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

(Together with the consolidated annual accounts and consolidated directors' report of Banco de Crédito Social Cooperativo, S.A. and subsidiaries for the year ended 31 December 2021)

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

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

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

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Banco de Crédito Social Cooperativo, S.A. (the "Bank") and its subsidiaries that, together with the Bank, form the Cooperativo Cajamar Group (hereinafter the "Group"), which comprise the consolidated balance sheet at 31 December 2021, 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 the 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 2021 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
See notes 3 and 8.6 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 33,808,876 thousand at 31 December 2021, while allowances and provisions recognised at that date for impairment total Euros 935,165 thousand. For the purposes of estimating impairment, financial assets measured at amortised cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in their credit risk since initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3) or whether neither of the foregoing circumstances apply (Stage 1). For the Group, establishing this classification is a relevant process inasmuch as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on expected loss models, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Allowances and provisions for impairment estimated individually consider forecasts of future business performance and the market value of collateral provided for credit transactions. In the case of allowances and provisions for impairment calculated collectively, expected losses are estimated using internal models that use large databases, different macroeconomic scenarios, parameters to estimate allowances and provisions, segmentation criteria and automated processes, which are complex in their design and implementation and require past, present and future information to be considered. The Group regularly conducts recalibrations and tests of its internal models in order to improve their predictive capabilities based on actual historical experience.	Our audit approach in relation to the Group's estimate of impairment of loans and advances to customers due to credit risk, classified as financial assets at amortised cost, included an assessment of the relevant controls associated with the processes for estimating impairment, as well as different tests of detail on that estimate, for which we involved our credit risk specialists. Our procedures related to the control environment focused on the following key areas: • Identifying the credit risk management framework and assessing the compliance of the Group's accounting policies with the applicable regulations. • Evaluating the classification of the portfolio of loans and advances to customers based on their credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. • Testing the Group's relevant controls for the monitoring of loans outstanding. • Evaluating the design and implementation of the relevant controls over the management and measurement of collateral and guarantees. • Assessing the aspects observed by the Internal Valuation Unit as regards the recalibration and contrast testing of the models for estimating collective allowances and provisions. • Evaluating the control and management of the data used to estimate credit risk impairment.

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Impairment of loans and advances to customers

See notes 3 and 8.6 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The COVID-19 pandemic continues to affect the economy and business activities. To mitigate the impacts of COVID-19, the Spanish government has launched initiatives to support the most affected sectors and borrowers through various measures such as the provision of State-backed credit facilities, the deferral of payments without penalties (moratoriums) and flexible financing and liquidity facilities. All these aspects have an impact on the parameters considered by the Group to quantify the expected losses on financial assets (macroeconomic variables, customer net income, value of collateral pledged, probability of default, etc.), thus increasing the uncertainty associated with their estimation. The Group has therefore recognised the adverse effects of COVID-19 on the impairment of financial assets in its consolidated statement of profit or loss at 31 December 2021 by supplementing the expected losses, estimated based on historical credit loss data, with certain additional adjustments deemed necessary to reflect the particular characteristics of borrowers, sectors or portfolios. The consideration of this aspect as a key audit matter is based both on the significance for the Bank of the loans and advances to customers portfolio, and thus the significance of any allowances and provisions recognised, and on the relevance, subjectivity and complexity of the process for classifying these financial assets for the purpose of estimating impairment thereon and of the calculation of that impairment, while taking into consideration the additional situation generated by the COVID-19 pandemic.	Our tests of detail on the estimated expected losses essentially included the following: • With regard to the impairment of individually significant transactions, we evaluated the suitability of the discounted cash flows models used by the Group and selected a sample from the population of significant risks with evidence of credit impairment, and we assessed the adequacy of the allowances and provisions recognised. This sample included borrowers from the economic sectors most impacted by COVID-19 and/or those that have received government aid due to the pandemic. • With respect to the allowances and provisions for impairment estimated collectively, we evaluated the methodology used by the Group, assessing the integrity and accuracy of the input balances for the process and evaluating the correct functioning of the calculation engine by repeating the calculation process taking into account the segmentation and assumptions used by the Group. In carrying out our audit procedures, we took into consideration the impacts of COVID-19 and the government aid on the calculation of expected losses. In addition, we assessed and recalculated the estimate of the additional adjustments to the expected losses identified in the general process, recognized at 31 December 2021. 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.

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Impairment of foreclosed real estate assets
See notes 10, 16 and 25 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
Determining impairment losses on foreclosed assets, which are essentially recognised under "Non-current assets held for sale" and "Inventories" within "Other assets" on the consolidated balance sheet, is a significant estimate in the preparation of the Group's annual accounts for the year ended 31 December 2021. Foreclosed real estate assets are measured, both at the acquisition date and subsequently, at the lower of the carrying amount of the financial assets relating to the foreclosure and the fair value of the foreclosed real estate assets less the estimated costs to sell. For the purposes of determining the net fair value of these real estate assets, the Group uses its own internal methodology based on the appraisal value, which is adjusted to take into account past experience of the sale of similar assets in terms of price, and the period of time for which each asset is held on the consolidated balance sheet, among other factors. The process to estimate the impairment of these assets requires a considerable degree of judgement as it is a significant and complex estimate. We have therefore considered this a key audit matter.	Our audit approach in relation to the estimate of impairment of foreclosed real estate assets includes an assessment of the relevant controls associated with the processes for estimating impairment, as well as different tests of detail on this estimate, which basically included the following: • Evaluating the competence, capacity and objectivity of the experts engaged by the Group for the valuation of the foreclosed real estate assets. • Analysing a sample of appraisals to determine the reasonableness of the procedures and the valuation methodology used by the experts engaged by the Group. To that end, we involved our specialists in real estate asset appraisals. • Evaluating the reasonableness of the key assumptions considered in the internal valuation methodology for real estate assets. • Analysing the reliability of the data sources used and the discounts applied in the internal valuation model. • Recalculating the impairment of foreclosed real estate assets. We 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.

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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 2021, the Group held deferred tax assets amounting to Euros 1,110,521 thousand, of which the recovery of Euros 501,524 thousand is not guaranteed through the monetisation mechanisms established in Royal Decree-Law 14/2013 and article 130 of the Spanish Corporate Income Tax Law, as their recovery is dependent on obtaining future taxable profits. The recognition of deferred tax assets entails a high level of judgement in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. The financial projections for future taxable profits have taken into consideration the economic impact of the COVID-19 pandemic on the business activity of the Group. Due to the significance of the balance of deferred tax assets and the uncertainty associated with their recovery, and given the additional rise in this uncertainty on account of the COVID-19 pandemic, we have considered this a key audit matter.	Our audit procedures mainly include the following: • Analysing and evaluating the control environment of the process for recognising and assessing the recoverability of deferred tax assets. • Evaluating, with the involvement of our valuation specialists, the methodology and key assumptions considered by the Group to estimate the recovery period for the deferred tax assets. We analysed the main economic, financial and tax assumptions used by the Group to estimate future profits, taking into consideration those assumptions that have been adjusted due to the impacts of COVID-19. • Contrasting the forecast profit used as a basis for recognising the deferred tax assets in prior years against the actual results obtained by the Group. • Analysing the sensitivity of the results obtained by the Group. We 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.

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

Other Information: Consolidated Directors' Report

Other information solely comprises the 2021 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 2021, and that the content and presentation of the report are in accordance with applicable legislation.

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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.

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

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

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

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

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.

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

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

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

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

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

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

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

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

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 3 March 2022.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 7 May 2019 for a period of three years, beginning 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

3 March 2022

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

Consolidated Annual Accounts and Consolidated Directors' Report

(Year 2021)

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

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
Consolidated balance sheets at
31 December 2021 and 2020

Assets

	Note	2021	2020
		Thousands of Euros	
Cash, cash balances at central banks and other on demand deposits	**7**	**4,978,130**	**2,693,743**
Financial assets held for trading	**8.2**	**1,131**	**2,976**
Derivatives		1,131	2,976
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**	**462,547**	**437,990**
Equity instruments		4,119	4,142
Debt securities		108,745	116,324
Loans and advances		349,683	317,524
Customers		349,683	317,524
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**	**570,206**	**2,297,766**
Equity instruments		131,254	117,976
Debt securities		438,952	2,179,790
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum: loaned or delivered as collateral with a sale or pledge right		-	*1,550,190*
Financial assets at amortised cost	**8.6**	**48,561,611**	**44,245,963**
Debt securities		14,599,303	11,479,957
Loans and advances		33,962,308	32,766,006
Central banks		-	-
Credit institutions		153,432	330,311
Customers		33,808,876	32,435,695
Memorandum: loaned or delivered as collateral with a sale or pledge right		*6,955,712*	*5,391,985*
Derivatives – Hedge accounting	**9**	**606,871**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Investments in joint ventures and associates	**11**	**106,383**	**101,357**
Joint ventures		-	-
Associates		106,383	101,357
Tangible assets	**12**	**959,451**	**1,046,035**
Property, plant and equipment		768,802	783,555
For own use		766,673	781,369
Assigned under operating lease		-	-
Assigned to social projects (savings banks and credit co-operatives)		2,129	2,186
Investment property		190,649	262,480
Of which: assigned under operating lease		-	-
Memorandum: acquired under finance lease		*32,525*	*43,260*
Intangible assets	**13**	**172,704**	**200,632**
Goodwill		-	54,741
Other intangible assets		172,704	145,891
Tax assets	**15**	**1,159,585**	**1,151,899**
Current tax assets		49,064	52,641
Deferred tax assets		1,110,521	1,099,258
Other assets	**16**	**779,791**	**1,120,474**
Insurance contracts linked to pensions		-	-
Inventories		673,633	1,034,527
Other assets		106,158	85,947
Non-current assets and disposal groups of assets classified as held for sale	**10**	**154,616**	**318,226**
TOTAL ASSETS		**58,513,026**	**53,617,061**

