**	**3,604,734**	**3,917,451**	**1,098,764**	**430,659**	**12,164,394**
Of which: Non-performing	*18,987*	*27,835*	*49,202*	*38,470*	*81,468*	*215,962*

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 2023 the Group had a coverage ratio for the retail and medium- and long-term loan portfolio of 126.05% (compared to 114.25% at 31 December 2022), while 136.46% (124.11% at year-end 2022) of funding needs are covered through stable funding sources.

On the other hand the Group holds liquid assets (eligible for financing transactions with the European Central Bank) with a nominal value of €22,735 million (€24,949 million at 31 December 2022). It also has the capacity to issue collateralised financial instruments (mortgage and public sector bonds) of €4,011 million (€5,087 million at 31 December 2022).

In 2023, the Group placed two issues of mortgage bonds, in the amount of €750 million and €350 million, in full on the market. It also issued a €750 million public sector bond to be retained for the purpose of strengthening the collateral in the Bank of Spain facility and €650 million of simple preferred debt classified as green and fully placed on the market.

The Group's market activity was completed with the maturity of one issue of mortgage bonds with a nominal value of €500 million, which had been partially repurchased for €62 million.

Three issues of mortgage bonds matured in 2022. One of these issues, with a nominal amount of €750 million, was fully placed on the market while the other two, with a nominal amount of €500 million each, were retained. A €350 million placement of public sector bonds also matured in the period. This amount was fully retained.

The Group's market activity was completed by its first issue of senior preferred debt in a social format, for a nominal amount of €500 million, eligible to meet MREL requirements and issued as a 4NC3 bond.

It also placed a €1,000 million mortgage bond issue, which was fully retained, to replenish collateral in the asset pledge facility with the Bank of Spain, and the IM BCC Cajamar Pymes 4 asset securitisation fund placement of €900 million, which was fully retained and used for the same purpose.

Details of funding needs and strategies at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros			Thousands of Euros	
	2023	2022(*)		2023	2022(*)
Stable financing needs			**Stable sources of financing**		
Customer credit	33,486,921	32,505,488	Customers covered 100% by Deposit Guarantee Fund	26,386,375	25,352,538
Loans to joint ventures, associates and other related parties	387,962	372,638	Customers not covered 100% by Deposit Guarantee Fund	17,103,155	14,897,089
Securitised loans	3,192,035	4,071,695			
Impairment allowances of financial assets	(576,343)	(693,663)			
Total customer credit	**36,490,575**	**36,256,158**	**Total retail customer deposits**	**43,489,530**	**40,249,627**
Assets acquired in payment of debt	**852,894**	**1,068,181**			
Investments in joint ventures and associates	**87,814**	**85,185**	Mortgage and covered bonds	1,100,000	438,000
			Public sector bonds	-	-
			Senior debt	1,650,000	1,000,000
			State-guaranteed issues	-	-
			Subordinated, preference and convertible issues	600,000	600,000
			Other medium and long-term financial instruments	-	-
			Securitisations sold to third parties	230,396	355,213
			Other financing maturing in more than one year	-	-
			Commercial paper	-	-
			Long-term wholesale financing	**3,580,396**	**2,393,213**
			Equity	**4,008,759**	**3,784,275**
Total financing needs	**37,431,283**	**37,409,524**	**Total stable sources of financing**	**51,078,685**	**46,427,115**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

The maturities of wholesale debt at 31 December 2023 are as follows:

	Thousands of Euros			
	2024	2025	2026	>2026
Issuances:				
Mortgage and covered bonds(*)	-	-	-	1,100,000
Public sector bonds	-	-	-	-
Senior debt	-	-	500,000	1,150,000
State-guaranteed issues	-	-	-	-
Subordinated, preference and convertible issues(*)	-	-	600,000	-
Securitisations sold to third parties(**)	19,421	19,577	23,294	168,104
Other medium and long-term financial instruments	-	-	-	-
Other financing maturing in more than one year	-	-	-	-
Commercial paper	-	-	-	-
Total wholesale issuance maturities	**19,421**	**19,577**	**1,123,294**	**2,418,104**

(*) Reported at the nominal value of the placement, less buy-backs.

(**) The maturities schedule of securitisations is prepared based on estimates of borrowers' repayments of securitised loans, and it is therefore subject to possible variations depending on these borrowers' actual repayments.

The maturities of wholesale debt at 31 December 2022 are as follows:

	Thousands of Euros			
	2023	**2024**	**2025**	**>2025**
Issuances:				
Mortgage and covered bonds(*)	438,000	-	-	-
Public sector bonds	-	-	-	-
Senior debt	-	-	-	1,000,000
State-guaranteed issues	-	-	-	-
Subordinated, preference and convertible issues(*)	-	-	-	600,000
Securitisations sold to third parties(**)	29,394	27,643	30,367	267,809
Other medium and long-term financial instruments	-	-	-	-
Other financing maturing in more than one year	-	-	-	-
Commercial paper	-	-	-	-
Total wholesale issuance maturities	**467,394**	**27,643**	**30,367**	**1,867,809**

(*) Reported at the nominal value of the placement, less buy-backs.
(**) The maturities schedule of securitisations is prepared based on estimates of borrowers' repayments of securitised loans, and it is therefore subject to possible variations depending on these borrowers' actual repayments.

Liquid assets and available issuance capacity at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Liquid assets		
Eligible assets (nominal amount)	22,735,317	24,948,996
Eligible assets (market value and ECB haircut)	17,303,775	18,524,630
Of which:		
debt with general governments	10,834,625	*12,503,557*
Pledged assets (market value and ECB haircut)	7,342,747	11,780,370
Unpledged assets (market value and ECB haircut)	9,961,028	6,744,260
Issuance capacity:		
Mortgage bonds	2,344,990	3,285,216
Public sector bonds	1,665,941	1,801,969
Available issues backed by the State government	-	-
Total issuance capacity	**4,010,931**	**5,087,185**

25.4. Disclosures regarding refinanced and restructured transactions

Pursuant to Annex 9 of Bank of Spain Circular 4/2017 on credit institutions' financial reporting rules, the 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 all accrued instalments of principal and interest since the date on which the restructuring or refinancing transaction was formally concluded or, if later, since the date of reclassification from the category of non-performing exposures.

- The borrower has no other transaction with amounts more than 30 days past due after the probation period.

Consequently, when all the above requirements are met, transactions will no longer be classified as refinancing transactions, refinanced or restructured.

Refinancing transactions, refinanced or restructured classified as performing or performing exposures under special monitoring will be analysed to determine if they need to be reclassified to the category of non-performing exposures. To this end, the 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 the payment plan terms.

- That clauses are included that delay the repayment of transactions through regular payments.

- That they involve amounts derecognised from the balance sheet (write-offs) because they are deemed irrecoverable or the rights over them have been extinguished.

Before reclassifying transactions from the non-performing category to performing exposures under special monitoring, the Group will verify that:

- The debtor's equity and financial position has been redressed and that it is expected it will not experience further financial difficulties;

- At least a year has elapsed since the refinancing or restructuring;

- The debtor has fully repaid the accrued instalments of principal and interest, thereby reducing the renegotiated principal; and

- The debtor has no transactions with amounts past due by more than 90 days on the date of reclassification to performing exposures under special monitoring.

The 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 2023 and 31 December 2022, according to the content of Bank of Spain Circular 3/2020, of 11 June 2020, and the policies established by the Group are as follows:

Thousands of Euros

31 December 2023	TOTAL						
	Unsecured		Secured				Accumulated impairment or losses in fair value due to credit risk
					Maximum amount of collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	
Credit institutions	-	-	-	-	-	-	-
General governments	3	1,459	-	-	-	-	(490)
Other financial corporations and sole proprietorships (financial business activity)	30	611	5	315	243	-	(177)
Non-financial corporations and sole proprietorships (non-financial business activity)	7,449	426,179	1,734	504,221	438,866	735	(158,903)
Of which: financing for real estate construction and development (including land)	*3*	*190*	*85*	*45,578*	*41,035*	*-*	*(16,506)*
Other households	2,841	19,108	2,546	233,096	219,137	13	(38,142)
Total	**10,323**	**447,357**	**4,285**	**737,632**	**658,246**	**748**	**(197,712)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

	of which: Non-Performing						
	Unsecured		Secured				Accumulated impairment or losses in fair value due to credit risk
					Maximum amount of collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	
Credit institutions	-	-	-	-	-	-	-
General governments	2	490	-	-	-	-	(490)
Other financial corporations and sole proprietorships (financial business activity)	6	55	2	109	36	-	(118)
Non-financial corporations and sole proprietorships (non-financial business activity)	2,359	106,901	643	139,789	112,141	29	(112,185)
Of which: financing for real estate construction and development (including land)	*2*	*75*	*49*	*25,545*	*21,370*	*-*	*(14,749)*
Other households	1,372	8,711	814	59,776	52,274	7	(27,494)
Total	**3,739**	**116,157**	**1,459**	**199,674**	**164,451**	**36**	**(140,287)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

31 December 2022

Thousands of Euros

	TOTAL						
	Unsecured		Secured				
					Maximum amount of collateral that can be considered		
	Number of transactions	**Gross carrying amount**	**Number of transactions**	**Gross carrying amount**	**Real estate collateral**	**Other collateral**	**Accumulated impairment or losses in fair value due to credit risk**
Credit institutions	-	-	-	-	-	-	-
General governments	3	1,537	-	-	-	-	(487)
Other financial corporations and sole proprietorships (financial business activity)	24	490	11	707	655	-	(180)
Non-financial corporations and sole proprietorships (non-financial business activity)	5,551	358,756	2,989	685,318	616,654	1,056	(210,493)
Of which: financing for real estate construction and development (including land)	*1*	*11*	*184*	*76,967*	*67,348*	-	*(32,620)*
Other households	4,925	38,531	4,707	399,290	365,547	59	(98,139)
Total	**10,503**	**399,314**	**7,707**	**1,085,315**	**982,856**	**1,115**	**(309,299)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

	of which: Non-Performing						
	Unsecured		Secured				
					Maximum amount of collateral that can be considered		
	Number of transactions	**Gross carrying amount**	**Number of transactions**	**Gross carrying amount**	**Real estate collateral**	**Other collateral**	**Accumulated impairment or losses in fair value due to credit risk**
Credit institutions	-	-	-	-	-	-	-
General governments	2	487	-	-	-	-	(487)
Other financial corporations and sole proprietorships (financial business activity)	8	93	5	209	156	-	(139)
Non-financial corporations and sole proprietorships (non-financial business activity)	1,804	83,154	1,492	238,613	206,730	29	(165,768)
Of which: financing for real estate construction and development (including land)	-	-	*132*	*54,163*	*44,903*	-	*(31,295)*
Other households	1,830	14,461	1,907	158,246	134,894	3	(84,584)
Total	**3,644**	**98,195**	**3,404**	**397,068**	**341,780**	**32**	**(250,978)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

Details of transactions classified as non-performing, after being refinanced or restructured, at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
General governments	490	487
Financial intermediaries	-	-
Other legal persons and sole proprietorships	178,325	264,482
Of which: Financing for construction and property development	*21,617*	*43,179*
Other natural persons	55,794	127,609
Total	**234,609**	**392,578**

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 details of the most significant headings on the consolidated statements of profit or loss at 31 December 2023 and 31 December 2022 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	
	2023	**2022**
Interest income		
Cash equivalents at central banks	132,281	16,941
Cash equivalents at credit institutions	1,589	636
Other loans and advances	1,263,696	599,059
Debt securities (Note 8.2.3) (Note 8.3.2) (Note 8.5.1) (Note 8.6.4)	275,473	290,234
Non-performing transactions	12,147	3,899
Hedging derivatives	176,521	(139,778)
Other assets:		
Yields on pension plan assets (Note 14.1)	1,359	548
Interest income on liabilities	9	64,201
Other	13,139	9,037
Total	**1,876,214**	**844,777**
Interest expense		
Demand deposits at central banks	(145,004)	(12,760)
Demand deposits at credit institutions	(72,351)	(5,640)
Customer deposits	(301,248)	(15,527)
Other deposits	(41,137)	(12,485)
Debt securities issued (Note 8.7.4)	(98,212)	(26,107)
Subordinated liabilities (Note 8.7.4.2)	(31,696)	(33,643)
Hedge derivative transactions	423	-
Other liabilities:		
Pension fund interest expense (Note 14.1)	(1,457)	(577)
Asset interest expenses	(9,707)	(23,418)
Financial costs of liabilities associated with operating lease	(1,133)	(1,144)
Other	(111,121)	(10,598)
Total	**(812,643)**	**(141,899)**

- **Dividend income**

Details of this heading on the consolidated statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Equity instruments (Note 8.5.2)	4,724	3,778
Total	**4,724**	**3,778**

- **Profit/(loss) of entities accounted for using the equity method**

The contribution to profit or loss of entities accounted for using the equity method (Notes 2.7. and 11) on the consolidated statements of profit or loss as at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros	
	2023	**2022(*)**
Cajamar Vida, S.A. de Seguros y Reaseguros	38,808	31,983
Cajamar Seguros Generales, S.A.	3,745	3,024
Parque de innovación y tecnológico de Almería	(198)	26
Murcia emprende, S.C.R., S.A.	(139)	434
Biocolor, S.L.	(1)	(2)
GCC Consumo E.F.C. S.A	4,567	6,760
Giesmed Parking S.L.	(55)	118
Promontoria Jaguar, S.L	(1,304)	587
	45,423	**42,930**

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

- **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 to the accompanying annual accounts.