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Liabilities

		Thousands of Euros	
	Note	**2021**	**2020**
Financial liabilities held for trading	**8.2**	**907**	**2,609**
Derivatives		907	2,609
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**	**54,246,746**	**49,516,281**
Deposits		50,842,845	47,449,934
Central banks		10,269,833	9,449,530
Credit institutions		840,295	863,923
Customers		39,732,717	37,136,481
Debt securities issued		2,389,123	1,658,758
Other financial liabilities		1,014,778	407,589
Memorandum: subordinated liabilities		*643,457*	*400,621*
Derivatives – Hedge accounting	**9**	**188,706**	**195,974**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Liabilities under insurance and reinsurance contracts		**-**	**-**
Provisions	**14**	**95,202**	**81,545**
Pensions and other post-employment defined benefit obligations		4,536	6,943
Other long-term employee benefits		1,140	1,771
Pending legal issues and tax litigation		-	28
Commitments and guarantees given		7,603	10,997
Other provisions		81,923	61,806
Tax liabilities	**15**	**75,062**	**81,629**
Current tax liabilities		24,712	25,742
Deferred tax liabilities		50,350	55,887
Capital repayable on demand		**-**	**-**
Other liabilities	**16**	**327,596**	**362,240**
Of which: assigned to social projects (savings banks and credit co-operatives)	***17***	*5,124*	*7,099*
Liabilities included in disposal groups of assets classified as held for sale		-	-
TOTAL LIABILITIES		**54,934,219**	**50,240,278**

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Equity

	Note	2021	2020
		Thousands of Euros	
Equity	**18**	**3,594,866**	**3,362,657**
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**	**3,140,955**	**2,951,866**
Equity component of compound financial instruments		-	-
Other equity instruments issued		3,140,955	2,951,866
Other equity		**-**	**-**
Retained earnings	**18**	**249,225**	**219,009**
Revaluation reserves	**18**	**45,395**	**45,395**
Other reserves	**18**	**23,485**	**40,948**
Reserves of entities accounted for using the equity method		32,626	53,722
Other		(9,141)	(12,774)
(-) Treasury shares	**18**	**(977,349)**	**(977,349)**
Profit or loss attributable to owners of the Parent	**18**	**62,626**	**23,760**
(-) Interim dividends	**18**	**(8,499)**	**-**
Accumulated other comprehensive income	**20**	**(16,059)**	**14,126**
Items that will not be reclassified to profit or loss		**(3,980)**	**(11,487)**
Actuarial gains or (-) losses on defined benefit pension plans		(6,484)	(6,219)
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		2,504	(5,268)
Ineffectiveness of hedges of fair value of equity instruments at fair value through other comprehensive income (330)		-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income [hedged item] (350)		-	-
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		**(12,079)**	**25,613**
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges [effective portion]		(14,349)	14,912
Changes in the fair value of debt instruments at fair value through other comprehensive income		(3,188)	3,711
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		5,458	6,990
TOTAL EQUITY		**3,578,807**	**3,376,783**
TOTAL EQUITY AND LIABILITIES		**58,513,026**	**53,617,061**

Memorandum accounts

	Note	Thousands of Euros 2021	2020
MEMORANDUM: OFF-BALANCE SHEET EXPOSURES			
Loan commitments given	**22**	5,295,409	4,734,941
Financial guarantees given	**22**	316,965	283,840
Other commitments given	**22**	882,981	552,970
TOTAL MEMORANDUM ACCOUNTS		**6,495,355**	**5,571,751**

Consolidated statements of profit or loss

	Note	Thousands of Euros **2021**	**2020**
Interest income	**26**	763,357	703,362
Financial assets at fair value through other comprehensive income		3,984	5,256
Financial assets at amortised cost		685,318	627,999
Other interest income		74,055	70,107
(Interest expenses)	**26**	(90,943)	(92,718)
(Expenses on capital repayable on demand)	**26**	-	-
A) NET INTEREST INCOME		**672,414**	**610,644**
Dividend income	**26**	3,925	8,878
Profit or (-) loss of entities accounted for using the equity method	**26**	44,474	34,839
Fee and commission income	**26**	268,534	259,616
(Fee and commission expenses)	**26**	(43,932)	(34,632)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**26**	440,548	136,933
Financial assets at amortised cost		460,852	127,933
Other financial assets and liabilities		(20,304)	9,000
Gains or (-) losses on financial assets and liabilities held for trading, net	**26**	41	(963)
Reclassification of financial assets from financial assets at fair value through other comprehensive income	**26**	-	-
Reclassification of financial assets from financial assets at amortised cost	**26**	-	-
Other gains or (-) losses	**26**	41	(963)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**26**	27,269	79,573
Reclassification of financial assets from financial assets at fair value through other comprehensive income	**26**	-	-
Reclassification of financial assets from financial assets at amortised cost	**26**	-	-
Other gains or (-) losses	**26**	27,269	79,573
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	**26**	-	-
Gains or (-) losses from hedge accounting, net	**26**	(1,289)	(1)
Exchange differences [gain or (-) loss], net	**29**	3,817	1,530
Other operating income	**26**	37,365	35,898
(Other operating expenses)	**26**	(82,430)	(79,936)
Of which: mandatory contributions assigned to social projects (savings banks and credit co-operatives)		*(2,213)*	*(1,353)*
Income from assets under insurance and reinsurance contracts		-	-
(Expenses from liabilities under insurance and reinsurance contracts)		-	-
B) GROSS INCOME OR LOSS		**1,370,736**	**1,052,379**
(Administrative expenses)	**26**	(525,996)	(511,049)
(Staff expenses)		(345,420)	(327,368)
(Other administrative expenses)		(180,576)	(183,681)
(Amortisation and depreciation)	**26**	(68,250)	(63,022)
(Provisions or (-) reversal of provisions)	**26**	(51,108)	(42,331)
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	**26**	(307,182)	(314,195)
Financial assets at fair value through other comprehensive income		21	3
Financial assets at amortised cost		(307,203)	(314,198)
Impairment or (-) reversal of impairment of investments in joint ventures and associates		-	-
Impairment or (-) reversal of impairment on non-financial assets	**26**	(221,576)	(67,262)
Tangible assets		(18,212)	(5,153)
Intangible assets		(54,741)	(10,948)
Other		(148,623)	(51,161)
Gains or (-) losses on derecognition of non-financial assets, net	**26**	(51,989)	(14,188)
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**	(66,820)	(17,247)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**77,815**	**23,085**
Tax expense or (-) income related to profit from continuing operations	**15**	(15,189)	675
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**62,626**	**23,760**
Profit or (-) loss after tax from discontinued operations		-	-
E) PROFIT FOR THE PERIOD		**62,626**	**23,760**
Attributable to minority interests		-	-
Attributable to owners of the Parent		62,626	23,760

At 31 December 2021 and 31 December 2020 earnings per share totalled €0.06 thousand and €0.02 thousand, respectively (Note 18.1.5)

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Consolidated statements of recognised income and expenses

	Thousands of Euros	
	2021	**2020**
Profit for the period	**62,626**	**23,760**
Other comprehensive income	**(30,184)**	**(7,373)**
Items that will not be reclassified to profit or loss	**7,508**	**(9,213)**
Actuarial gains or (-) losses on defined benefit pension plans	(366)	(30)
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	12,198	(11,441)
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	(4,324)	2,258
Items that may be reclassified to profit or loss	**(37,692)**	**1,840**
Hedge of net investments in foreign operations [effective portion]	**-**	**-**
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	**-**	**203**
Translation gains (-) losses taken to equity	-	203
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	**(34,044)**	**(58)**
Valuation gains or (-) losses taken to equity	(34,044)	(58)
Transferred to profit or loss	-	-
Transferred to initial book value of hedged items	-	-
Other reclassifications	-	-
Hedging instruments [undesignated items]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	**(10,459)**	**731**
Valuation gains or (-) losses taken to equity	(10,459)	731
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	**(2,043)**	**(18,883)**
Income tax relating to items that may be reclassified to profit or (-) loss	**8,854**	**19,847**
Total comprehensive income for the year	**32,442**	**16,387**

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Consolidated statement of total changes in equity for the year ended 31 December 2021

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 2020	**1,059,028**	**-**	**2,951,866**	**-**	**219,009**	**45,395**	**40,948**	**(977,349)**	**23,760**	**-**	**14,126**	**-**	**-**	**3,376,783**
Effects of correction of errors	-	-	-	-	126	-	-	-	-	-	-	-	-	126
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 01 January 2021	**1,059,028**	**-**	**2,951,866**	**-**	**219,135**	**45,395**	**40,948**	**(977,349)**	**23,760**	**-**	**14,126**	**-**	**-**	**3,376,909**
Total comprehensive income for the year	**-**								**62,626**		**(30,185)**	**-**	**-**	**32,441**
Other changes in equity	**-**	**-**	**189,089**	**-**	**30,090**	**-**	**(17,463)**	**-**	**(23,760)**	**(8,499)**	**-**	**-**	**-**	**169,457**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	189,089	-	-	-	-	-	-	-	-	-	-	189,089
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	-	-	-	-	-	(8,499)	-	-	-	(8,499)
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	-	-	-	-	23,760	-	-	-	(23,760)	-	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	6,330	-	(17,463)	-	-	-	-	-	-	(11,133)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(3,187)	-	-	-	-	-	-	-	-	(3,187)
Closing 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**

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

Thousands of Euros

	Equity													
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests / Accumulated other comprehensive income	Minority interests / Other items	Total
Opening balance at 31 December 2019	**1,059,028**	**-**	**2,865,915**	**-**	**184,828**	**45,395**	**54,008**	**(977,349)**	**92,495**	**(19,648)**	**21,499**	**-**	**-**	**3,326,171**
Effects of correction of errors	-	-	-	-	(20)	-	-	-	-	-	-	-	-	(20)
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 01 January 2020	**1,059,028**	**-**	**2,865,915**	**-**	**184,808**	**45,395**	**54,008**	**(977,349)**	**92,495**	**(19,648)**	**21,499**	**-**	**-**	**3,326,151**
Total comprehensive income for the year									**23,760**		**(7,373)**	**-**	**-**	**16,387**
Other changes in equity	**-**	**-**	**85,951**	**-**	**34,201**	**-**	**(13,060)**	**-**	**(92,495)**	**19,648**	**-**	**-**	**-**	**34,245**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	85,951	-	-	-	-	-	-	-	-	-	-	85,951
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	-	-	-	-	-	(18,963)	-	-	-	(18,963)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	53,884	-	-	-	(92,495)	38,611	-	-	-	-
Equity increase (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(19,683)	-	(13,060)	-	-	-	-	-	-	(32,743)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(4,889)	-	-	-	-	-	-	-	-	(4,889)
Closing balance at 31 December 2020	**1,059,028**	**-**	**2,951,866**	**-**	**219,009**	**45,395**	**40,948**	**(977,349)**	**23,760**	**-**	**14,126**	**-**	**-**	**3,376,783**

Consolidated cash flow statements

	Thousands of Euros	
	2021	**2020**
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**1,809,083**	**722,728**
(+) Profit for the period	**62,626**	**23,760**
(+) Adjustments for determining cash flows from operating activities	**451,567**	**533,192**
Depreciation and amortisation	68,250	63,022
Other adjustments	383,317	470,170
(-) Net increase or (-) decrease in operating assets	**3,203,903**	**5,763,183**
Financial assets held for trading	-	(1)
Non-trading financial assets mandatorily at fair value through profit or loss	24,558	79,500
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(1,171,928)	(249,917)
Financial assets at amortised cost	4,556,584	5,944,033
Other operating assets	(205,311)	(10,432)
(+) Net increase or (-) decrease in operating liabilities	**4,532,842**	**5,945,801**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	4,623,853	5,861,459
Other operating liabilities	(91,011)	84,342
(+) Income tax (paid)/received	**(34,049)**	**(16,842)**
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**42,218**	**(43,237)**
(-) Payments	**371,676**	**260,858**
Tangible assets	326,995	207,513
Intangible assets	43,613	40,238
Investments in joint ventures and associates	1,068	-
Non-current assets and liabilities classified as held for sale	-	13,107
Other payments related to investing activities	-	-
(+) Collections	**413,894**	**217,621**
Tangible assets	290,781	120,509
Intangible assets	-	1,309
Investments in joint ventures and associates	18,818	69,020
Non-current assets and liabilities classified as held for sale	104,295	26,783
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**433,086**	**83,836**
(-) Payments	**8,763**	**2,115**
Dividends	8,498	-
Subordinated liabilities	-	2,100
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	265	15
(+) Collections	**441,849**	**85,951**
Subordinated liabilities	252,760	-
Issuance of own equity instruments	189,089	85,951
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	-
D) EFFECT OF EXCHANGE RATES CHANGES	**-**	**141**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**2,284,387**	**763,468**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**2,693,743**	**1,930,275**
G) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**4,978,130**	**2,693,743**

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1. General information

1.1. 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).

In this regard, the Regulatory Agreement, and therefore the incorporation of the new Grupo Cooperativo Cajamar, was executed in a public deed in Madrid on 25 February 2014 before the notary public of said capital city, Mr. José Enrique Cachón Blanco, under number 614 of his record. In this agreement, the signee entities thereof established the regulations governing the consolidable cooperative group of credit institutions, with the Bank forming part of this group as its Parent and as Parent of the Institutional Protection System (IPS). This Group's status as a consolidable group of credit institutions, and its classification as an IPS, was authorised by the Bank of Spain's Executive Committee at a meeting on 6 June 2014.

The current wording of the Regulatory Agreement was unanimously approved by the General Assembly of the Members of Grupo Cooperativo Cajamar on 12 December 2018.

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

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

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

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

At 31 December 2021 and 2020, the Bank's capital amounted to €1,059,028 thousand, fully subscribed and paid by its 66 shareholders.

Grupo Cooperativo Cajamar

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

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

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

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

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

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

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

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

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

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

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

The fundamental objectives of the Group are to:

- Contribute towards meeting the financial needs of the Members' partners having the legal form of credit cooperatives, with maximum effectiveness, efficiency and robustness, through improved management and use of centralised services, which enable conversion costs to be reduced and margins improved;
- Define, on a consistent basis, common strategic policies that will guide the actions of the Members, without prejudice to each of their separate legal personalities;
- Act in the market as a reliable operator competing with peers and, with this objective: develop a common brand for the Group with respect to individual brand names; achieve a single rating which recognises the potential of the Group as a financial operator; and achieve a greater presence in the retail and wholesale markets, so that Members may offer new, better and broader services to their partners and customers, and access financing channels;
- Protect the Members' financial stability in order to guarantee their solvency and liquidity without this limiting the obligation that falls to each of them to maintain their own solvency and liquidity, and to comply with the regulations applicable to them;
- Act as sole representative of Members before the regulatory and supervisory bodies and represent and defend, on a coordinated basis, their common interests in any field;

- Establish and coordinate a common internal system of monitoring, audit and control, and diversify the risks inherent in the business of Members; and
- Offer Members' staff a framework for secure, broad and appropriate professional development, based on selection and promotion by merit, by means of comprehensive training aimed at establishing their professional careers.

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

Only Banco de Crédito Social Cooperativo, S.A. and the legally recognised credit cooperatives that have been duly incorporated in accordance with applicable legislation, have received all legally requisite authorisations, and assume the commitments set out in the Regulatory Agreement to both the Group and the other Members, can become Members of Grupo Cooperativo Cajamar.

Members may not cede their position in the Group to any third party, nor the rights and obligations of any nature arising from such membership.

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

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

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

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

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

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

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

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

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

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

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

Membership of Grupo Cooperativo Cajamar, holding and transfer of shares

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

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

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

Powers delegated by Members to the Group Parent

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

- Strategic management of the Group;
- Preparation of budgets;
- Decisions concerning the issuance of instruments qualifying as own funds, except contributions to members' capital by their partners.
- Risk controls, policies and procedures;
- Cash management;
- Business plan;
- Geographical expansion and determining the size of the network;
- Internal control and audit;
- Personnel policy, including all aspects of the fixed and variable remuneration policy and, if appropriate, the possible existence of senior management contracts, the terms of their dismissal and pension or similar commitments;

- Information and technology platforms and levels of in-house and out-of-house services ("Service Level Agreements");
- Establishment of the remuneration framework for capital contributions;
- Decisions on the distribution or application of results; and
- Indication of agreements Members must adopt through their respective and pertinent governing bodies to comply with any obligatory instructions issued by the Parent on the date special powers are delegated.

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

In this regard, it should be mentioned that Cajamar has delegated powers to the Parent to authorise the redemption of capital contributions in order to safeguard the Group's solvency.