  The details of products generating fee and commission income or expenses at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
<u>**Fee and commission income**</u>	**2023**	**2022**
Securities:	**2,033**	**1,060**
Transfer orders (Note 29)	2,033	1,060
Asset management	**2,825**	**462**
Custody [by type of customer]:	**1,109**	**1,176**
Other (Note 29)	1,109	1,176
Payment services	**191,619**	**188,523**
Current accounts	71,476	80,566
Credit cards	31,699	28,674
Debit cards and other card payments	52,817	51,501
Transfers and other payment orders	10,872	10,368
Other fee and commission income in relation to payment services	24,756	17,414
Customer resources distributed but not managed [by type of product] (Note 29):	**88,627**	**87,336**
Collective investment	35,084	34,831
Insurance products	53,543	52,505
Loan commitments given	**11,428**	**11,645**
Financial guarantees given	**11,839**	**11,884**
Foreign currency	**1,324**	**1,239**
Other fee and commission income	**10,320**	**10,625**
Total	**321,124**	**313,950**
<u>**Fee and commission expenses**</u>		
Securities	(4,802)	(5,032)
Clearing and settlement	-	-
Asset management	(110)	(135)
Custody	-	-
Payment services	(21,181)	(19,066)
Of which: Debit and credit cards and other cards	(21,129)	(19,012)
Loan administration activities	-	(13)
Loan commitments received	-	-
Financial guarantees received	(10,569)	(13,966)
Distribution of products by external providers	(5,413)	(4,390)
Other fee and commission expenses	(7,571)	(7,337)
Total	**(49,646)**	**(49,939)**

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

Details of this heading on the consolidated statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**(13,275)**	**34,373**
Financial assets at amortised cost	(13,473)	29,881
Financial assets at fair value through other comprehensive income	-	3,632
Financial liabilities at amortised cost	198	860
Gains or losses on financial assets and liabilities held for trading, net	**123**	**(108)**
Other gains or (-) losses	123	(108)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**11,524**	**67,144**
Other gains or (-) losses	11,524	67,144
Gains or losses from hedge accounting, net	**(110)**	**511**
Total	**(1,738)**	**101,920**

- **Other operating income**

Details of this heading on the consolidated statements of profit or loss at 31 December 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Changes in fair value in tangible assets measured using the fair value model	-	-
Investment property (Note 12)	6,322	7,865
Operating leases that are not investment properties	-	-
Other:		
Sales and other revenue from non-financial services rendered	11,710	11,865
Insurance company indemnity	949	10
Other items:		
Other recurring income	*14,335*	*11,789*
Other non-recurring income	*2,062*	*6,971*
Other items	*3,063*	*617*
Income from insurance and reinsurance contracts issued	-	-
Total	**38,441**	**39,117**

- **Other operating expenses**

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

	Thousands of Euros	
	2023	**2022**
Mandatory contributions to social projects and funds (Note 17)	(9,094)	(4,151)
Investment property (Note 12)	(1,304)	(940)
Operating leases that are not investment properties	-	-
Contribution to the Deposit Guarantee Fund (Note 3.17)	(49,235)	(46,654)
Contribution to the Single Resolution Fund (Note 3.28)	(15,013)	(19,585)
Other:		
Change in inventories – Cost of sales	-	-
Change in inventories – Property overheads	-	-
Other items	(17,197)	(19,885)
Expenses from insurance and reinsurance contracts issued	**-**	**-**
Total	**(91,843)**	**(91,215)**

- **Staff expenses**

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

	Thousands of Euros	
	2023	**2022**
Salaries and bonuses to current personnel	(237,901)	(227,729)
Social security contributions	(87,080)	(80,397)
Appropriations to defined benefit plans (Note 14)	(1,258)	(1,755)
Appropriations to defined contribution plans (Note 14)	(12,464)	(11,694)
Severance indemnities	(1,172)	(1,438)
Training expenses	(817)	(321)
Share-based payments	-	-
Other staff expenses	(29,354)	(25,789)
Total	**(370,046)**	**(349,123)**

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**	
	2023	**2022**	**2023**	**2022**
Average headcount				
Male	2,531	2,579	3,072	3,106
Female	2,701	2,722	3,158	3,143
Total	**5,232**	**5,301**	**6,230**	**6,249**

The average number of employees at the Group, broken down by professional category, is as follows:

	2023		2022	
	Male	**Female**	**Male**	**Female**
Executives	28	5	28	5
Department heads and graduates	2,423	1,971	2,396	1,863
Administrative officers	443	891	504	1,007
Administrative assistants	177	290	177	267
Sundry positions	1	1	1	1
Total	**3,072**	**3,158**	**3,106**	**3,143**

At 31 December 2023 and 31 December 2022 the number of employees at the Group, broken down by professional category, is as follows:

	2023		2022	
	Male	**Female**	**Male**	**Female**
Executives	28	5	28	5
Department heads and graduates	2,416	2,027	2,410	1,936
Administrative officers	433	847	456	935
Administrative assistants	185	305	177	275
Sundry positions	1	1	1	1
Total	**3,063**	**3,185**	**3,072**	**3,152**

The average number of individuals employed at 31 December 2023 and 31 December 2022 with disabilities equal to or over 33% (or equivalent qualification), by professional category, is as follows:

	2023		2022	
	Male	**Female**	**Male**	**Female**
Executives	-	-	-	-
Department heads and graduates	31	29	31	24
Administrative officers	9	21	12	26
Administrative assistants	-	1	-	1
Sundry positions	-	-	-	-
Total	**40**	**51**	**43**	**51**

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 2023 and 31 December 2022:

	Thousands of Euros	
	2023	**2022**
Loans and advances	9,287	4,941
Other remuneration in kind	1,522	1,369
Total remuneration in kind	**10,809**	**6,310**

- **Other administrative expenses**

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

	Thousands of Euros	
	2023	**2022**
From property, fixtures and supplies	(24,763)	(24,212)
IT	(62,494)	(43,999)
Communications	(8,549)	(8,029)
Advertising	(6,418)	(5,814)
Court and attorney's fees	(1,340)	(1,550)
Technical reports	(12,620)	(11,044)
Surveillance and security carriage services	(5,884)	(5,694)
Insurance and self-insurance premiums	(4,342)	(2,197)
Governance and control bodies	(748)	(678)
Entertainment and travel expenses	(2,697)	(2,188)
Membership fees	(1,382)	(1,158)
Passing on of central service expenses to foreign branches	-	-
Subcontracted administrative services	(31,626)	(34,003)
Levies and other taxes:		
On properties	(2,829)	(2,687)
Other	(19,872)	(18,637)
Donations to foundations	-	-
Other expenses	(22,326)	(20,824)
Total	**(207,890)**	**(182,714)**

- **Amortisation and depreciation**

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

	Thousands of Euros	
	2023	**2022**
Property, plant and equipment		
For own use (Note 12)		
IT equipment and related fixtures	(12,006)	(13,247)
Furniture, vehicles and other fixtures	(21,129)	(21,683)
Buildings	(8,152)	(8,348)
Other tangible assets	(226)	(267)
Leased out under an operating lease		
Capitalised rights of use on lease agreements (Note 12)	(9,196)	(8,656)
Investment property (Note 12)		
Furniture, vehicles and other fixtures	(233)	(225)
Buildings	(2,853)	(3,417)
Other intangible assets	**(20,721)**	**(15,026)**
Total	**(74,516)**	**(70,869)**

- **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	
	2023	**2022**
Pensions and other post-employment defined benefit obligations (Note 14.1)	(166)	1,179
Other long-term employee benefits (Note 14.1)	(20)	52
Pending legal issues and tax litigation	-	-
Commitments and guarantees given	(1,245)	(1,343)
Loan commitments granted	(217)	51
Financial guarantees granted	(219)	(441)
Other commitments granted	(809)	(953)
Other contingent risks	(809)	(953)
Other provisions (Note 14.4)	(71,512)	(23,604)
Total	**(72,943)**	**(23,716)**

- **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	
	2023	**2022**
Financial assets not designated at fair value through profit or loss	**(258,337)**	**(218,511)**
Debt securities (Note 8.5.1) (Note 8.6.4)	(10,366)	(31)
Loans and advances (Note 8.6.3)	(247,971)	(218,480)
Investments in subsidiaries, joint ventures and associates (Note 11)	**-**	**-**
Total	**(258,337)**	**(218,511)**
Non-financial assets	**(151,581)**	**(104,806)**
Property, plant and equipment	27	(685)
Investment property (Note 12)	(14,808)	(14,498)
Other intangible assets (Note 13)	264	-
Other (Note 16)	(137,064)	(89,623)
Total	**(151,581)**	**(104,806)**

- **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	
	2023	**2022**
Gains on disposals		
Property, plant and equipment (Note 12)	10,030	297
Investment property (Note 12)	1,091	1,873
Other gains	4,541	6,074
Holdings	-	1,671
Total	**15,662**	**9,915**
Losses on disposals		
Property, plant and equipment (Note 12)	(11,182)	(646)
Investment property (Note 12)	(3,127)	(4,612)
Intangible assets (Note 13)	(1)	(5)
Other losses	(28,512)	(35,229)
Holdings	(4)	(566)
Total	**(42,826)**	**(41,058)**
Total gains or losses	**(27,164)**	**(31,143)**

- **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	
	2023	**2022**
Gains on disposals		
Property, plant and equipment	-	8
Investment property	97	49
Property, plant and equipment foreclosed	2,671	2,820
Total	**2,768**	**2,877**
Losses on disposals		
Property, plant and equipment	(16)	(32)
Investment property	(505)	(553)
Property, plant and equipment foreclosed	(9,773)	(11,764)
Total	**(10,294)**	**(12,349)**
Impairment losses on non-current assets held for sale (Note 10)	**(18,898)**	**(10,570)**
Total gains or losses	**(26,424)**	**(20,042)**

27. Segment reporting

- **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

Act 18/2022, of 28 September 2022, amended legislation including Act 15/2010, of 15 July 2010, which amended Act 3/2004, of 29 December 2004, requiring non-listed companies to disclose the amount and number of invoices paid within the maximum period established in the applicable legislation and as a percentage of the total amount and number of invoices paid to suppliers.

Final Provision Two of Act 31/2014, of 3 December 2014, amending the Spanish Corporate Enterprises Act to improve corporate governance, amended 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 repealed the immediately previous related ICAC Resolution of 29 December 2010, which derived from the former wording of Additional Provision Three of Act 15/2010, of 4 July 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 2023 and 31 December 2022 are as follows:

	Days	
	2023	**2022**
Average period of payment to suppliers	29.47	31.83
Ratio of transactions paid	29.47	31.93
Ratio of transactions pending payment	-	11.67

	Thousands of Euros							
	2023				2022			
	Amount	%	No. Invoices	%	Amount	%	No. Invoices	%
Total payments made	389,944		151,264		452,749		159,254	
Of which: Paid in a period less than the established maximum	*348,626*	*89.40%*	*122,627*	*81.07%*	*404,288*	*89.30%*	*141,409*	*88.79%*
Total payments pending	3				2,181			

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	
2023	**Customer funds**	**Fees and commission**
Brokerage services (products marketed by the Group) (Note 26)		
Collective investment	5,211,272	35,084
Insurance products	1,412,783	53,543
Total	**6,624,055**	**88,627**
Deposit of securities owned by third parties (Note 26)		
Debt securities and equity instruments	1,765,149	3,142
Other financial instruments entrusted by third parties	6	-
Customer portfolios managed on a discretionary basis	423,500	2,825
Total	**2,188,655**	**5,967**

	Thousands of Euros	
2022	**Customer funds**	**Fees and commission**
Brokerage services (products marketed by the Group) (Note 26)		
Collective investment	4,368,698	34,831
Insurance products	1,425,326	52,505
Total	**5,794,024**	**87,336**
Deposit of securities owned by third parties (Note 26)		
Debt securities and equity instruments	1,232,762	2,236
Other financial instruments entrusted by third parties	7,265	-
Customer portfolios managed on a discretionary basis	138,151	462
Total	**1,378,178**	**2,698**

Exchange risk

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

	Thousands of Euros	
Assets	**2023**	**2022**
Cash, cash balances at central banks and other on demand deposits	13,059	12,636
Financial assets at amortised cost	49,804	64,304
Other assets	127	68
Total	**62,990**	**77,008**

	Thousands of Euros	
Liabilities	**2023**	**2022**
Financial liabilities at amortised cost	86,884	85,029
Total	**86,884**	**85,029**
Net Position	**(23,894)**	**(8,021)**

The net amount of exchange differences recognised on the consolidated statement of profit or loss totalled €1,160 thousand at 31 December 2023 (€6,466 thousand at 31 December 2022).