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

Grupo Cooperativo Cajamar's Parent

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

The Parent is responsible for drawing up the consolidated accounts for all Group Members in accordance with Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions, and EU Regulation 575/2013 on prudential requirements for credit institutions. 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 been prepared and approved by the competent governing bodies of each Member.
- Filing the Group's consolidated annual accounts and directors' report, and the auditor's report, with the relevant registries, as required by law.
- Complying with all the reporting obligations affecting all Group Members in accordance with Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions, and Bank of Spain Circular 3/2008, of 22 May 2008, and subsequent modifications, regarding the calculation and control of minimum own funds for credit institutions.
- Preparing the Group's 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 contract in force, all the consequences deriving from the implementation of the measures agreed on the date special powers are delegated.
- Appointing the auditors of the consolidated annual accounts.
- 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 others requirements envisaged in applicable legislation.

- Representing the Group and each of its Members before the single European supervisor, the Bank of Spain and the Spanish National Securities Market Commission (CNMV), other supervisory authorities, competent resolution authorities, administrative authorities and any other related entities such as auditors or credit rating agencies.
- Defining the remuneration policy for company directors, senior managers and staff, applicable in the Members as a whole, as provided in applicable regulations and best corporate governance practices.
- Establishing common rules on expense authorisation for all Group entities and monitoring compliance.
- Issuing a prior report on the appointment or dismissal of the general manager of a Group Member. If the report does not support said appointment, it must also be binding.
- Ensuring the implementation, fulfilment and continuous improvement of corporate governance standards in the Group in line with best practices.
- Performing all the powers delegated by the Members.

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

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

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

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

The directors opted to apply the provision included in Article 43 of the Spanish Code of Commerce and file the consolidated annual accounts of the Group Parent (Banco de Crédito Social Cooperativo). These consolidated annual accounts were authorised for issue on 02 March 2022. The consolidated annual accounts for 2020 were authorised for issue on 9 March 2021 and are filed in the Madrid Companies Register.

Profit and loss pooling

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

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

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

a) General pooling rules

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix I to the accompanying consolidated annual accounts shows the pooling shares of each Member at 31 December 2021 and 31 December 2020.

At 31 December 2021, the Parent's pooling share is 32.17% (32.75% at the 2020 close).

Group liquidity commitment

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

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

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

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

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

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

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

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

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

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

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

Group solvency commitment

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

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

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

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

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

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

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

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

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

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

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

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

Mutual guarantee

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

The mutual guarantee implies that the 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 in accordance with 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 (vii) a resolution process of the Group is foreseen pursuant to Article 8 of Act 11/2015, or (viii) a resolution process of the Group is opened pursuant to Article 19 of Act 11/2015, or the same is effectively declared, of 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, which assume the commitment that their competent governing bodies in each case, where appropriate, 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, Royal Decree 1012/2015, of 6 November 2015, implementing Act 11/2015, of 18 June 2015, 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 affects all Members and that none may elude the impacts of such measures.

The individual balance sheets, statements of profit or loss, statements of recognised income and expenses, statements of changes in equity, and cash flow statements of Banco de Crédito Social Cooperativo, S.A. (also, "BCC"), as the Group's Parent, for the years ended 31 December 2021 and 2020, prepared in accordance with the accounting standards and policies and valuation standards established in applicable legislation (Note 2.5) are shown hereon.

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

	Thousands of Euros	
	2021	**2020**
Cash, cash balances at central banks and other on demand deposits	**4,651,161**	**165,616**
Financial assets held for trading	**142,348**	**97,616**
Derivatives	142,348	97,616
Non-trading financial assets mandatorily at fair value through profit or loss	**17,829**	**29,080**
Equity instruments	4,119	4,142
Debt securities	13,710	24,938
Financial assets designated at fair value through profit or loss	**-**	**-**
Financial assets at fair value through other comprehensive income	**420,505**	**2,127,288**
Equity instruments	118,795	91,877
Debt securities	301,710	2,035,411
Memorandum: loaned or delivered as collateral with a sale or pledge right	-	*1,550,190*
Financial assets at amortised cost	**19,810,178**	**16,895,882**
Debt securities	12,324,691	10,211,032
Loans and advances	7,485,487	6,684,850
Credit institutions	334,057	376,825
Customers	7,151,430	6,308,025
Memorandum: loaned or delivered as collateral with a sale or pledge right	*6,955,712*	*5,391,985*
Derivatives – Hedge accounting	**576,869**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**121,337**	**123,616**
Subsidiaries	46,357	48,636
Associates	74,980	74,980
Tangible assets	**38,841**	**26,280**
Property, plant and equipment	38,841	26,221
For own use	38,841	26,221
Investment property	-	59
Memorandum items: acquired under lease	*5,691*	*7,287*
Intangible assets	**165,801**	**139,647**
Other intangible assets	165,801	139,647
Tax assets	**73,131**	**62,365**
Current tax assets	10,750	8,205
Deferred tax assets	62,381	54,160
Other assets	**7,266**	**3,821**
Other assets	7,266	3,821
Non-current assets and disposal groups of assets classified as held for sale	**-**	**-**
TOTAL ASSETS	**26,025,266**	**19,671,211**

	Thousands of Euros	
	2021	**2020**
Financial liabilities held for trading	**142,242**	**97,406**
Derivatives	142,242	97,406
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost	**24,546,896**	**18,211,288**
Deposits	22,779,616	17,663,307
Central banks	10,269,833	9,449,530
Credit institutions	11,965,126	6,932,415
Customers	544,657	1,281,362
Debt securities issued	1,142,177	400,621
Other financial liabilities	625,103	147,360
Memorandum: subordinated liabilities	*643,457*	*400,621*
Derivatives – Hedge accounting	**76,509**	**100,107**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Provisions	**149,307**	**161,509**
Pensions and other post-employment defined benefit obligations	2,101	3,751
Commitments and guarantees given	8,049	11,163
Other provisions	139,157	146,595
Tax liabilities	**6,288**	**3,073**
Current tax liabilities	2,281	1,104
Deferred tax liabilities	4,007	1,969
Capital repayable on demand	**-**	**-**
Other liabilities	**24,347**	**24,374**
Liabilities included in disposal groups of assets classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**24,945,589**	**18,597,757**

	Thousands of Euros	
	2021	**2020**
Equity	**1,091,577**	**1,087,783**
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	**37,039**	**19,624**
Revaluation reserves	**-**	**-**
Other reserves	**(15,180)**	**(8,284)**
(-) Treasury shares	**-**	**-**
Profit/(loss) for the period	**18,690**	**17,415**
(-) Interim dividends	**(8,000)**	**-**
Accumulated other comprehensive income	**(11,900)**	**(14,329)**
Items that will not be reclassified to profit or loss	**(12,053)**	**(18,924)**
Actuarial gains or (-) losses on defined benefit pension plans	(5,417)	(5,294)
Changes in the fair value of equity instruments at fair value through other comprehensive income	(6,636)	(13,630)
Items that may be reclassified to profit or loss	**153**	**4,595**
Changes in the fair value of debt instruments at fair value through other comprehensive income	153	4,595
TOTAL EQUITY	**1,079,677**	**1,073,454**
TOTAL EQUITY AND LIABILITIES	**26,025,266**	**19,671,211**

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

	Thousands of Euros	
	2021	**2020**
Interest income	281,977	164,351
Financial assets at fair value through other comprehensive income	-	606
Financial assets at amortised cost	214,730	119,294
Other interest income	67,247	44,451
(Interest expenses)	(42,868)	(47,018)
A) NET INTEREST INCOME	**239,109**	**117,333**
Dividend income	49,803	58,024
Fee and commission income	11,573	12,669
(Fee and commission expenses)	(14,761)	(11,395)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	383,880	44,452
Financial assets at amortised cost	404,708	38,391
Other financial assets and liabilities	(20,828)	6,061
Gains or (-) losses on financial assets and liabilities held for trading, net	78	(230)
Gains or (-) losses on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	(4,807)	3,464
Gains or (-) losses from hedge accounting, net	(1,230)	-
Exchange differences [gain or (-) loss], net	117	(419)
Other operating income	177,059	169,244
(Other operating expenses)	(453,265)	(118,701)
B) GROSS INCOME OR LOSS	**387,556**	**274,441**
(Administrative expenses)	(172,192)	(163,083)
(Staff expenses)	(66,329)	(60,878)
(Other administrative expenses)	(105,863)	(102,205)
(Amortisation)	(17,888)	(14,837)
(Provisions or (-) reversal of provisions)	7,761	(47,615)
Impairment or (-) reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes	8,445	(26,152)
Financial assets at amortised cost	8,445	(26,152)
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	(142,339)	(62)
Gains or (-) losses on derecognition of non-financial assets, net	(6,444)	1,309
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**64,899**	**24,001**
Tax expense or (-) income related to profit from continuing operations	(46,209)	(6,586)
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**18,690**	**17,415**
Profit or (-) loss after tax from discontinued operations	-	-
E) PROFIT FOR THE PERIOD	**18,690**	**17,415**

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

	Thousands of Euros 2021	Thousands of Euros 2020
Profit/(loss) for the period	**18,690**	**17,415**
Other comprehensive income	**2,429**	**(5,182)**
Items that will not be reclassified to profit or loss	**6,872**	**(6,794)**
Actuarial gains or (-) losses on defined benefit pension plans	(176)	(111)
Changes in the fair value of equity instruments at fair value through other comprehensive income	11,163	(8,669)
Income tax relating to items that will not be reclassified	(4,115)	1,986
Items that may be reclassified to profit or loss	**(4,443)**	**1,612**
Hedge of net investments in foreign operations [effective portion]	**-**	**-**
Foreign currency translation	**-**	**203**
Translation gains or (-) losses taken to equity	-	203
Cash flow hedges [effective portion]	**-**	**-**
Hedging instruments [undesignated items]	**-**	**-**
Debt instruments at fair value through other comprehensive income	**(6,347)**	**2,100**
Valuation gains or (-) losses taken to equity	(6,347)	2,100
Non-current assets and disposal groups held for sale	**-**	**-**
Income tax relating to items that may be reclassified to profit or (-) loss	**1,904**	**(691)**
Total comprehensive income for the year	**21,119**	**12,233**

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 2020	1,059,028	-	-	-	19,624	-	(8,284)	-	17,415	-	(14,329)	1,073,454
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2021	1,059,028	-	-	-	19,624	-	(8,284)	-	17,415	-	(14,329)	1,073,454
Total comprehensive income for the year									18,690	-	2,429	21,119
Other changes in equity	-	-	-	-	17,415	-	(6,896)	-	(17,415)	(8,000)	-	(14,896)
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)		(8,000)
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			-	-	17,415	-	-		(17,415)	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share-based payments	-	-	-	-			-	-			-	-
Other increase or (-) decrease in equity			-	-	-	-	(6,896)	-	-	-	-	(6,896)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)					-		-					-
Closing balance at 31 December 2021	1,059,028	-	-	-	37,039	-	(15,180)	-	18,690	(8,000)	(11,900)	1,079,677

Thousands of Euros

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

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

	Thousands of Euros	
	2021	2020
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**4,444,016**	**(1,918)**
(+) Profit for the period	**18,690**	**17,415**
(+) Adjustments for determining cash flows from operating activities	**(17,161)**	**208,786**
Amortisation	17,888	14,837
Other adjustments	(35,049)	193,950
(-) Net increase or (-) decrease in operating assets	**1,716,422**	**6,247,344**
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	(11,250)	2,267
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(1,183,938)	(97,410)
Financial assets at amortised cost	2,906,447	6,352,802
Other operating assets	5,163	(10,314)
(+) Net increase or (-) decrease in operating liabilities	**6,208,946**	**6,049,229**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	6,214,572	6,048,358
Other operating liabilities	(5,626)	871
(+) Income tax (paid)/received	(50,037)	(30,005)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(203,108)**	**(92,677)**
(-) Payments	**203,108**	**93,986**
Tangible assets	19,408	7,635
Intangible assets	43,640	41,683
Investments in subsidiaries, joint ventures and associates	140,060	44,668
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
(+) Collections	**-**	**1,309**
Tangible assets	-	-
Intangible assets	-	1,309
Non-current assets and liabilities classified as held for sale	-	-
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**244,637**	**(2,178)**
(-) Payments	**8,123**	**2,178**
Dividends	8,000	-
Subordinated liabilities	-	2,100
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	123	78
(+) Collections	**252,760**	**-**
Subordinated liabilities	252,760	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	-
D) EFFECT OF EXCHANGE RATES CHANGES	**-**	**142**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**4,485,545**	**(96,631)**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**165,616**	**262,247**
G) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**4,651,161**	**165,616**

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 2021 and 31 December 2020, prepared in accordance with the accounting standards laid down in the IFRS-EU 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 titles, banknotes and coins of all countries and make public offerings for the acquisition and sale of securities.
- Receive and place on deposit or in administration, cash, securities and all kinds of shares. The Bank shall not be deemed to be authorised to dispose of the deposits over which it has custody in any manner.
- Carry out all kinds of operations with current accounts, term deposits or any other kind of account.
- Accept and grant administrations, representations, delegations, commissions, agencies or other actions in the interests of those who use the Bank's services.
- Perform all other activities that private banks are allowed to engage in under applicable legislation.

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

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

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

1.3. Registered office

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

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

1.4. Legal matters

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

- Maintaining a minimum percentage of resources on deposit at the national central bank of a country participating in the European Monetary Union to cover the minimum reserve ratio, which was established at 1% of qualifying liabilities at 31 December 2021 (Note 7).
- For the Parent, dividend payments and shareholder remuneration in general are subject to the legislation governing credit institutions having the status of private banks.
- For the Group's Credit Cooperatives, distributing at least 20% of the available surplus obtained during the year to the Mandatory Reserve Fund, that serves the purpose of consolidating and guaranteeing Grupo Cooperativo, and 10% to the Education and Development Fund (Note 3.13).

- Keeping a minimum level of capital and reserves (Notes 3.15 and 19).
- Making an annual contribution to the Deposit Guarantee Fund to provide a further guarantee, in addition to the Group's own funds, to its creditors and customers (Note 3.17).
- Contributing to the National Resolution Fund and Single Resolution Fund (Note 3.28).

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

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

- Royal Decree-Law 1/2010, of 2 July 2010, approving the revised Corporate Enterprises Act.
- Bank of Spain Circular 3/2008, of 22 May 2008, and subsequent amendments, regarding the calculation and control of minimum capital on a consolidated basis for credit institutions, as defined in Act 36/2007, of 16 November 2007, which amends Act 13/1985, of 25 May 1985, on investment ratios, equity and reporting obligations for financial intermediaries, and subsequent amendments stipulated in Bank of Spain Circular 9/2010, of 22 December 2010. This circular gives rise to the adaptation of Spanish legislation governing credit institutions to EU Directives 2006/48/EC and 2006/49/EC issued by the European Parliament, all in their current versions.
- Bank of Spain Circular 2/2012, of 29 February 2012 amending Circular 4/2004, of 22 December 2004, on credit institutions' public and confidential reporting rules and financial statement formats.
- Bank of Spain Circular 4/2013, of 27 September 2013, amending Circular 3/2008, of 22 May 2008, on the assessment and monitoring of minimum capital requirements of credit institutions in respect of the definition of small and medium sized companies.
- Bank of Spain Circular 2/2014, of 31 January 2014, on the execution of several regulatory options for credit institutions contained in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.
- Bank of Spain Circular 3/2014, of 30 July 2014, to credit institutions and authorised appraisal companies and services, whereby measures were established to promote the independence of valuation activities by amending Circulars 7/2010, 3/1998 and 4/2004, and regulatory options were exercised in relation to the deduction of intangible assets through the amendment of Circular 2/2014.
- Bank of Spain Circular 4/2015, of 29 July 2015, amending Circular 4/2004, of 22 December 2004, on credit institutions' public and confidential financial information rules and formats, Circular 1/2013, of 24 May 2013, on the Risk Information Office, and Circular 5/2012, of 27 June 2012, for credit Institutions and payment service providers, on transparency in banking services and responsibility in the granting of loans.
- Bank of Spain Circular 8/2015, of 18 December 2015, for credit institutions and branches that are members of the Deposit Guarantee Fund for Credit Institutions, on information to determine the calculation bases of contributions to the Deposit Guarantee Fund for Credit Institutions.
- Bank of Spain Circular 2/2016, of 2 February 2016, for credit institutions, on supervision and solvency, completing the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No 575/2013.
- Bank of Spain Circular 4/2017, of 27 November 2017, on credit institutions' public and confidential reporting rules and financial statement formats, the preamble to which indicates that the content of the International Financial Reporting Standards adopted by the European Union has been respected.

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

- Bank of Spain Circular 1/2018, of 31 January 2018, amending Bank of Spain Circular 5/2016, of 27 May 2016, on the calculation method to ensure contributions of members of the Deposit Guarantee Fund for Credit Institutions are commensurate with their risk profile. Bank of Spain Circular 8/2015, of 18 December 2015, for credit institutions and branches that are members of the Deposit Guarantee Fund for Credit Institutions, on information to determine the calculation bases of contributions to the Deposit Guarantee Fund for Credit.

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

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

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

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

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

- Act 8/2012, of 30 October 2012, on the strengthening of the financial system and sale of real estate assets held by the financial sector.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Regulation (EU) 2021/378 of the European Central Bank of 22 January 2021 on the application of minimum reserve requirements (recast) (ECB/2021/1).

- Act 5/2021, of 12 April 2021, amending the revised Corporate Enterprises Act, approved by Royal Decree-Law 1/2010, of 2 July 2010, and other financial regulations designed to foster the long-term involvement of shareholders in listed companies.

Furthermore, certain royal decrees were enacted in 2020 (and remained in force in 2021) due to the Covid-19 pandemic, which introduced special measures in the different areas of the economy hit by the pandemic and affecting the financial sector among others. These measures include extraordinary and urgent financial measures applicable to this sector. The most notable of the royal decrees are:

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

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

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

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

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

  Also in response to the pandemic, other legislation including Royal Decree-Law 5/2021, of 12 March 2021, on extraordinary measures to support the solvency of businesses in response to the Covid-19 pandemic was enacted in 2021.