At 31 December 2023 and 31 December 2022 no amount was booked as "Exchange differences" under "Accumulated other comprehensive income" in "Equity".

Auditors' fees

The fees paid for the statutory audit and other services provided by the audit firm and others related to the Group at 31 December 2023 and 31 December 2022 are as follows:

2023	Thousands of Euros			
Entity	**Audit fees**	**Audited-related fees**	**Other services**	**Total**
KPMG	1,717	608	63	2,388

2022	Thousands of Euros			
Entity	**Audit fees**	**Audited-related fees**	**Other services**	**Total**
KPMG	1,373	535	25	1,933

The audit fees recognised under the "Audit fees" heading include those for: the audit of the separate and consolidated annual financial statements of Banco de Crédito Social Cooperativo, S.A., and the other Rural Savings Banks comprising the Group and subsidiaries. "Audit-related fees" comprise the fees charged to issue comfort letters, for translation and limited reviews, and for other work to meet the regulatory requirements of the Group. "Other services" comprise the fees for other reviews not related with the audit and concerning non- financial information.

Abandoned 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 abandoned in accordance with that article were zero at 31 December 2023; this amount may vary between said date and the date the financial statements are definitively presented to the competent authority (no amount at 31 December 2022).

Customer Service

This section fulfils Article 17.2 of Order ECO/734/2004 of 11 March 2004 on customer service departments and the customer ombudsman of financial institutions (hereinafter the Order) under which a summary of the annual report explaining the development of its functions by the Customer Service Department should be included in the annual report.

In compliance with Act 44/2002, of 22 November 2002, on Measures to Reform the Financial System, the Order and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from the sales and operating areas, to attend to and resolve complaints and claims that may be filed by Group customers with respect to their interests and legally recognised rights.

All the Grupo Cooperativo Cajamar financial entities listed in Annex I 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 2023.

In summary, a total of 13,136 proceedings were initiated in 2023, including 236 cases opened with the Bank of Spain Institutions' Conduct Department and 16 with the Investor Services Office of the National Securities Market Commission. No complaints or claims have been filed with the Directorate- General of Insurance and Pension Funds.

Proceedings initiated in respect of claims against entities break down as follows:

Entities	Percentage
Cajamar Caja Rural, S.C.C. (a)	95.8%
Caixa Rural Altea, S.C.C.V. (a)	0.4%
Caixa Rural de Callosa de Sarria, C.C.V. (a)	0.4%
Caixa Rural de Turís, C.C.V. (a)	0.1%
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	0.0%
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	0.3%
Caixa Rural Vila-Real, S.C.C. (a)	0.5%
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	0.3%
Caja Rural de Alginet, S.C.C.V. (a)	0.2%
Caja Rural de Cheste, S.C.C. (a)	0.1%
Caja Rural de Torrent, S.C.C. (b)	1.1%
Caja Rural de Villar, C.C.V. (a)	0.0%
Caja Rural la Junquera de Chilches, C.C.V. (a)	0.0%
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	0.0%
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	0.2%
Caja Rural San Jose de Burriana, C.C.V. (a)	0.3%
Caja Rural San José de Nules, S.C.C.V. (a)	0.2%
Caja Rural San Roque de Almenara, S.C.C.V. (a)	0.1%

Further to this summary, the main ways in which the claims were dealt with in 2023 were: 84% in favour of the entities; 9% in favour of the claimant; the Customer Service Department issued no decision on the claims filed in 6% of cases; and 1% of customers withdrew their claims.

Similarly noteworthy, following the classification laid down by the Bank of Spain in this respect, based on content matter, the cases resolved were classified as follows:

Matter concerned	Percentage
Loans and advances	59.0%
Deposit transactions and payment accounts	15.0%
Payment instruments and services	12.0%
Other banking products/services	1.0%
Miscellaneous	13.0%

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

Reason	Percentage
Commission and fees	59.0%
Information and documentation	4.0%
Processing	5.5%
Disagreement	17.0%
Interests	3.0%
Contractual modifications and resolutions	1.0%
Fraud	5.0%
Miscellaneous	5.5%

The decision criteria used by the Customer Service Department to resolve complaints and claims have been taken, mainly, for the criteria established by the Service and the result of claims made to the bodies supervising financial services, based on judgements regarding good practices and uses, the legislation that governs the transparency of banking operations and customer protection, and any other that is applicable to reach a correct and reasoned conclusion.

Directors' duty of loyalty

In accordance with the provisions of Article 229 of the recast text of the Corporate Enterprises Act, as per the wording thereof stipulated in Act 31/2014, of 3 December 2014, amending the recast 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 2023, they and the persons related to them, as defined in Article 231 of the recast 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 year-end, the Group completed an issue of mortgage bonds with a nominal value of €600 million at a rate of 3.375%, maturing in July 2029.

On 18 January 2024, the Constitutional Court declared certain corporate income tax measures introduced by Royal Decree-Law 3/2016 of 2 December to be unconstitutional. The measures in question, which was applied with effect from the 2016 tax year, set stricter limits for the offsetting of tax losses, placed a limit on the application of deductions for double taxation and imposed an obligation to automatically include in the tax base any impairment losses on equity investments that were deducted in previous years.

The effects of this decision are limited to corporate income tax assessments that have been contested and self-assessments for which a rectification was requested before the measures were declared unconstitutional.

In the case of Grupo Cooperativo Cajamar, it affects the rectification of the corporate income tax returns for 2016, 2020 and 2021 of Cajamar, Caja Rural, S.C.C. and the returns for 2016, 2017, 2018, 2019, 2020 and 2022 of Cimenta2 Gestión e Inversiones, S.A.U.

As of the date of authorisation of these consolidated financial statements, the Group has not recognised any of the amounts claimed from the Tax Agency for these items, in accordance with IAS 12, Income Tax, which states that current and deferred tax assets and liabilities at year-end are to be measured using the tax rates and tax laws enacted or substantively enacted by the end of the reporting period. Nor has the Group recognised any additional tax losses resulting from a recovery based on the annulment of the stricter offsetting rules. This matter has no significant impact on the Group's assets.

Aside from the matters disclosed in the accompanying consolidated annual accounts and in the foregoing paragraphs, from 31 December 2023 until 5 March 2024, 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 consolidated annual accounts in order for them to give a true and fair view of the Group's consolidated equity, consolidated financial position, consolidated results, changes in consolidated equity and consolidated cash flows.

Appendix I Details of shareholdings at 31 December 2023

Details of Group entities whose balance sheets and statements of profit or loss are fully consolidated at 31 December 2023 are as follows:

				% shareholding			Thousands of Euros		Equity				
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Group companies													
Cajamar Caja Rural, S.C.C. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Credit cooperative	66.13%	-	-	-	-	51,253,276	3,355,597	177,979	126,590	(25,939)	(10,444)
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Credit cooperative	0.62%	-	-	-	-	384,863	7,808	25,238	1,087	(63)	(45)
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Credit cooperative	0.45%	-	-	-	-	244,545	9,248	13,182	784	(77)	(10)
Caixa Rural de Turís, C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Credit cooperative	0.17%	-	-	-	-	67,030	2,293	6,904	303	(17)	(31)
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Credit cooperative	0.09%	-	-	-	-	73,457	1,161	3,830	164	(9)	1
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	0.16%	-	-	-	-	147,074	3,841	4,393	284	(32)	(19)
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Mayor, 10. Villarreal. Castellón.	Credit cooperative	0.64%	-	-	-	-	456,812	17,846	15,214	1,115	(138)	(7)
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Credit cooperative	0.42%	-	-	-	-	247,049	5,012	54	726	18,064	(52)
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Credit cooperative	0.19%	-	-	-	-	122,920	3,084	6,647	336	(24)	(19)
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Credit cooperative	0.22%	-	-	-	-	151,633	2,169	9,797	385	(17)	(15)
Caja Rural de Torrent, S.C.C.(a)	Avda. Al Vedat, 3. Torrent. Valencia.	Credit cooperative	1.04%	-	-	-	-	704,012	16,739	40,193	1,863	(128)	(96)
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Credit cooperative	0.24%	-	-	-	-	105,499	5,827	6,212	420	(42)	(6)
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 6, Chilches. Castellón.	Credit cooperative	0.10%	-	-	-	-	39,969	2,357	2,658	174	(18)	(1)
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Vilafames. Castellón.	Credit cooperative	0.05%	-	-	-	-	29,795	531	2,450	96	(4)	(4)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Credit cooperative	0.27%	-	-	-	-	112,870	4,402	9,857	486	(36)	8
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Credit cooperative	0.50%	-	-	-	-	244,007	5,364	21,314	890	(44)	27
Caja Rural San José de Nules, S.C.C.V. (a)	C/ Mayor, 66. Nules. Castellón.	Credit cooperative	0.24%	-	-	-	-	166,604	7,016	4,954	424	(57)	(2)
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Credit cooperative	0.08%	-	-	-	-	43,766	1,160	3,036	140	(9)	(5)
Alquileres Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	610	3,377	1,235	(400)	(66)	(90)	-
Cajamar Tecnología, A.I.E. (a)	Avda. de la Innovación, 1 (PITA). Almería.	Rendering of technology services	-	99.00%	1.00%	100.00%	3	888	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	289	3	-	-	-	-
BCC Operaciones y Servicios Administrativos, S.L.U. (a)	Plaza 3 de abril, 2, Almería.	Operational, management and administrative support services	-	-	100.00%	100.00%	12	1,791	12	36	656	-	-
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	915	4	116	171	-	-
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	12,256	60	229	353	-	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	-	100.00%	100.00%	1,523,170	3,578,185	60	1,640,949	(27,273)	(77,961)	(12,604)
Cimentados3, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	-	615,907	60	-	(84,345)	(81,953)	-
Cimenta Desarrollos Inmobiliarios, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	36,440	49,943	60	(3)	(1,427)	37,810	-
Inmuebles Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	6,805	25,613	16,250	(8,120)	(207)	(1,178)	-
Sunaria Capital, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Holding company	-	100.00%	-	100.00%	4,023	8,391	3,000	600	1,082	-	-
Plataforma Tierra, S.A.U.	Puerta Purchena, 10, Edificio de las Mariposas. Almería.	Innovation, digitization and development in the agri-food sector	-	100.00%	-	100.00%	-	2,953	60	-	(1,430)	(1,497)	-
CIM-MED I, S.A.U.	Paseo de la Castellana, 87. Madrid.	Real estate development	-	100.00%	-	100.00%	98	98	100	(1)	0	(1)	-
FV La Cañada de Tabernas, S.L.U.	Avenida Nuestra Señora de Montserrat, número 11, Almería.	Design, construction and operation of energy producing parks	-	100.00%	-	100.00%	734	4,165	3	-	(28)	2	-
FV Turrillas Matanegra, S.L.U.	C/ Muñoz Fernández 4, 5º A. Granada.	Design, construction and operation of energy producing parks	-	100.00%	-	100.00%	744	4,176	3	-	(18)	3	-
Eco Energía de Cubiertas I, S.L.U.	Avenida Nuestra Señora de Montserrat, número 11, Almería.	Design, construction and operation of energy producing parks	-	100.00%	-	100.00%	4,807	9,968	3	-	(34)	3,524	-
							1,577,550	**58,914,098**	**3,472,370**	**1,987,319**	**23,702**	**(129,931)**	**(23,323)**

Details of associates accounted for using the equity method at 31 December 2023 are as follows:

Company	Domicile	Business	% mutualisation	% shareholding: Direct	% shareholding: Indirect	% shareholding: Total	Net book value	Assets	Equity: Capital	Equity: Reserves	Equity: Profit/(loss)	Equity: Other items	Other equity
Associates													
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Control Integrado de Plagas.	-	-	22.19%	22.19%	379	1,716	1,920	13	(7)	(217)	-
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a)	Plaza de Juan del Águila Molina, 5. Almería.	Actividad aseguradora.	-	49.99%	-	49.99%	6,604	117,249	9,015	8,634	7,489	(5,609)	(3,976)
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Juan del Águila Molina, 5. Almería.	Actividad aseguradora.	-	49.99%	-	49.99%	33,732	682,560	9,015	35,967	77,616	(72,663)	(10,440)
GCC Consumo Establecimiento Financiero de Crédito, S.A. (b)	Paseo de los Melancólicos, 14. Madrid.	Establecimiento financiero de crédito.	-	49.00%	-	49.00%	34,643	810,326	70,294	11,477	9,320	406	-
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Comercialización Inmobiliaria.	-	-	20.00%	20.00%	338	2,360	3	868	(266)	1,686	-
Habitat Utiel, S.L.	C/ Pascual y Genil, 17. Valencia	Promoción Inmobiliaria.	-	-	25.00%	25.00%	2	383	6	-	-	(3)	-
Murcia emprende S.C.R., S.A. (c)	C/ Alfaro, 1. Murcia.	Inversión en capital riesgo.	-	-	22.06%	22.06%	731	3,291	2,557	949	(254)	-	(38)
Parque Científico- Tecnológico de Almería, S.A. (b)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	Gestión espacios comerciales.	-	-	30.11%	30.11%	7,860	34,489	31,066	(595)	(679)	(11,438)	7,767
Promociones Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Promoción Inmobiliaria.	-	-	24.50%	24.50%	-	3,262	12	130	(4)	(7)	-
Renovables la Unió, S.C.P.	C/ Mar,22. Valencia.	Nuevas Tecnologías.	-	-	40.00%	40.00%	68	169	169	-	-	-	-
Promontoria Jaguar, S.A. (a)	C/ Serrano, 26. Madrid	Actividades de las sociedades holding	-	-	20.00%	20.00%	8,389	95,297	60	2,654	(6,521)	45,384	-
							92,746	**1,751,103**	**124,116**	**60,097**	**86,695**	**(42,460)**	**(6,687)**

(a) Company audited by KPMG Auditores, S.L.