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

The Group's 2021 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS), and taking into consideration Bank of Spain Circular 4/2017, of 27 November 2017, on credit institutions' public and confidential financial information rules and formats, and subsequent amendments thereto. The circular and the amendments thereto adapt and implement the EU-IFRS for the sector comprising Spanish credit institutions.

The Group's consolidated financial statements were prepared in accordance with all applicable mandatory accounting principles and standards and measurement bases to give, in all respects, a fair view of the consolidated equity and financial situation of the Group at 31 December 2021 and of their consolidated results and cash flows for the year then ended.

Moreover, the Bank of Spain has published 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 information rules and formats and Bank of Spain Circular 4/2019, of 26 November 2019, on credit institutions' public and confidential financial information rules and formats. The amendments to Circular 4/2017, of 27 November 2017, introduced by this latest circular are:

- Changes to the International Financial Reporting Standards adopted by the European Union (EU-IFRS) introduced through Commission Regulation (EU) 2021/25. These changes are the result of Phase 2 of the International Accounting Standards Board's project in response to the reform of interbank offered interest rates (IBOR). The resulting effect of fluctuations in the benchmark indexes has not been material for Grupo Cooperativo Cajamar. The changes round out those introduced in Phase 1 through Commission Regulation (EU) 2020/34 of 15 January 2020.

- Modification of the models and instructions for preparing confidential financial statements such as FINREP, pursuant to Commission Implementing Regulation (EU) 2021/451 of 17 December 2020.

- EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06) with the aim, among others, of improving loan origination practices, processes and procedures.

- The modification to Annex IX of Circular 4/2017, of 27 November 2017, to update the alternative solutions for collectively estimating credit loss allowances and haircuts applied to the reference value of assets that are foreclosed or received in payment of debts.

In short, the modifications described in the paragraphs above ensure the convergence of Spanish accounting standards for financial institutions with the EU-IFRS, subject to the stipulations of the Spanish Code of Commerce, and are aligned with and avoid overlaps with the aforementioned European guidelines and standards. This regulation will be applicable from June 2022 and is not expected to result in any material impacts.

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

a) Standards and interpretations issued by the International Accounting Standards Board (IASB) coming into force in 2021

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 2021 but have not had a material impact on the Group:

- **Commission Regulation (EU) 2021/1421 as regards IFRS 16**

  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 as regards IFRS 16.

- **Commission Regulation (EU) 2021/1080 as regards certain IASs and IFRSs**

  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 IAS 16, 37 and 41 and IFRS 1, 3 and 9.

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

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

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

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

b) Standards and interpretations issued by the International Accounting Standards Board (IASB) that will come into force in 2022

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:

- **Contingent assets and liabilities and provisions: Provisions for onerous contracts. Amendments to IAS 37**

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

  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**

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

  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.

- **<u>Annual Improvements to IFRS. 2018-2020 Cycle</u>**

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

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

- **<u>Reference to the conceptual framework. Amendments to IFRS 3</u>**

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

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

c) Standards, amendments and interpretations of existing standards that have not been adopted to date by the European Union

At 31 December 2021 the following standards and interpretations that could be applicable to the Group had been published by the IASB and/or IFRS Interpretations Committee but were not yet in force, either because their effective date is after the date of the consolidated annual accounts or because they have not yet been approved by the European Union. The Group evaluated the impact of their application and has decided not to execute the option of early application, if possible, due to the immateriality thereof.

- **<u>IFRS 17: Insurance policies</u>**

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

  This replaces IFRS 4 and sets out the recognition, measurement, presentation and disclosure requirements for insurance contracts to ensure that an entity provides relevant and reliable information on the effect of such contracts on the financial statements.

- **<u>Classification of current and non-current liabilities. Amendments to IAS 1</u>**

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

- **<u>Amendments to IAS 1</u>**

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

  Amendments that will ensure the information on material accounting policies to be disclosed in the notes to financial statements is appropriately identified, and include alterations and clarifications regarding how a change in accounting estimate must be understood.

- **<u>Amendments to IAS 12 regarding deferred tax assets and liabilities in single transactions.</u>**

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

  Clarification that the exception to the initial recognition of assets and liabilities exemption does not apply for transactions that give rise to equal taxable and deductible temporary differences.

- **<u>Amendments to IFRS 10 and IAS 28 “Sales or Contributions of Assets between an Investor and its Associate or Joint Venture”</u>**

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

d) ***Standards, amendments and interpretations of existing standards that have been adopted to date by the European Union***

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

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

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

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

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

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

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

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

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

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

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

1.5. Contracts in force between the Parent and Group entities

At 31 December 2021 Banco de Crédito Social Cooperativo, S.A. ("BCC") was party to a number of contracts with Group entities signed during the year, as described below:

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

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

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

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

  In 2020, the Parent formalised an agency agreement with each of the remaining rural savings banks in Grupo Cooperativo Cajamar (with the exception of Caja Rural San Isidro de Vilafamés, S. Coop. de Crédito V.), which will remain in force as long as, respectively, each rural savings 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) concluded between BCC and the Group entities; (ii) its purpose is the provision by BCC to said entities of multidisciplinary management support services for their businesses: financial, IT, information, HR and other ancillary internal audit services, as well as risk management, accounting, legal and tax advisory and strategic planning services.

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

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

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

- Trademark sub-license contract: (i) between BCC and the entities that comprise Grupo Cooperativo (with the exception of Cajamar) and (ii) the purpose of which is the granting, by BCC in favour of the rest of the entities, of an exclusive sublicense for the exploitation of the distinctive signs licensed by Cajamar that are described in the contract.

- Service-level agreement with BCC Gestión Integral de Infraestructuras, A.I.E: (i) between BCC Gestión Integral de Infraestructuras, A.I.E and BCC and (ii) the purpose of which is to regulate the provision, by BCC Gestión Integral de Infraestructuras, A.I.E to BCC, of the services identified in the same and related to the following areas: infrastructure and security services, works services, technical office services, general and facilities maintenance services, operating asset services, R&D and innovation, efficiency management, central procurement services and logistics centre services.

- Service-level agreement with Eurovía Informática: (i) between BCC Eurovía Informática AIE and BCC (ii) the purpose of which is the provision by Eurovía Informática to BCC of services related to the following areas: administration and management of technology infrastructure, maintenance and development of computer applications, management and development of technology projects and support for payment services, and IT management and cybersecurity services.

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

- Service-level agreement with BCC Operaciones y Servicios Administrativos, S.L.: between this company and BCC, the purpose of which is (i) the provision to all Grupo Cooperativo Cajamar Entities of certain cash , securities and accounting administration services; payment services; operational centre services; digital support, settlement and exchange services; back office cash management; administration of working capital, foreign trade, asset transactions; and mortgage loan monitoring; and (ii) the performance of certain associated transactions forming part of BCC's structure, transferring them to BCC Operaciones y Servicios Administrativos, S.L.

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

1.6. Other service-level and management contracts

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

  At the end of 2021 the Group was party to a contract that was entered into in 2014 (based on and due to the sale of the business consisting of the management of real estate assets, mortgage loans, non-mortgage loans and securitised loans of the Group) for the provision of management services for these assets (the SLA). The sale of this business has not been treated as a discontinued operation given its immaterial nature within the Group's overall business.

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

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

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

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

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

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

- **Custodian assignment agreement**

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

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

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

1.7. One-off operations

- In 2021, the Group sold a portfolio of Spanish and Italian public debt securities in this portfolio of €2,371 million and €7,403 million, respectively, positing a gain of €461 million. This sale was made because of the extraordinary instability caused by the pandemic, which had not been envisaged when the Group's capital and liquidity plan was drawn up. The Group considers that these sales are in line with its business model for managing these assets (holding of assets to generate contractual cash flows) (Note 8.6.4).

- In May 2021, Banco de Crédito Social Cooperativo, S.A. issued €600 million of Tier 2 subordinated debt with a coupon of 5.25% and expiring on 27 November 2031. Moreover, 83.5% of the other two issues placed on the market by the Bank were repurchased for a total amount of €334.9 million (Note 8.7.4.2).

- On 2 September 2021, Banco de Crédito Social Cooperativo-Grupo Cajamar issued €500 million of senior preferred debt with a coupon of 1.75% and expiring in March 2028. This placement increases the volume of eligible liabilities to comply with the MREL (Note 8.7.4.1).

- In 2021 the Group issued mortgage covered securities totalling €1,000 million expiring on 15 July 2029 (Note 8.7.4.1).

- In July, Grupo Cooperativo Cajamar signed an investment contract agreement titled "Project Jaguar" to transfer a real estate portfolio by incorporating a joint venture (Promontoria Jaguar) owned by Grupo Cajamar (20%) and a Cerberus Group investment firm (80%). The transaction was subject to the necessary corporate and regulatory approvals, and the first asset transfer was signed on 16 December 2021. The following quarterly transfers are scheduled to take place in 2022.

  The real estate portfolio sold consists of housing, retail units, offices and land; the assets are primarily in Andalusia, the Autonomous Community of Valencia, Catalonia, the Balearic Islands and the Region of Murcia. A total of 3,250 properties have been transferred with a total value of €110.8 million, without a material impact on consolidated profit or loss.