(b) Company audited by Deloitte, S.L.

(c) Company audited by Grant Thornton Corporación, S.L.P.

Appendix I Shareholdings at 31 December 2022

Details of Group entities whose balance sheets and statements of profit or loss are fully consolidated at 31 December 2022 are as follows:

				% shareholding			Thousands of Euros						
									Equity				
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Group companies													
Cajamar Caja Rural, S.C.C. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Credit cooperative	64.30%	-	-	-	-	44,117,111	3,251,583	146,526	56,205	(10,910)	(10,163)
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Credit cooperative	0.61%	-	-	-	-	332,263	7,798	24,959	446	(12)	(32)
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Credit cooperative	0.43%	-	-	-	-	241,417	9,527	12,976	321	(27)	(8)
Caixa Rural de Turís, C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Credit cooperative	0.17%	-	-	-	-	66,134	2,036	6,828	127	(6)	(31)
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Credit cooperative	0.09%	-	-	-	-	72,231	1,167	3,778	70	(2)	1
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%	-	-	-	-	145,693	3,943	4,334	114	(8)	(17)
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Mayor, 10. Villarreal. Castellón.	Credit cooperative	0.60%	-	-	-	-	489,091	17,127	14,934	444	(46)	12
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Credit cooperative	0.42%	-	-	-	-	244,096	4,563	18,025	310	(8)	(51)
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Credit cooperative	0.18%	-	-	-	-	117,854	3,108	6,575	133	(7)	(18)
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Credit cooperative	0.23%	-	-	-	-	144,359	2,143	9,696	172	(3)	(12)
Caja Rural de Torrent, S.C.C. (a)	Avda. Al Vedat, 3. Torrent. Valencia.	Credit cooperative	1.06%	-	-	-	-	660,410	15,734	39,537	804	(32)	(87)
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Credit cooperative	0.24%	-	-	-	-	103,831	5,376	6,128	169	(21)	(5)
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 6, Chilches. Castellón.	Credit cooperative	0.10%	-	-	-	-	39,042	2,187	2,616	69	(7)	(0)
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Vilafames. Castellón.	Credit cooperative	0.06%	-	-	-	-	30,976	524	2,421	43	(1)	(4)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Credit cooperative	0.26%	-	-	-	-	111,952	4,517	9,729	199	(15)	10
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Credit cooperative	0.50%	-	-	-	-	244,843	5,434	21,059	378	(12)	29
Caja Rural San José de Nules, S.C.C.V. (a)	C/ Mayor, 66. Nules. Castellón.	Credit cooperative	0.22%	-	-	-	-	147,986	7,235	4,826	221	(20)	(1)
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Credit cooperative	0.08%	-	-	-	-	46,628	1,144	2,994	59	(2)	(5)
Alquileres Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	610	5,259	1,235	(435)	352	(407)	-
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	765	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	240	3	-	-	-	-
BCC Operaciones y Servicios Administrativos, S.L.U. (a)	Plaza 3 de abril, 2, Almería.	Operational, management and administrative support services	-	-	100.00%	100.00%	12	1,364	12	36	435	-	-
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	563	4	116	124	-	-
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	11,418	60	229	213	-	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	-	100.00%	100.00%	1,539,326	3,597,411	60	1,640,949	(75,874)	(2,087)	(23,721)
Cimentados3, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	-	710,017	60	-	(80,320)	(1,632)	-
Cimenta Desarrollos Inmobiliarios, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	37,816	49,714	60	(3)	(4,462)	42,271	-
Inmuebles Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	6,982	34,351	16,250	(8,125)	52	(1,224)	-
Sunaria Capital, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Holding company	-	100.00%	-	100.00%	4,023	7,431	3,000	600	1,013	-	-
Plataforma Tierra, S.A.U.	Puerta Purchena, 10, Edificio de las Mariposas. Almería.	Innovation, digitization and development in the agri-food sector	-	100.00%	-	100.00%	-	2,516	60	-	(983)	(514)	-
CIM-MED I, S.A.U.	Paseo de la Castellana, 87. Madrid.	Real estate development	-	100.00%	-	100.00%	98	99	100	(1)	(1)	-	-
FV La Cañada de Tabernas, S.L.U.	Avenida Nuestra Señora de Montserrat, número 11, Almería.	Design, construction and operation of energy producing parks	-	100.00%	-	100.00%	761	5	3	-	(12)	14	-
FV Turrillas Matanegra, S.L.U.	C/ Muñoz Fernández 4, 5º A. Granada.	Design, construction and operation of energy producing parks	-	100.00%	-	100.00%	761	6	3	-	(12)	15	-
							1,590,497	**51,777,072**	**3,366,058**	**1,971,307**	**(99,194)**	**25,299**	**(34,102)**

Details of associates accounted for using the equity method at 31 December 2022 are as follows:

Company	Domicile	Business	% mutualisation	% shareholding			Net book value	Assets	Equity				Other equity
				Direct	Indirect	Total			Capital	Reserves	Profit/(loss)	Other items	
Associates													
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Integrated pest control	-	-	22.19%	22.19%	376	1,707	1,920	13	(8)	(227)	-
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a) (*)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	49.99%	6,604	105,131	9,015	9,547	6,048	(5,049)	(7,767)
Cajamar Vida, S.A. de Seguros y Reaseguros (a) (*)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	49.99%	33,732	672,913	9,015	37,895	63,963	(66,262)	(14,470)
GCC Consumo Establecimiento Financiero de Crédito, S.A. (b)	Paseo de los Melancólicos, 14. Madrid.	Specialised credit institution (EFC)	-	49.00%	-	49.00%	34,643	779,652	70,294	10,098	13,796	406	-
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Property sales.	-	-	20.00%	20.00%	695	4,842	3	449	596	3,472	-
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. (c)	C/ Alfaro, 1. Murcia.	Venture capital	-	-	22.06%	22.06%	858	3,945	2,557	3	1,925	(605)	8
Parque Científico- Tecnológico de Almería, S.A. (b)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	Management of commercial premises	-	-	30.11%	30.11%	8,152	36,232	31,066	(606)	88	(11,535)	-
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)	-
Renovables la Unió, S.C.P.	C/ Mar,22. Valencia.	New technologies	-	-	40.00%	40.00%	84	210	210	-	-	-	-
Promontoria Jaguar, S.A. (a)	C/ Serrano, 26. Madrid	Activities of holding companies	-	-	20.00%	20.00%	9,389	126,898	60	8,442	(5,787)	46,887	-
							94,535	**1,735,175**	**124,157**	**65,970**	**80,615**	**(32,923)**	**(22,229)**

(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.

(*) For information purposes only, the Financial Statements are restated to reflect the application of IFRS 17 to the associates Cajamar Vida S.A. de Seguros y Reaseguros and Cajamar Seguros Generales S.A., the effects of which are shown in the various notes to these consolidated annual accounts (Note 2.5).

Appendix II Details of branches by geographical area

Province		Nº branch offices 2023	Nº branch offices 2022
ANDALUCIA		228	230
	Almería	97	98
	Cádiz	10	10
	Córdoba	8	8
	Granada	19	19
	Huelva	5	5
	Jaén	7	7
	Málaga	72	73
	Sevilla	10	10
ARAGÓN		7	5
	Huesca	3	2
	Zaragoza	3	3
	Teruel	1	-
ASTURIAS		3	3
BALEARES		19	21
CANARIAS		40	41
	Las Palmas	26	27
	Santa Cruz de Tenerife	14	14
CANTABRIA		2	2
CASTILLA LA MANCHA		15	15
	Albacete	6	6
	Ciudad Real	4	4
	Cuenca	3	3
	Guadalajara	1	1
	Toledo	1	1
CASTILLA LEÓN		60	61
	Avila	4	4
	Burgos	3	3
	León	10	10
	Palencia	10	10
	Salamanca	2	2
	Segovia	2	2
	Soria	1	1
	Valladolid	25	26
	Zamora	3	3
CATALUÑA		34	34
	Barcelona	24	25
	Gerona	3	3
	Lérida	2	1
	Tarragona	5	5
COMUNIDAD VALENCIANA		257	263
	Alicante	68	70
	Castellón	51	51
	Valencia	138	142
EXTREMADURA		4	4
	Badajoz	3	3
	Cáceres	1	1
GALICIA		7	7
	A Coruña	3	3
	Ourense	1	1
	Pontevedra	2	2
	Lugo	1	1
LA RIOJA		2	2
MADRID		35	35
MURCIA		111	113
NAVARRA		4	4
PAIS VASCO		2	1
	Álava	1	1
	Vizcaya	1	-
CEUTA		1	1
MELILLA		1	1
		832	**843**

Appendix III Details of the main metrics of the Group's financial institutions at 31 December 2023

	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	51,253,276	47,629,493	3,623,783	1,012,134	987,057	192,637	145,795	126,590
Caja Rural de Torrent, S.C.C.	704,012	645,441	58,571	18,993	14,297	2,666	2,295	1,863
Caixa Rural Vila-Real, S.C.C.	456,812	422,781	34,031	12,949	11,779	2,024	1,308	1,115
Caixa Rural Altea, S.C.C.V.	384,863	350,837	34,026	10,789	8,028	1,351	1,365	1,087
Caja Rural San Jose de Burriana, C.C.V.	244,007	216,456	27,551	6,873	4,948	1,273	1,095	890
Caja Rural San José de Nules, S.C.C.V.	166,604	154,268	12,336	3,816	11,873	674	517	424
Caixa Rural de Callosa de Sarria, C.C.V.	244,545	221,418	23,127	5,573	6,427	1,175	964	784
Caja de Crédito de Petrel, Caja Rural, C.C.V.	247,049	223,245	23,804	7,014	4,567	1,111	934	726
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	147,074	138,606	8,467	3,633	3,159	515	345	284
Caja Rural de Cheste, S.C.C.	151,633	139,314	12,319	4,133	2,768	488	486	385
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	112,870	98,153	14,717	3,096	2,323	637	591	486
Caja Rural de Alginet, S.C.C.V.	122,920	112,895	10,025	3,607	2,589	569	405	336
Caja Rural de Villar, C.C.V.	105,499	93,089	12,410	2,907	2,427	530	509	420
Caixa Rural de Turís, C.C.V.	67,030	57,577	9,453	1,882	1,619	432	371	303
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	73,457	68,310	5,146	1,942	1,056	204	202	164
Caja Rural San Roque de Almenara, S.C.C.V.	43,766	39,443	4,323	1,376	941	176	173	140
Caja Rural San Isidro de Vilafamés, C.C.V.	29,795	26,727	3,069	913	508	119	119	96
Caja Rural la Junquera de Chilches, C.C.V.	39,969	34,798	5,171	1,053	1,005	210	210	174

Appendix III Details of the main metrics of the Group's financial institutions at 31 December 2022

	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	44,117,111	40,683,871	3,433,240	475,647	846,573	183,390	60,848	56,205
Caja Rural de Torrent, S.C.C.	660,410	604,454	55,956	6,166	11,643	1,485	1,003	804
Caixa Rural Vila-Real, S.C.C.	489,091	456,619	32,471	4,331	7,908	324	564	444
Caixa Rural Altea, S.C.C.V.	332,263	299,103	33,159	3,925	7,862	714	575	446
Caja Rural San Jose de Burriana, C.C.V.	244,843	217,955	26,888	2,054	4,000	529	475	378
Caja Rural San José de Nules, S.C.C.V.	147,986	135,725	12,261	1,785	4,314	1,417	201	221
Caixa Rural de Callosa de Sarria, C.C.V.	241,417	218,628	22,789	3,044	4,097	444	392	321
Caja de Crédito de Petrel, Caja Rural, C.C.V.	244,096	221,256	22,840	2,137	3,878	612	401	310
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	145,693	137,326	8,367	1,759	2,610	253	140	114
Caja Rural de Cheste, S.C.C.	144,359	132,362	11,996	1,517	1,834	222	216	172
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	111,952	97,512	14,440	1,069	2,908	286	247	199
Caja Rural de Alginet, S.C.C.V.	117,854	108,062	9,792	1,094	1,808	126	171	133
Caja Rural de Villar, C.C.V.	103,831	92,185	11,646	1,045	1,618	220	206	169
Caixa Rural de Turís, C.C.V.	66,134	57,179	8,954	694	1,168	193	159	127
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	72,231	67,215	5,016	535	712	87	88	70
Caja Rural San Roque de Almenara, S.C.C.V.	46,628	42,438	4,189	490	781	80	73	59
Caja Rural San Isidro de Vilafamés, C.C.V.	30,976	27,991	2,984	171	346	54	54	43
Caja Rural la Junquera de Chilches, C.C.V.	39,042	34,178	4,864	426	582	83	84	69

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
(GRUPO COOPERATIVO CAJAMAR)

Annual Banking Report
(Year 2023)

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

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 2023 sets out the nature of the Group, its corporate purpose and its registered office. The most relevant aspects of that information are summarised 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).

The Bank, as Parent under the terms established in the aforementioned Regulatory Agreement of Grupo Cooperativo Cajamar, exercises all the powers delegated to it in the Group and issue mandatory instructions to all Members. It must also act, at all times, under 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 2023, the Bank's share 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 16 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 Act which provides for the formation of so-called cooperative groups, understood for the purposes thereof as *"the group formed by several cooperative societies, of whatever class, and the parent of the group that exercises powers or issues mandatory instructions for the grouped cooperatives such that there is decision-making unity within such powers"*.

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

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 to be shared.

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

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

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

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

None of the aforementioned commitments, including 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 European supervisors 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

Grupo Cooperativo Cajamar's general principles are described in Note 1.1 to the Group's consolidated annual accounts.

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:

- The performance of all manner of transactions in relation to securities and credit documents, without prejudice to the provisions of securities market and collective investment legislation.
- The provision and receipt of all manner of credit and guarantees, for its own account or for the account of third parties.

- The acquisition and transfer, for its own account or for commission, of shares, bonds and other public or private securities, whether Spanish or foreign, as well as bank notes and coins of all countries, and the issuance of public offers to purchase or sell securities.
- The taking and holding of cash, transferable securities and all other kinds of securities on deposit or under management. The Bank will not be considered authorised to dispose in any way of assets held in custody.
- The performance of all manner of transactions with current accounts, term accounts or any other kind of account.
- The acceptance and assignment of mandates to act as administrator, representative, delegate, commission holder or agent, or perform other tasks on behalf of users of the Bank's services.
- The performance of all other activities permitted to private banks 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 corporate 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 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 under securities market legislation, prioritising the financial demands of partners. They may lend to non-partners up to the 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 2023 provides details of branches by geographical location.

b) Turnover

At 31 December 2023 Grupo Cooperativo Cajamar's turnover amounted to €1,331.22 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 2023.

At 31 December 2023, the net return on the Group's assets was 0.21%, understood as the ratio of net profit after tax (€126.95 million) to total assets (€60,156.44 million).

c) Number of full-time employees

At 31 December 2023 there were 6,237 full-time employees, all working within Spanish territory.

d) Gross profit before taxes

At 31 December 2023, the Group recorded a gross profit before taxes of €142.32 million.

e) Corporate income tax

The Group recorded tax income of €15.37 million at 31 December 2023. Applying this figure, less the expense arising from mandatory contributions to the Cooperative Development Fund, the Group made a net profit after tax of €126.95 million.

f) Grants and public aid received

At 31 December 2023 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 Directors' Report

(Year 2023)

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Macroeconomic environment

- In 2023, Spanish **GDP** grew by 2.5% in volume, compared to 5.8% in 2022. This was despite an economic context marked by a slowing of the world economy (though not as sharp as expected), ongoing geopolitical risks, high interest rates and persistent inflation.

- Year-on-year **GDP** growth in the fourth quarter was 2.0% (3.8% in 2022), a slight increase compared to the previous quarter (1.9%). Domestic demand accounted for 2.1 points and foreign demand, for 0.0 points. Thus, economic growth slowed over the course of 2023 but less than initially expected.

- To the growth forecast for 2024 by the Bank of Spain has been reduced to 1.6%, with activity supported mainly by domestic demand. The slowdown compared to the previous year will be seen above all in consumption and in the external sector, while investment will be more vigorous.

- The consumer price index (**CPI**) ended December at 3.1% (5.7 % in 2022), after reaching a trough of 1.9% in July. The groups that contributed the most to the decrease in the annual rate are food and alcoholic beverages and tobacco. The biggest increase was in the transport group. Similarly, the annual core inflation rate fell to 3.8%, while the harmonised price index (HICP) reached an annual rate of 3.3%, compared to 2.9% in the European Union as a whole.

- **The average number of people registered with the social security system** increased by 539,739 during the year, bringing the number of people in work to the highest level in the historical series, a record 20.8 million in December, led once again by wage earners (as opposed to the self-employed).

- The **unemployment rate** continued to decline, reaching 11.76% (12.87% in 2022), the lowest year-end figure since 2007. Similarly, the downward trend in the number of **unemployed** continued, bringing the total at year-end to 2,707,456.

- The **12-month Euribor** continued its upward path in 2023, peaking at 4.16% in October, before falling to 3.68% in December. The average 12-month Euribor in 2023 was 3.87%, 2.78 percentage points higher than in 2022. The **3-month Euribor** followed a similar pattern, peaking in November at 3.97%, then dropping slightly to 3.94% in December.

- Meanwhile, **monetary policy** remains committed to fighting inflation. After starting to hike interest rates in July 2022, the **ECB** made a further six hikes over the course of 2023, bringing the policy rate to 4.50% (2.50% at December 2022).

- The **euro**, after losing parity with the dollar in August 2022, traded for most of 2023 in the 1.05 to 1.10 range. Similarly, the euro / dollar exchange rate ended 2023 at 1.10.

- The **Ibex-35** closed the year up by a cumulative 22.76%, above 10,100 points, making this the best year since 2009. Among the main European markets, the performance of the main Spanish index was second only to that of Italy's FTSE MIB. The main US indices also performed well during the year, with the S&P 500 up 24%, the Nasdaq 100 up 54% and the Dow Jones up 14%.

- The **NPL ratio of credit institutions** and specialised credit institutions stood at 3.54% in December 2023, unchanged from December 2022. However, non-performing assets have fallen to €41,868 million, from €43,159 million at the end of 2022.

- The **banking sector** ended 2023 with excellent results. The main profit driver was the interest rate hikes by the ECB, which allowed banks to improve their interest margins. The improvement in results brought an improvement in banks' profitability and capital ratios, while keeping a lid on the NPL ratio, which increased slightly over the year.

- Overall, the macroeconomic indicators performed better than initially expected, especially in the second half of the year. Looking ahead to 2024, growth is expected to slow, although the downward trend in the unemployment rate is expected to continue. The main risks include the uncertainty over the eventual impact of geopolitical conflicts, the upturn in inflation and the future direction of the ECB's monetary policy.

Business performance

- In 2023, thanks to the commitment shown by the entire workforce in recent years, Grupo Cooperativo Cajamar (hereinafter the Group), one of the ten significant financial institutions in the sector and a leader among Spanish cooperatives, achieved the strategic objectives set for non-performing assets.

- Having completed the recent cycle of balance sheet strengthening, the Group is now healthy and solvent, with an NPL ratio below the sector average and a comfortable level of liquidity. It is also more efficient, having generated substantial income from the core banking activity this year.

- This strong performance is reflected in the improvement in the Group's ratings by the rating agencies and the high level of investor interest in the bonds issued during the year, especially **the first issue of green bonds**. These bonds, in the amount of €650 million, were issued in the form of senior preferred debt within the framework of the Group's sustainability commitments and the proceeds were allocated to finance projects that will facilitate the decarbonisation of the economy.

- With this latest bond issue and the increase in eligible capital, the **MREL ratio** as a percentage of TREA reached 23.0% at 31 December 2023, thus meeting and exceeding the intermediate target of 22.72% one year earlier than required by the supervisor (1 January 2025).

- Recent geopolitical developments notwithstanding, economic growth in Spain (albeit more moderate than the previous year), rising interest rates and strong labour market performance contributed to a substantial improvement in the results of financial institutions in general and of the Group in particular, supported by business growth, appropriate asset and liability management and improved profitability.

- The year-on-year growth of **on-balance-sheet retail funds** accelerated from 3.9% the previous year to 8.1% in the reporting period, bringing the total to €43,490 million. This growth was driven by **term deposits**, which with higher short-term interest rates are once again attractive to savers, allowing the Group to increase its market share of deposits at the national level.

- The gradual improvement in the return on disintermediated products, following the upswing in bond and equity markets, has boosted the growth of **off-balance sheet funds** in the Group, especially through investment funds and bonds, with year-on-year growth of 27.8%, bringing the year-end total to €8,235 million.

- In all, the Group's **customer funds under management** amounted to €51,725 million, 10.8% more than in 2022.

- **Performing loans** ended the year at €36,982 million, having grown 1.2% year-on-year, in a year in which lending by banks continued to decline, largely because of the rise in the cost of customer funds due to the interest rate hikes by the ECB in response to inflationary pressure. Through its commitment to financing business and fostering the development of the productive sectors, especially our strategic segments and most notably the agri-food segment, where it has a market share of 15.9%, the Group has succeeded in building an increasingly diversified and profitable portfolio.

- In this context, the **business gap** grew 57.0% to €7,712 million and the **LTD** ratio reached 82.6%, up 5.5 percentage points on the previous year. The Group maintains a comfortable liquidity position, with an LCR of 197.3% and an NSFR of 149.6%, built on customer funds, which accounted for 83.9% of on-balance sheet funds at year-end, compared to 74.6% the previous year.

- **Wholesale funds** fell by 39.1%, mainly due to reduced participation in ECB auctions, resulting in a greater diversification of funding sources. Two issues of mortgage bonds, for a total of nearly €1,100 million, and one fully retained issue of public sector bonds for €650 million were carried out during the year.

- **Non-performing loans** continued the previous years' downward trend, with a year-on-year decline of 23.2% (22.7% in 2022), thanks to proactive arrears and default management and the various portfolio sales during the year, which brought the Group's **NPL ratio** to 2.0%, compared to a sector average of more than 3.5%.

- Intense sales efforts in recent years brought the stock of **foreclosed assets** (net) at 31 December 2023 to €325.1 million, 46.5% less than one year ago.

- The good performance of non-performing assets and the growth in income pushed the **NPL coverage ratio** up 5.6 percentage points, to 74.0%, and the **foreclosed asset coverage ratio** up 19.4 percentage points, to 57.8%.

- Based on the Group's success in managing non-performing assets, the improvement in its risk profile and its profitability levels, **the rating agencies S&P and DBRS both upgraded their ratings** and assessed the Group's outlook as "stable".

- On 21 June 2023, S&P upgraded the long-term debt from 'BB' to 'BB+' and maintained the short-term debt at 'B'. On 17 November 2023, DBRS upgraded Grupo Cajamar from 'BB (High)' to 'BBB (Low)' for long-term debt and from 'R-3' to 'R-2 (middle)' for short-term debt.

Branches and staff

- At the end of 2023, the Group's member credit institutions had an average total workforce of 5,232 employees, delivering specialised professional services through a network of 832 branches throughout Spain.

Share capital

- At 31 December 2023, the **Group's share capital** stood at €3,533 million, representing year-on-year growth of 3.1%, thanks to the 1,706,159 cooperative members who placed their trust in the management and solvency of the Group.

Risk management

- A detailed analysis of the situation at year-end and of the management during 2023 of the different types of risk to which the Bank is exposed (credit, market, liquidity, interest rate, operational and currency risk) is provided in Note 6, "Risk Management Objectives and Policies", to the consolidated annual accounts.

Results

- The Group achieved a **profit for the year** of €127 million, with income from the core banking activity driving all the profit margins, as well as the improvement in profitability and efficiency.

- The growth in turnover coupled with appropriate sales management and customer advice, in an environment of rising interest rates, led to an improvement in interest income and the customers' spread, bringing **net interest income** to €1,064 million, up 51.3% compared to the previous year.

- **Fees** contributed €271 million to the statement of profit or loss, representing year-on-year growth of 2.8%, largely due to the growth of our customer base and the cross-selling of products and services, which resulted in higher income from payment services, insurance, asset management and investment funds, and also the income associated with the marketing and sales activity.

- The Group's strategic alliances in insurance, consumer credit and investment funds bring not only higher fees and commissions but also an increase in the **profit of entities accounted for using the equity method**, which reached €45 million in 2023, a year-on-year increase of 5.8%.

- Driven by recurring income, especially net interest income, and with virtually no extraordinary income, the **gross margin** grew 24.4% year-on-year to €1,331 million, giving a return on average total assets of 2.2%, as against 1.8% the previous year.

- With operating expenses increasing by 16.1 percentage points less than income, the **cost-income ratio** improved to 49.0%, while administrative expenses were kept strictly under control, with more resources being allocated to technological and digital developments that will improve and streamline all the branch network's commercial and operational management processes and thus enhance branch profitability, productivity and customer service.