- One-off operations in 2020 are described in the consolidated annual accounts for that year.

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

In March 2020, the World Health Organization declared an international public health emergency due to Covid-19. A state of alarm was declared in Spain, with restrictions on movement, the economy being locked down, and people being confined to their homes between mid-March 2020 and the end of June 2020. Measures were then gradually introduced to restart the economy and return to normal life. The deepening of the health crisis in the summer led to a second state of alarm being declared on 25 October 2020, which ended on 9 May 2021.

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

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

Grupo Cooperativo Cajamar offered its customers a range of solutions similar to others in the market, in order to continue fulfilling its function as a financier of the real economy, and flexible repayment terms to customers facing temporary hardship due to the pandemic. Control mechanisms have also been bolstered to ensure these measures are prudent from a credit risk perspective. The most significant steps taken include repayment holidays for a specific period of time, which took three different forms:

- **Legal moratoria**, regulated by Royal Decrees 8/2020, 11/2020, 3/2021 (extending the application period and duration of the moratoria) and 8/2021, for individuals and self-employed professionals meeting the exemption criteria stipulated in this legislation.

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

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

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

Royal Decree-Law 3/2021 extended until 30 March 2021 the legal moratoria period to a maximum of nine months, including where applicable the elapsed period of any moratoria already granted. This amendment has ensured the moratoria are aligned with the moratoria of the European Banking Authority (EBA).

Meanwhile, Royal Decree-Law 8/2021, of 4 May 2021, introduced four types of protection measures for vulnerable housing tenants by extending the period during which moratoria on rents are available and the evictions suspended for individuals at risk.

At the start of the first half of 2021, the main markets in which the Group operates were rocked by a third wave of Covid-19 cases leading to a re-tightening of restrictions. The pandemic was subsequently brought under control through an effective vaccination campaign. Following an uptick in Spain's GDP in the third quarter, the activity figures for the last quarter were generally encouraging. Various private-sector consumption indicators pointed to an acceleration over the quarter, despite a slowdown in December as the Omicron variant spread. Business confidence also remained higher than pre-Covid levels despite the negative effects of supply chain problems and rising inflation which hit the highest level since 1992 at year-end. The latest confidence indicators point to a somewhat negative impact on activity due to the new wave of Covid-19, especially in the services sector. Overall, though, growth rates appear to be holding up well.

The loans in connection with which repayment holidays have been granted, by counterparty, and the residual maturity thereof at 31 December 2021 and 31 December 2020 are as follows:

		Thousands of Euros							
		31 December 2021							
		Gross book value							
					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	**11,019**	**1,040,694**							
Loans and advances subject to repayment holidays as per ABE criteria (granted)	**10,833**	**1,010,752**	**890,557**	**1,005,713**	**2,896**	**1,372**	**710**	**60**	**-**
Of which: Households		860,002	739,892	857,072	787	1,372	710	60	-
Of which: Collateralised by residential immovable property		791,680	691,000	789,894	517	527	681	60	-
Of which: Non-financial corporations		150,750	150,665	148,641	2,109	-	-	-	-
Of which: Small and medium-sized entities (SMEs)		144,789	144,704	142,680	2,109	-	-	-	-
Of which: Collateralised by immovable property		142,469	142,469	142,469	-	-	-	-	-

		Thousands of Euros							
		31 December 2020							
		Gross book value							
					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	**11,628**	**1,038,190**							
Loans and advances subject to repayment holidays as per ABE criteria (granted)	**11,091**	**985,625**	**898,908**	**403,657**	**154,158**	**339,230**	**88,550**	**31**	**-**
Of which: Households		857,377	796,477	387,937	149,055	307,535	12,819	31	-
Of which: Collateralised by residential immovable property		777,362	727,828	341,797	137,431	286,115	12,019	-	-
Of which: Non-financial corporations		128,248	102,431	15,719	5,103	31,695	75,731	-	-
Of which: Small and medium-sized entities (SMEs)		112,971	87,153	15,719	5,103	26,773	65,376	-	-
Of which: Collateralised by immovable property		99,273	73,455	13,437	188	31,252	54,395	-	-

At 31 December 2021 the Group has outstanding loans in connection with which repayment holidays have been granted Details of the gross book value (including valuation adjustments) of these loans, associated accumulated impairment, and counterparties and accounting classification thereof at 31 December 2021 and 31 December 2020 are provided below:

	Thousands of Euros													
	31 December 2021													
	Gross book value							Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross book value
		Performing			Non-performing				Performing			Non-performing		
			Of which: Exposures with restructuring or refinancing measures	Of which: Instruments with a significant increase in credit risk since initial recognition but not credit impaired (Phase 2)		Of which: Exposures with restructuring or refinancing measures	Of which: Payment unlikely but not past due or past due <=90 days			Of which: Exposures with restructuring or refinancing measures	Of which: Instruments with a significant increase in credit risk since initial recognition but not credit impaired (Phase 2)		Of which: Exposures with restructuring or refinancing measures	Of which: Payment unlikely but not past due or past due <=90 days	Reclassifications to non-performing exposures
Loans and advances subject to repayment holidays as per ABE criteria	**5,039**	**2,741**	**792**	**997**	**2,298**	**177**	**2,298**	**(932)**	**(26)**	**(15)**	**(16)**	**(906)**	**(8)**	**(906)**	**2,181**
Of which: Households	2,930	2,741	792	997	189	**177**	189	(34)	(26)	(15)	(16)	(8)	(8)	(8)	72
Of which: Collateralised by residential immovable property	1,786	1,620	671	681	166	**154**	166	(28)	(21)	(13)	(13)	(7)	(7)	(7)	12
Of which: Non-financial corporations	2,109	-	-	-	2,109	-	2,109	(898)	-	-	-	(898)	-	(898)	2,109
Of which: Small and medium-sized entities (SMEs)	2,109	-	-	-	2,109	-	2,109	(898)	-	-	-	(898)	-	(898)	2,109
Of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

	Thousands of Euros														
	31 December 2020														
	Gross book value							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross book value
		Performing			Non-performing				Performing			Non-performing			
			Of which: Exposures with restructuring or refinancing measures	Of which: Instruments with a significant increase in credit risk since initial recognition but not credit impaired (Phase 2)		Of which: Exposures with restructuring or refinancing measures	Of which: Payment unlikely but not past due or past due <=90 days			Of which: Exposures with restructuring or refinancing measures	Of which: Instruments with a significant increase in credit risk since initial recognition but not credit impaired (Phase 2)		Of which: Exposures with restructuring or refinancing measures	Of which: Payment unlikely but not past due or past due <=90 days	Reclassifications to non-performing exposures
Loans and advances subject to repayment holidays as per ABE criteria	**581,969**	**577,142**	**15,260**	**238,773**	**4,827**	**1,516**	**1,620**	**(12,630)**	**(11,449)**	**(1,304)**	**(10,216)**	**(1,181)**	**(420)**	**(262)**	**4,768**
Of which: Households	469,440	464,863	14,858	193,972	4,577	**1,516**	1,620	(10,199)	(9,101)	(1,287)	(8,082)	(1,098)	(420)	(262)	4,517
Of which: Collateralised by residential immovable property	435,565	431,075	13,564	179,312	4,490	**1,493**	1,574	(9,212)	(8,133)	(1,141)	(7,259)	(1,079)	(415)	(254)	4,307
Of which: Non-financial corporations	112,529	112,278	402	44,801	251	-	-	(2,431)	(2,347)	(17)	(2,134)	(84)	-	-	251
Of which: Small and medium-sized entities (SMEs)	97,251	97,000	402	44,801	251	-	-	(2,413)	(2,329)	(17)	(2,134)	(84)	-	-	251
Of which: Collateralised by commercial immovable property	85,836	85,836	402	24,229	-	-	-	(847)	(847)	(17)	(799)	-	-	-	-

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

Royal Decree-Law 5/2021 was enacted in March 2021 releasing €11,000 million in direct financial aid for businesses to restructure their balance sheets and bolster their capital. This aid is for viable companies in sectors most affected by the pandemic and is designed to channel funds to the entire economy and reduce the risk of overindebtedness that could slow the economic recovery. These measures include more flexible loan terms with public guarantees, enabling the ICO to participate in the refinancing and restructuring agreed by banks with their customers.

On 11 May 2021, the Council of Ministers voted to approve the Code of Best Practices for renegotiating the state-backed loans granted to customers under Royal Decree-Law 5/2021, of 12 March 2021, on extraordinary measures to support the solvency of businesses in response to the Covid-19 pandemic.

This Code of Best Practices primarily introduces three options for borrowers to resolve their financial difficulties caused by Covid-19 providing they met a series of specific conditions (amount of state aid received, etc.): loan term extensions, the conversion of debt to participating loans and haircuts.