- Despite the milestones achieved in the area of non-performing assets, the Group has allocated €483 million to reinforce **provisions** and **impairment losses on assets (financial and non-financial)**, with the aim of maintaining a comfortable level of coverage of credit risk and non-financial asset risk, while also covering possible future contingencies, given the forecasts of lower economic growth in the coming year, labour market trends and the cost of customer funds.

- The profits generated over the year will make it possible to strengthen the Group's capital and the remuneration of capital that secures the interests of its 1.7 million partners, and also to contribute to the Education and Development Fund, which invests in the sustainable development of the country.

Solvency

- At 31 December 2023, the Group's **phased-in capital adequacy ratio** stood at 16.0% (15.9% fully loaded), 3.0 percentage points above the requirement set in the supervisory review and evaluation process (SREP), which is 13.0%.

- **Eligible capital** amounted to €4,068 million at year-end, having grown by 2.7% year-on-year, mainly in the highest quality capital (CET1) through growth in cooperative capital and income generation, demonstrating the quality of the Group's capital.

- The **phased-in CET1 ratio** is 13.6%, up 0.14 percentage points, easily meeting the 8.41% requirement set by the supervisor.

- The improvement in capital and the successful placement of €650 million of senior preferred debt eligible for MREL by the Group in September brings **MREL as a percentage of TREA** to 23.0% (9.99% as a percentage of LRE). Both ratios exceed the final requirement to be met from 1 January 2025 (22.72% as a percentage of TREA and 5.36% as a percentage of LRE) one year early.

- The fully loaded and phased-in leverage ratio stood at 5.9%, remaining above the required minimum of 3.0%.

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

In the field of Digital Business, the range of products and services that can be contracted through online channels has been expanded, and existing projects to improve remote channels and customer service and make the services provided more efficient have been continued.

New remote banking services

- **"Grupo Cajamar" app.** Seven versions were released during the year with the following improvements:
    - My Insurance: platform for consulting and managing insurance and pension plans.
    - Improved information on insurance products, pension plans, deposits and capital.
    - Issuance of account certificates (ownership, account details and average balance).
    - Know Your Customer form: Notification of expiry, quick renewal if there are no changes, and access to the completed form for modification and renewal.
    - Access to the new Conecta service.
    - Loan and deposit applications:
        - Consumer loans granted in three clicks for pre-approved loans.
        - Application form for the Wefferent Ahorro savings account.
    - New data protection (LOPD) design.
    - New login screen and 30% faster access to the app.
- **Online application for financial products.** Expanded range of products available for online application. The App offers the following products:
    - Pre-approved consumer loan.
    - Wefferent Ahorro savings account.
    - Vehicle leasing. Access from the App to the service of the provider (Alphabet), where the user can explore vehicles and submit an application.

  Electronic banking now includes options to apply for:
    - Online vehicle leasing.
    - Salary advance.
    - 360-degree account.
    - Protection insurance (life and payment protection) included in Cajamar Consumo loan application.
    - 'Hola' deposit
    - Via-T.
- **New services.** The following services were introduced in 2023:
    - Conecta. Redesign and new features. Now customers can view their personal details: profile photo, telephone, email, data protection (LOPD), ID card expiry date, and their Know Your Customer form.
    - Priority telephone number for people over 65.

- **Online banking.** The new features and improvements introduced during the year are:
    - Know Your Customer form: Notification of expiry and option to renew.
    - Payment of local taxes in Catalonia and Castilla-La Mancha.
    - Improved availability of Cajamar Consumo credit line.
    - Validation to prevent customers from sending commercial remittances twice.
    - Redesigned account transfer option.
    - New system for signing online banking transactions with a cryptocalculator, which will be offered to customers who do not use the FirmaMóvil system.

- **Improvements to the website** Ongoing improvements, notably the information on the Entity's new products, adaptations to Google Analytics 4, the 360-degree account simulator and various efficiency improvements.
- **ATMs.** New functions such as payment of utility bills and taxes and to other entities via prepaid cards, favourites for passbooks, monitoring of expiry of IDs other than the Spanish ID card, management of expiry of the Know Your Customer form, reporting/ blocking of lost or stolen cards, prepaid card downloads and consultation of virtual mailbox.

Remote digital management and support

- **Requests and incidents:** Management of remote banking requests and incidents previously handled by the Contact Center.
- **Token project:** Pilot with 50 customers who continue to use SMS as a signature method, whose signature method was changed to Token signing.
- **Requirements**: Provide remote banking information to regulatory compliance, money laundering, legal area, court requests and customer service: new customer registrations, linked devices and transaction details.
- **Digital customer development**. Automation of customer reports.
- **Digital Business Report.** Inclusion of new products in the Digital Business Report, adding product sign-ups as well as volume data.
- **Development of Digital Services Directory.**

Digital culture and awareness-raising

- **Internal and external digital events:**
  - Series of monthly online capsules (Switch On-Off) about digitalisation and its influence on society.
  - Youth-themed talks and discussions on new eating habits at the Grupo Roig incubator facilities
  - Series of internal digital business trainings titled "Cosicas Digitales".
  - Face-to-face debate, co-organised with Grupo Roig (Mercadona), about eCommerce, with an audience of companies, focused on disseminating new technologies and creating new business opportunities.
- **Corporate ambassadors.** Online meetings with corporate ambassadors, giving talks, launching challenges and organising digitalization, sustainability and corporate culture pilots.
- **Digital sales - SalesNavigator**. Lead creation, new business opportunities through a digital tool (social media). New organisation structure for teams and coaches. Event in Dublin, with the previous year's top-ranked users.
- **Digital observatory.** Benchmarking reports on digital personal and business accounts, taking a comparative, analytical, technical and innovation-oriented approach.
- **Digital content generation:** Infographics and videos on electronic banking, the App and ATMs to explain how they can be used and what they offer.

Open banking

- **Account aggregation service**: Completion of development of the APIs for aggregating accounts at more than 30 entities and integrating them in Online Banking (Redsys Hub + ING).

- **Payment initiation service:**
    - Completion of development and integration into Online Banking of the API for requesting SEPA payment orders (normal, instant, international, instant international and recurring).
    - Assistance provided to CARM in integrating the service into its payment platform for tax payments.
- **PSD2:** Implementation of changes to account enquiries to return all account holders and maintenance of API services for TPPs.

Business Analytics and Marketing Policy

The initiatives carried out during 2023 include the following:

- **Development of new indicators** such as "Recorrido Comercial", "NLP" and "Huellas" to more accurately tailor the offering of products and services for each customer, and the "Carbon Footprint" indicator to promote sustainability awareness.
- **Updates to existing metrics** to identify each customer's preferred channel.
- **Improvement to quality control of analytical models and calculations** through monitoring of metrics and models for correcting them if they degrade.
- **Optimised design and planning of customer marketing campaigns** through Marketing Cloud. Improved return on investment through enhanced analytical monitoring of campaign effectiveness.
- **Collaboration in improving CRM data quality** through controls on data provisioning, expanded documentation in the object manager and standardisation of the Product object through the Sales Catalogue, and systematisation of data upload when putting business analytics solutions into production.
- **Improvements to internal business processes using solutions available in Salesforce**, such as Suggestions to monitor initiatives involving multiple tasks, CRM Calendar to improve the launch of marketing actions, or panels for centralised management of applications for savings products or trade fair management.
- **Expansion of the offer of preapproved loans to customers** through development of salary and pension advances, the agri-food campaign and the Business credit card.
- **Completion of developments in the Risk-adjusted Return model** for RAROC credit monitoring and improvements in RAROC rate approval.
- **Expansion of the range of insurance products offered**, with the launch of sickness (ILT) insurance and combined insurance.
- **Use of digital signatures for buying insurance** has been extended to home insurance, death insurance, modular accident insurance and pension plans.
- **Implementation of a new insurance sales environment.**

- **Efficiency improvements in the management of advances on foreign trade invoices.**

- **Improvements to the pricing (RAROC) and rate approval system:** Inclusion of new products within the RAROC perimeter and implementation of improvements and automatic systems to speed up rate approval.

Average payment period to suppliers

Note 28 to the consolidated annual accounts provides information regarding the deferral of payments to suppliers.

Treasury share acquisitions

Grupo Cooperativo Cajamar holds a total of 977,349 thousand treasury shares; this figure did not change during 2023.

Events after the reporting period

After year-end, the Group issued mortgage bonds with a nominal value of €600 million at a rate of 3.375%, maturing in July 2029.

On 18 January 2024, the Constitutional Court declared certain corporate income tax measures introduced by Royal Decree-Law 3/2016 of 2 December to be unconstitutional. The tax measures in question—which set stricter limits for the offsetting of tax losses, placed a limit on the application of deductions for double taxation and imposed an obligation to automatically include in the tax base any impairment losses on equity investments that were deducted in previous years—were applied with effect from the 2016 tax year.

The effects of the court's decision are limited to corporate income tax assessments that are contested and self-assessments for which a rectification was requested before the measures were declared unconstitutional.

In the case of Grupo Cooperativo Cajamar, the decision affects the rectification of the corporate income tax returns for 2016, 2020 and 2021 of Cajamar, Caja Rural, S.C.C. and the returns for 2016, 2017, 2018, 2019, 2020 and 2022 of Cimenta2 Gestión e Inversiones, S.A.U.

As of the date of authorisation of these consolidated annual accounts, the Group has not recognised any of the amounts claimed from the Tax Agency for these items, in accordance with IAS 12, Income Tax, which states that current and deferred tax assets and liabilities at year-end are to be measured using the tax rates and tax laws enacted or substantively enacted by the end of the reporting period. Nor has the Group recognised any additional tax losses resulting from a recovery based on the annulment of the stricter offsetting rules. This matter has no significant impact on the Group's assets.

Aside from the matters disclosed in the accompanying consolidated annual accounts and in the foregoing paragraphs, from 31 December 2023 until 5 March 2024, 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 consolidated annual accounts in order for them to give a true and fair view of the Group's consolidated equity, consolidated financial position, consolidated results, changes in consolidated equity and consolidated cash flows.

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 Corporate Enterprises 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 information referred to in the aforementioned regulations. Said statement of non-financial information is part of this directors' report and is available on the Grupo Cooperativo Cajamar website in the section on Corporate Information – Sustainability Report, under the heading "Grupo Cajamar Sustainability Report".

Outlook for the Group

In view of the macroeconomic scenario described earlier, Grupo Cooperativo Cajamar has set itself the following objectives:

- Strengthen its position as the leading credit institution in the cooperative sector in Spain and also in the agri-food sector, driving economic development and social progress in the areas in which it operates.
- Achieve sustained and solvent growth in total volume of funds under management.
- Steadily improve its productivity and profitability.
- Achieve an appropriate level of efficiency, based on growth in core banking income and control of operating expenses.
- Continue the digital and technological transformation.
- Increase its solvency.
- Maintain a comfortable liquidity position by efficiently managing its assets and liabilities.
- Control existing levels of non-performing assets through proactive arrears management.

Alternative performance measures glossary

In its directors' reports, in the quarterly earnings presentations it publishes on its website and in issue prospectuses, and in presentations to investors, as well as internally in its business performance monitoring, Grupo Cooperativo Cajamar uses measures consistent with International Financial Reporting Standards (IFRS). However, it also uses unaudited measures commonly used in the banking industry, known as Alternative Performance Measures (APMs), as indicators of the Group's business performance and economic and financial situation, to facilitate comparison with other entities.
These APMs are calculated, in all significant respects, in accordance with the European Securities and Markets Authority Guidelines (ESMA/2015/1415 of 5 October 2015), which are designed to promote information transparency and investor protection in the European Union. The APMs used by the Group and their definitions are given below:

(IN ALPHABETICAL ORDER)

	Measure	Definition and method of calculation	Use or purpose
1	Foreclosed assets (gross) (*)	Real estate owned (REOs) excluding quality assets (gross carrying amount).	This is one of the main indicators used in the financial sector in relation to non-performing assets. It measures the level of and changes in the gross carrying amount of foreclosed assets.
2	Foreclosed assets (net) (*)	Foreclosed assets (gross) – Total foreclosed assets coverage	This is one of the main indicators used in the financial sector in relation to non-performing assets. It measures the level of and changes in the carrying amount of foreclosed assets net of provisions.
3	Non-performing loans	Non-performing loans and advances to customers and other non-performing financial assets related to loans and advances to customers + Non-performing assets in the portfolio of customer bonds (debt securities)	This is one of the main indicators of a financial institution's business performance. It tracks the level of and changes in the amount of credit-impaired loans and advances to customers held on the balance sheet, as a measure of customers' credit quality.
4	Group share capital	Capital + Equity instruments issued other than capital - Treasury shares	This measures the level of and changes in the Group's total capital, as the aggregate of the capital of the Bank and the Group member entities, excluding treasury shares.
5	Business gap	Difference between the denominator and the numerator of the Loan to deposits ratio	As an indicator of a financial institution's liquidity and balance sheet structure, the business gap relates the volume of funds available to the institution to the volume of loans and advances to customers.
6	Operating expenses	Administrative expenses + Amortisation and depreciation	This measures all the expenses incurred by the Group during the year in carrying out the core banking activity.

	Measure	Definition and method of calculation	Use or purpose
7	Performing loans	Gross loans – Non-performing loans	This is one of the main indicators of a financial institution's business performance. It measures the total volume of performing financing granted by the Entity.
8	Impairment losses	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 modification gains or losses, net + Impairment or (-) reversal of impairment on non-financial assets + Impairment or (-) reversal of impairment on investments in joint ventures and associates.	This measures the net additions to provisions for impairment of financial and non-financial assets in the year.
9	Cost-income ratio (%)	(Administrative expenses + Amortisation and depreciation) / Gross income	The main indicator of a financial institution's efficiency or productivity. It tells us what percentage of its income the institution uses to cover its expenses.
10	Loan to deposits ratio (%)	Loans to customers, net / (customer deposits + net issued securitisations + mediation loans + other retail balance sheet resources)	An indicator of a financial institution's liquidity. It reflects the structure of the Entity's balance sheet and measures the proportion of loans and advances to customers financed with the Entity's funds.
11	Off-balance-sheet funds	Mutual funds + pension plans + savings insurance + fixed-equity income held by customers	This is one of the main indicators of a financial institution's business performance. Customer funds managed by the Entity that are not held on the Entity's balance sheet.
12	Customer funds under management	Customers' deposits + Off-balance sheet funds	This is one of the main indicators of a financial institution's business performance. Funds managed by the Entity on customers' behalf and held either on or off the Entity's balance sheet.
13	Wholesale funds	Bonds and other instruments + subordinated liabilities + senior debt + money market transaction + liabilities with credit institutions + ECB auctions	This measures the total amount of balance sheet funds not held by retail customers.
14	On-balance sheet funds	Sight deposits + Term deposits + Other funds.	This is one of the main indicators of a financial institution's business performance. It measures the level of and changes in the total amount of balance sheet funds held by retail customers.
15	Partners	Owners (companies or individuals) of at least one contribution to the equity capital of the credit cooperatives belonging to Grupo Cooperativo Cajamar.	This measures the number of cooperative partners who have a share in the capital of the Group entities.

	Measure	Definition and method of calculation	Use or purpose
16	Foreclosed assets coverage ratio (*)	Foreclosed assets coverage / Foreclosed assets (gross)	This is one of the main indicators used in the financial sector in relation to non-performing assets. It measures the level of and changes in the coverage provided by the Entity for foreclosed assets.
17	NPL coverage ratio (%)	Gross loans coverage / Non-performing loans.	This is one of the main indicators used in the financial sector. It measures the level of and changes in the amount of on-balance-sheet funds earmarked by the Group to cover non-performing loans.
18	NPL ratio (%)	(Non-performing loans + non-performing contingent risks) / (Gross loans + Contingent risks).	This is one of the main indicators used in the financial sector. It can be used to monitor the level of and changes in customers' credit quality.

(*) The definition of these APMs has changed with respect to the consolidated directors' report at 31 December 2022.

SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT OVER FINANCIAL REPORTING (ICFRS)

1. Control environment

1.1. Bodies and/or functions responsible for the ICFRS.

The Board of Directors and Senior Management of BCC are aware of the importance of ensuring that shareholders and investors receive reliable and transparent financial information published in the market. Therefore, they are fully involved in developing the system of internal control over financial reporting (ICFRS). The Board of Directors' functions are to: (i) guarantee the integrity of the accounting and financial information system; (ii) approve the financial information within its competence, and (iii) supervise the process of disclosure of financial information.

The Audit Committee of BCC is responsible for verifying that the ICFRS is fit for purpose. Its remit includes:

- Supervising the effectiveness of the Group's internal control function, the internal audit function and risk management; as well as discussing with the external auditors the significant weaknesses found during audits. Particularly, with respect to the information and internal control systems:
  - Verifying the adequacy and integrity of the internal control systems.
  - Being familiar with and supervising the preparation and completeness of financial information relating to the Company and Group; reviewing compliance with legislative requirements and the proper application of accounting standards.
  - Regularly reviewing internal control and risk management systems, so that the main risks are identified, managed and adequately reported.
- Supervising the process of preparing and presenting regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

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

1.2. Departments responsible for ICFRS design and maintenance.

The Board of Directors, through the Chief Executive Officer, is responsible for designing the organisational structure, with a view to assigning roles and resources as efficiently as possible. The General Finance Division is responsible for ensuring that the organisational structure meets the requirements for an ICFRS that is fit for purpose, and for overseeing the use of financial information to ensure that it is correctly disclosed to the markets.

The operating procedure manuals with their corresponding tasks, which are available to all Group employees through its intranet, specify the organisational structure, defining the management units and areas and the people responsible for them.

The financial information is prepared by the General Finance Division, which is responsible for setting criteria and policies in accordance with applicable laws and regulations in each case, and is responsible for generating financial information and reports. This division is responsible for the Group entities' financial information and the accounting consolidation process, with clearly defined roles and responsibilities in two different areas, separating the preparation and disclosure of financial information (Financial Reporting Area) from control (Accounting and Tax Control Division). Specifically, among other things its mission is to:

- Define the Group's accounting criteria and the internal chart of accounts, keeping them up-to-date and aligned with accounting requirements and changes in regulations.

- Supervise the preparation of the reports issued to the market, developing and maintaining the ICFRS so as to ensure that the information they contain is complete, consistent and appropriate.

- Analyse the content and impact of new accounting regulations, preparing any interpretative reports that may be needed by the units that are required to prepare information in compliance with those regulations.

- Define and put in place the necessary controls to ensure that both the automated processes and the units with operational functions comply with the agreed accounting criteria.

- Coordinate the updating and validation of the ICFRS, in collaboration with the heads of the areas involved.

- Control the accuracy, reliability and coherence of financial information with respect to the defined accounting policies, issuing the reports necessary to allow a correct interpretation.

- Oversee the reporting of financial information within legally stipulated deadlines, performing the final review of information to be published before it is sent to the relevant bodies for approval and publication in the market or submission to supervisory bodies.

The Technology Division also plays a role in the ICFRS. Its tasks are to:

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

- Enter into outsourcing agreements for the abovementioned systems and applications, monitoring compliance with agreed service levels.

- Ensure that the systems, applications and processes involved in the generation and publishing of the financial information are adequately documented for the purposes of the audit and control functions.

The Group also has a Code of Conduct approved by the Board of Directors, which contains a compendium of ethical principles and values to guide the day-to-day conduct of employees, managers and members of the Group's governing body. In particular, there is a specific section on financial information and recording operations.

The Code covers aspects such as professional conduct which must be guided by legality, loyalty and good faith, personal dignity, non-discrimination, confidentiality, integrity, transparency, objectivity, responsibility, efficiency, quality, professionalism, security and environmental protection.

This document is available on the BCC website and intranet. The General Control Division is responsible for updating it, publishing it and making it available to the people affected by it, as well as promoting and coordinating the necessary training activities in collaboration with the General Human Resources Division.

It is also the responsibility of the General Control Division along with the General Internal Audit Division to enforce compliance with the Code, handle cases of non-compliance and propose pertinent corrective measures and penalties to the Control Committee.

Additionally, the Group offers a means for employees to confidentially, and even anonymously, report violations of the Code of Conduct as well as financial and accounting irregularities or irregular or fraudulent activities of any kind with the organisation. This allows employees to report financial and accounting irregularities to the Audit Committee.

Reports are submitted through an email mailbox that is accessible to all Group employees. Internal Audit is responsible for processing the reports received and is under the obligation to guarantee the confidentiality of the information.

The General Human Resources Division is responsible for:

- Determining and verifying that the resource structure is sufficient for effective implementation of the ICFR.

- Drawing up, jointly with the Accounting Control area, the training plan for the personnel involved in generating and controlling the financial information, and

- Directing and executing the training set out in that plan.

The Group has a Financial Education School which is committed to the Group's' social responsibility vision and the professional development of its employees in order to strengthen their financial education and ensure they are qualified to advise customers.

There is also an Annual Training Plan that contains the courses to be offered to the branch network and Central Services. Specifically, there are certain mandatory internal training courses that cover the following topics: market abuse, anti-money laundering, personal data protection, insurance law, MiFID, occupational risk prevention, crime risk prevention, cybersecurity and cyber risk awareness, conflicts of interest and equal opportunities. The courses are offered by Central Services personnel. In addition to the above courses classified as mandatory, employees involved in the preparation of financial information may receive special accounting-financial training at the request of their area managers.

Special training courses are given to the employees responsible for generating the Entity's financial information.

2. Evaluation of financial information risks and identification process.

The Group has a specific tool for identifying the processes, relevant areas and risks associated with the ICFRS. This tool takes the following factors into consideration: (i) Transaction volume and quantitative significance, (ii) Process automation and systems integration, (iii) Transaction standardisation, (iv) Susceptibility to fraud and/or error, (v) Complexity of applicable transactions, calculations and rules, (vi) Need to use estimates and/or projections and application of judgement, and (vii) Risks of loss or of generating contingent liabilities. This tool, the "Financial Information Risk Map", supports a process comprising the following phases:

1. Breakdown of consolidated balances by origin.

2. Material assessment of the balance that is broken down.

3. Assessment of certain qualitative aspects.

4. Determination of the criticality of the balance in the financial information by calculating an internal rating.

5. Consideration and identification of controls associated with the relevant areas and processes identified.

The entire process is documented in the Group's "Policy Manual for Identifying Relevant ICFRS Processes/Areas and Risks".

The tool was designed taking into account all the financial reporting objectives mentioned in the document on internal control over financial reporting in listed companies (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; rights and obligations).

The criteria to be used to ensure that all the types of risk to be identified are included in the design of the tool are both quantitative and qualitative. Apart from considering the identification of fraud and error risk affecting published financial information, the tool also takes into account the effects of other types of risks, such as operational, technological, financial, legal, reputational or environmental risks.

The process of identification of material areas and relevant processes is carried out at least annually, using the most recent financial statements. Risk assessments are also conducted when circumstances arise that had not been identified previously and that reveal possible errors in the financial information or when there are significant operational changes that could give rise to new risks, including situations involving modifications to the Group's structure such as changes in the consolidated companies or business lines or other relevant events.

The Group has a procedure in place for updating and validating the scope of consolidation, in which the Investees Unit requests from each investee the information needed to enable the unit to complete the forms used to determine the scope of consolidation and the process.

The process to identify material and/or relevant areas of the Group's financial information to identify the risks associated with them takes into account the types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

The Group has also implemented another tool for reviewing and supervising financial reporting, which ensures that certain controls are applied to ensure that disclosures are reliable and transparent. This process is supported by various qualitative and quantitative considerations that are taken into account in assessing or determining the relative importance of each financial statement to be disclosed, so as to decide on the frequency of review. This review policy generally covers the following aspects:

a) Whether the preparation criteria are consistent with applicable laws and regulations (technical and accounting standards).

b) Analyse and justify any correlations that have arisen and remain after the statement has been filed.

c) Timely and proper publication.

d) Study of any significant deviations between filing periods.

e) Analysis of repetitions in disclosure.

f) Assess the impact of any accounting-inventory differences in the statement.

g) Inventory the variables used in preparing the statement and define controls to ensure data quality.

In particular, define any additional controls that may be required from time to time, such as comparisons for simulations or estimates, information samples, etc.

In its "Financial Statements Risk Map" manual the Group has set out the qualitative and quantitative criteria that define the review policy for the various financial statements to be disclosed to the market.

The Accounting and Tax Control Division is responsible for applying the financial information review and disclosure policies, following the procedures described earlier.

Internal Audit supports the Audit Committee in its tasks. In particular, Internal Audit's plan of work includes a review of the existing risk map in preparing the financial information to check that all relevant risks are correctly identified.

The Accounting Area has designed and maintains an internal website, accessible to all users involved in generating, preparing and reporting financial information, in which all the associated milestones related with accounting closes, relevant events, controls, reports and manuals are recorded. Depending on his or her permissions, each user can record evidence of the preparation of the financial information and the controls applied over each time horizon.

3. Control activities

3.1. Procedures for reviewing and authorising the financial information and ICFRS description

In relation to the specific control activities which are implemented for the purpose of mitigating the risk arising from possible errors, inaccuracies or irregularities in the financial information, the Group has a list of manuals, procedures and accounting policies which are constantly being developed and updated, along with revision and control processes that include:

- Consolidated financial statements closing procedure. The Group has specific procedures for closing the accounts, which are the responsibility of the Financial Reporting area. The Accounting area is responsible for reviewing and overseeing account closes and the reports generated during this process.

- The general IT controls in place across the Group managed by the Technology Division, Cyber Resilience Division and the Security team.

- The controls over the preparation of the consolidated financial information are based on: (i) controls over necessary milestones for the reporting close, (ii) controls contained in the tool for reconciling the information received, (iii) controls over the contribution of Group companies and any consolidation adjustments, (iv) controls over temporary variations, (v) supervision of account entries and adjustments made in the reconciliation process.

- Additionally, the financial statements are validated by the correlation controls specified by the Bank of Spain to ensure consistency in the information, as well as by the Financial Statement Risk Map. These controls are carried out in the tool used for the presentation of statements to the Bank of Spain. The Accounting and Tax Control Division is responsible for verifying the integrity and accuracy of the information included in the various statements filed with the Bank of Spain.

- The process for issuing material judgments, estimates, valuations and projections in respect of goodwill, the useful lives of tangible and intangible assets, the value of certain financial assets, impairment losses on tangible and intangible assets, the value of foreclosed assets, the fair value of loans and receivables, provisions and contingent liabilities are reviewed and monitored by the Accounting and Tax Control Division.

Critical estimates, projections, judgements, accounting policies and assumptions are those that are subject to complexity or uncertainty, or that depend on decisions taken outside and inside the financial function and that have a significant impact on the figures and information presented in the financial report and in the Group's other periodic public information, such that modifications also cause relevant changes to the information reported.

The Group has an action plan for generating formal, standardised documentation for the areas and processes identified as relevant within the Group and which includes processes such as the year-end close and consolidation process, and making relevant judgments, estimates and forecasts, among others.

The Group has a review and authorisation procedure in place for the financial information reported to the markets, the frequency of which is determined by law and which is prepared by the Financial Reporting area under the supervision of the Accounting area, both under the auspices of BBC's General Finance Division.

The Audit Committee also plays a role in the review process, reporting its conclusions on the financial information to the Board of Directors. These conclusions are based on the external auditor's review and the different reviews conducted by Internal Audit to evaluate the adequacy of the different controls on the generation of financial information. Ultimately, the General Meeting of Shareholders is responsible for approving the Board of Director's performance each year, along with the notes to the annual accounts, the balance sheet and the statement of profit or loss, and the application of any surplus for the purposes of the Group.

The description of the ICFRS is reviewed not only by The Accounting and Tax Control Division but also by the governing bodies mentioned above as part of the information reported to the markets periodically.

3.2. Internal control policies and procedures for IT systems giving support to key processes regarding the preparation and publication of financial information.

The Technology Division is responsible for supporting and maintaining the operations, communications and data management systems. One of its main functions is to examine the systems and standards that make it possible to guarantee the correct level of data and program protection and recovery, ensuring compliance with regulations and the legally required security measures. Cyber Resilience Division is responsible for proposing the data security measures and how to apply them. These measures include the existence of adequate controls for accessing applications and systems, ensuring there is a sufficient segregation of duties.

The Group also has an application development regulation that complies with the Capability Maturity Model Integration (CMMI) standard. This regulation ensures that the IT systems developed are fit for purpose. This, in turn, minimises the possibility of error in the process of generating financial information.

The Group has a disaster recovery plan for the areas involved in the CNMV reporting process. The Plans covers the Parent's information systems where the financial reporting information is prepared.

Finally, the Group has a backup policy that ensures a daily backup copy is made of critical environments.

3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the calculation or valuation services commissioned from independent experts.

The Group uses the services of independent third parties to obtain certain valuations, calculations and estimations used to generate the individual and consolidated financial statements which are published in the securities markets, such as, actuarial calculations and asset appraisals and valuations.

The identification of relevant financial reporting areas outsourced to third parties is integrated into the methodology used by the Group to identify processes and areas that affect the financial information.

Policies applied to supervise and manage the activities outsourced to third parties and to approve suppliers are contained in the manuals prepared by the Group, which address:

- Types of services that may be outsourced and related criteria and conditions.
- Controls in place for services outsourced and the business continuity and service recovery plan.
- Procedures for the accreditation of and awarding of services to external providers.
- Approval criteria for contracting services with external providers.
- Approval claim and renewal procedures.

4. Reporting and disclosure

4.1. Communication of regulatory developments

The Regulatory Compliance Division is responsible for informing the affected departments of changes to the regulations as they occur. The Accounting and Tax Control Division is responsible for establishing and interpreting the Group's accounting policies.

In any event, accounting policies are updated whenever there is a regulatory development that requires them to be reviewed, and whenever there is a new decision that could impact them, but only in those cases where there is a certain amount of flexibility.

To perform this function, the divisional director remains abreast at all times of legislative developments concerning prevailing accounting policies through the circulars and communiqués issued by the various sector associations, and technical reports and bulletins issued by experts in the field, and by reviewing the regulatory changes published in Spain's Official State Gazette (BOE), or by the Spanish Institute of Accounting and Auditing (ICAC), the Bank of Spain and the CNMV on a daily basis. Regulatory changes are studied and analysed to determine their impact on the Group, and external experts are consulted as needed. Such changes are reported to staff and any action required is proposed.

The Accounting and Tax Control Division is responsible for answering any questions or settling disputes regarding the interpretation of accounting policies, keeping lines of communication open with the heads of the different areas of the Parent and Group subsidiaries involved in preparing financial information.

All the financial information is prepared in accordance with the Group's accounting policies and criteria; the ICFRS therefore includes defining these policies and criteria in the accounting policies and procedures manual, which contains the Group's accounting policies and explains how they must be applied to specific operations.

The accounting policies set out in the manual are based on the application of the standards stipulated in applicable regulations (IFRS, IAS, Bank of Spain Circulars), which does not mean that the Group does not have its own accounting criteria but that they are limited to the application of the general criteria stipulated in the accounting standards as applicable in each specific case, so as to cover all the Group's transactions. The body responsible for preparing and updating the accounting policies is the Accounting and Tax Control Division, which forms part of the General Control Division.

As a necessary supplement to this manual and as the accounting function is decentralised, the Accounting and Tax Control Division prepares, safeguards and updates an inventory of Accounting Delegations containing a file for one, including the following details, among other information:

- Identity of the delegate body;
- Accounting events delegated;
- Accounts affected, including reasons for debits and credits;
- IT transactions that support the entry, if any; and
- Reconciliation and control procedures applied.

The delegate bodies must in turn prepare operating manuals containing detailed descriptions of the procedures employed in the course of their work.

The Group's subsidiaries draft their own accounting procedures and policies in a decentralised manner; however, they must necessarily meet the requirements of the standards and guidelines issued by the Accounting and Tax Control Division, which oversees them.

It should be noted that the subsidiaries prepare their own financial information based on format previously agreed with the Parent so that the format of the financial statements is as homogeneous as possible, which in turn facilitates the preparation of the Group's consolidated information. Because of this, they must comply with the accounting standards and principles issued by the Accounting and Tax Control Division.

4.2. Preparation of financial information.

The Group has applications and IT systems for aggregating and standardising the individual accounting performed by the Group's areas and subsidiaries, with the necessary level of breakdown and the ability to generate the necessary individual and consolidated financial statements and other financial information published in the markets.

Each subsidiary is responsible for its own accounting using the established systems and for reporting the accounting information in keeping with the General Chart of Accounts format. They are, therefore, responsible for preparing their own financial statements under the supervision of the Accounting and Tax Control Division.

The Financial Reporting Control Office, which reports to the Accounting Control Area, is responsible for aggregating and standardising the individual information for review and subsequent automatic consolidation into the "COGNOS Controller" application.

The Financial Reporting Area is responsible for ensuring the quality of the information to be loaded into the "REG Estados" application to produce the Group's individual and consolidated regulatory report. At the same time, the information of investees is loaded in the Investee Management System (IMS), while the Financial Reporting area is in charge of importing that information and dumping it in the Cognos Controller application.

5. Supervision of the functioning of the ICFRS

The Audit Committee draws on the support of the internal audit team in monitoring the internal control system and the ICFRS. Internal Audit conducts scheduled reviews of the systems in place to control risks, operational procedures and compliance with internal and external regulations.

The internal audit function is performed by the General Internal Audit Division, which reports to the Audit Committee.

The General Internal Audit Division prepares an annual audit plan, which is approved by the Audit Committee and the Board of Directors. The audit plan is prepared with the objective of reviewing the Bank's critical risks.

The audit plan includes the revision of key areas of the financial statements as well as key controls of these areas. The general controls of reporting systems are also reviewed.

The General Internal Audit Division periodically presents to the Audit Committee the results of its verification and validation work along with the associated action plans. The procedure is the same for the work performed by the external auditors or any other independent expert.

The minutes of the Audit Committee meetings contain evidence of the Committee's supervisory function, in terms of planning (approval of annual operating plan, appointment of people responsible for executing the plan, among other things) and the review of the results obtained.

If weaknesses or other areas for improvement are detected during the audit reviews, an action plan is proposed and agreed with the areas involved, defining the people responsible and the time scheduled for its implantation. Internal Audit also tracks compliance with these action plans.

In December 2022, the Audit Committee approved the three-year Audit Plan for the period 2023-2025. Regarding supervision of the ICFRS, this plan includes audits of the Group's relevant areas and processes during the three years of the plan.

The evaluation carried out in 2023 included a review of the process of preparing the reserved financial statements, the investee valuation process and the key ICFRS controls, verifying that they function correctly.

The Audit Committee meets with the external auditors no less than five or six times a year to present the most important results of their work.

It is the responsibility of the Audit Committee, in accordance with the Audit Committee Rules, (Art. 6.1), to discuss with the external auditor all audit-related issues and any other communications foreseen in auditing laws and the Technical Auditing Standards. It will also act as a liaison between the external auditor and the Board of Directors.

The Audit Committee Rules also state that the Audit Committee may be aided by independent experts as needed.

The Audit Committee Rules specifies that the committee will meet on an ordinary basis every two months or, otherwise, at least six times a year. In each of these sessions, the General Internal Audit Division will present the conclusions of its work, informing the Committee of any weaknesses detected as well as the action plans proposed by the different areas to address these weaknesses.

ADHERENCE TO THE RECOMMENDATIONS IN THE GOOD GOVERNANCE CODE OF LISTED COMPANIES (CNMV, 2020)

Although this code is not directly applicable to Grupo Cooperativo Cajamar because none of the group companies are listed, the Group deems it good market practice to follow the CNMV's recommendations, applying the comply or explain principle, thereby demonstrating its commitment to adhering to best governance standards.

Subsequent references to the Group should be understood to mean without distinction the Group or BCC as parent, to which the group credit institutions have assigned responsibility for ensuring the implementation, fulfilment and continuous improvement of corporate governance standards in the Group in line with best practices.

Of the 64 recommendations in the Good Governance Code, the Group fully adheres to 50 and partially adheres to seven, except seven recommendations which do not apply to it.

The seven recommendations that are not applicable to the Group are: 1, 2, 11, 19, 34, 61 and 62.

The recommendations which the Group partially adheres to are as follows:

Recommendation 3

"During the annual general shareholders' meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general shareholders' meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead."

The Chairman of BCC, as the parent of the Group, informs shareholders of what he believes to be relevant aspects of corporate governance, although not to the level of detail stipulated in the recommendation, especially regarding the following of recommendations indicated in the Code.

That said, shareholders are able to find out about adherence to the Code through this section of the notes to the annual accounts.

Recommendation 4

"The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible for its implementation.

Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders."

Some of the points included in the recommendation are covered by various Group policies and manuals, such as the policy on disclosure of economic, financial, non-financial and corporate information. A decision has therefore been taken not to develop a policy for communication and contact with shareholders and institutional investors with the level of detail indicated in the recommendation at this time.

Future reconsideration of whether to develop a policy with the scope set out in the recommendation is not excluded.

Recommendation 6

"Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general shareholders' meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reports of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on related transactions."

BCC regularly prepares reports on auditor independence and the operation of the audit and appointment committees, although only the latter are published on its website before the General Meeting of Shareholders. The report in point c) has not been prepared to date as there are no related transactions.

Recommendation 7

"The company should broadcast its general shareholders' meetings live on the corporate website.

The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting."

As well as having the mechanisms to do this, BCC includes in its Articles of Association and Regulations of the General Meeting of Shareholders the option for shareholders to delegate and exercise their right to vote by electronic means.

While it has the resources to do so, BCC also does not deem it necessary, given its capital structure and the location of its shareholders to broadcast its General Meeting live on its website or for its shareholders to attend by electronic means. This is because their right to be informed about and participate in General Meetings is protected because the bank provides them with detailed information and offers the option of delegating or exercising their vote by electronic means, as explained beforehand.

Recommendation 15

"Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum necessary bearing in mind the complexity of the corporate group and the ownership interests they control.

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that."

A large majority of the Board (79%) are proprietary and independent directors, while executive directors make up only 21%.

At 31 December 2023, female directors constituted 29% of the Board, although achieving a 40% share is subject to vacancies becoming available on the Board.

Recommendation 53

"The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of self-organisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions."

Environmental, social and corporate governance matters are handled by the specialist board committees: the Strategy and Sustainability Committee responsible for environmental, social matters, and the Risk Committee which deals with corporate governance and code of conduct issues.

Regarding their composition, the Risk Committee is primarily made up of (non-executive) independent and proprietary directors, while all the members of the Strategy and Sustainability Committee are (non-executive) proprietary directors.

Recommendation 64

"Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements."

The rules on compensation and payments for termination of employment protect the Group's long-term interest and therefore include malus, deferral, performance and clawback provisions.

That said, as stipulated in the remuneration policy in certain regular employment contracts with senior executives, payments for termination of employment may be equivalent to two years' pay.