At 31 December 2021 and 31 December 2020 loans and advances secured by public guarantees breakdown by counterparty as follows:

	Thousands of Euros			
	31 December 2021			
	Gross book value		Maximum amount of the guarantee that can be considered	Gross book value
		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	**1,761,393**	**22,667**	**1,395,158**	**20,770**
Of which: Households	153,157	-	-	1,401
Of which: Collateralised by residential immovable property	47	-	-	-
Of which: Non-financial corporations	1,605,153	20,487	1,267,443	19,309
Of which: Small and medium-sized entities (SMEs)	1,248,268	-	-	16,618
Of which: Collateralised by immovable property	957	-	-	-

	Thousands of Euros			
	31 December 2020			
	Gross book value		Maximum amount of the guarantee that can be considered	Gross book value
		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	**1,811,851**	**831**	**1,471,876**	**2,308**
Of which: Households	163,241	-	-	72
Of which: Collateralised by residential immovable property	50	-	-	-
Of which: Non-financial corporations	1,624,480	703	1,325,935	2,236
Of which: Small and medium-sized entities (SMEs)	1,272,232	-	-	2,236
Of which: Collateralised by immovable property	818	-	-	-

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

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 revised Corporate Enterprises Act, repealing the Spanish Public Limited Companies Act and the Spanish Limited Liabilities Companies Act; Royal Decree 6/2010 on measures to encourage economic recovery and employment, with respect to the legal regime applicable to Institutional Protection Systems (SIP); and other applicable Spanish legislation, such that they give a fair view of the Group's equity, financial situation and results at 31 December 2021, and the consolidated results of its operations and consolidated cash flows generated during the financial year then ended.

The accompanying 2021 consolidated annual accounts authorised for issue by the Board of Directors will be submitted for the approval of the General Assembly, which is expected to be obtained without any modification being necessary.

The Group's consolidated annual accounts for 2020 were approved by the General Assembly held on 29 June 2021.

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

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

2.2. Going concern principle

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

2.3. Accrual basis of accounting

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

2.4. Offset of balances

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

2.5. Comparability

The Board of Directors of Banco de Crédito Social Cooperativo, S.A. presents, for comparative purposes, for each of the figures in the present annual accounts, in addition to the figures for 2021 those relating to 2020.

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

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

- Impairment losses affecting financial assets (Notes 3.1.a, 3.1.c, 3.3, 8.3.2, 8.3.3, 8.4.1, 8.4.2, 8.5.1, 8.5.2, 8.6.1, 8.6.2.3 and 8.6.4).
- 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 meeting payment obligations (Note 14).

Although the estimates and assumptions used are based on past experience and on other factors that have been considered the most reasonable at the present time and are reviewed periodically, it may be that events occurring in the future require them to be modified in the coming years, which would be carried out prospectively in accordance with IAS 8, recognising the effects of any such change in estimate on the corresponding consolidated statement of profit or loss for the years in question.

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

2.7. Consolidation principles

These consolidated annual accounts have been prepared using the full, proportional and equity methods of consolidation as stipulated in the aforementioned legislation, including the following companies at 31 December 2021 and 31 December 2020:

		2021		2020	
		% shareholding		% shareholding	
Company	**Domicile**	**Direct**	**Indirect (a)**	**Direct**	**Indirect (a)**
Group companies					
Cajamar Caja Rural, S.C.C.	Plaza de Juan del Águila Molina, 5. Almería.	-	-	-	-
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	-	-	-	-
Caixa Rural Vila-Real, S.C.C.	Plaza Mayor, 10. Villarreal. Castellón.	-	-	-	-
Caja Rural de Torrent, S.C.C.	Avda. Al Vedat, 3. Torrent. Valencia.	-	-	-	-
Caixa Rural Altea, S.C.C.V.	Pasaje Llaurador, 1. Altea. Alicante.	-	-	-	-
Caixa Rural de Callosa de Sarria, C.C.V.	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	-	-	-	-
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	C/ Cova Santa, 11. La Vilavella. Castellón.	-	-	-	-
Caja Rural de Alginet, S.C.C.V.	C/ Valencia, 13. Alginet. Valencia.	-	-	-	-
Caja Rural de Cheste, S.C.C.	Plaza Doctor Cajal, 2. Cheste. Valencia.	-	-	-	-
Caja Rural de Villar, C.C.V.	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	-	-	-	-
Caja Rural la Junquera de Chilches, C.C.V.	Plaza España, 6, Chilches. Castellón.	-	-	-	-
Caja Rural San Isidro de Vilafamés, C.C.V.	Avda. Barcelo, 6. Vilafames. Castellón.	-	-	-	-
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	-	-	-	-
Caja Rural San Jose de Burriana, C.C.V.	Plaza el Pla, 1. Burriana. Castellón.	-	-	-	-
Caja Rural San José de Nules, S.C.C.V.	C/ Mayor, 66. Nules. Castellón.	-	-	-	-
Caja Rural San Roque de Almenara, S.C.C.V.	C/ Doctor Berenguer, 4. Almenara. Castellón.	-	-	-	-
Caja de Crédito de Petrel, Caja Rural, C.C.V.	C/ San Bartolomé, 2. Petrer. Alicante.	-	-	-	-
Caixa Rural de Turís, C.C.V.	Plaza de la Constitución, 2. Turis. Valencia.	-	-	-	-
Alquileres Alameda 34, S.L. (b)	Paseo Alameda, 34. Valencia.	-	100.00%	-	100.00%
BCC Eurovía Informática, A.I.E.	Avda. De la Innovación, 1 (PITA). Almería.	99.00%	1.00%	99.00%	1.00%
BCC Gestión Integral de Infraestructuras, A.I.E.	Avenida Nuestra Señora de Montserrat, número 11, Almería.	98.00%	2.00%	98.00%	2.00%
BCC Operaciones y Servicios Administrativos, S.L.U. (c)	Plaza 3 de abril, 2, Almería.	-	100.00%	-	100.00%
BCC Recursos Humanos y Contact Center, S.L.U. (c)	Avda. De la Innovación, 1 (PITA). Almería.	-	100.00%	-	100.00%
Cajamar Mediación Op. Banca Seg. Vinculado, S.L.U. (b)	Plaza de Juan del Águila Molina, 5. Almería.	-	100.00%	-	100.00%
Cimenta2 Gestión e Inversiones, S.A.U. (b)	Plaza de Juan del Águila Molina, 5. Almería.	-	100.00%	-	100.00%
Cimentados3, S.A.U.	Plaza de Juan del Águila Molina, 5. Almería.	100.00%	-	100.00%	-
Cimenta Desarrollos Inmobiliarios, S.A.U.	Plaza de Juan del Águila Molina, 5. Almería.	100.00%	-	100.00%	-
Inmuebles Alameda 34, S.L. (b)	Paseo Alameda, 34. Valencia.	-	100.00%	-	100.00%
Plataforma Tierra, S.A.U.	Puerta Purchena, 10, Edificio de las Mariposas. Almería.	100.00%	-	-	-
Sunaria Capital, S.L.U.	Plaza de Juan del Águila Molina, 5. Almería.	100.00%	-	100.00%	-
Associates					
Agrocolor, S.L. (b)	Carretera de Ronda, 11-BJ. Almería.	-	32.37%	-	32.37%
Balsa de Insa, S.L.(d)	C/ de la Lluna, 3. Castellón.	-	24.50%	-	24.50%
Biocolor, S.L. (c)	Carretera de Ronda , 11, 1º. Almería.	-	22.19%	-	22.19%
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	Plaza de Juan del Águila Molina, 5. Almería.	49.99%	-	49.99%	-
Cajamar Vida, S.A. de Seguros y Reaseguros	Plaza de Juan del Águila Molina, 5. Almería.	49.99%	-	49.99%	-
GCC Consumo Establecimiento Financiero de Crédito, S.A.	Calle Retama nº 3. Madrid.	49.00%	-	49.00%	-
Giesmed Parking, S.L. (b)	Calle Almagro, 3, 5º izquierda. Madrid.	-	20.00%	-	20.00%
Habitat Utiel, S.L. (e)	C/ Pascual y Genil, 17. Valencia	-	25.00%	-	25.00%
Murcia emprende S.C.R., S.A. (b)	C/ Alfaro, 1. Murcia.	-	22.06%	-	22.06%
Parque Científicio-Tecnológico de Almería, S.A. (b)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	-	30.11%	-	30.13%
Promontoria Jaguar, S.A. (b)	Calle Príncipe de vergara, 112. Madrid	-	20.00%	-	-
Proyecta Ingenio, S.L. (c)	C/ Jesus Durbán Remón, 2, 1º. Almería.	-	24.90%	-	24.90%
Renovables la Unión, S.C.P. (f)	C/ Mar,22. Valencia.	-	40.00%	-	40.00%

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

Changes in equity investments during 2021 affecting the scope of consolidation are as follows:

Acquisitions or increases in interests in subsidiaries, joint ventures and/or in associates at 31/12/2021

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)		
Plataforma Tierra, S.A.U. (1)	Subsidiary	10/02/2021	60	-	100.00%	100.00%
Promontoria Jaguar Real Estate, S.L.U. (1)	Subsidiary	16/09/2021	100	-	100.00%	100.00%
Promontoria Jaguar, S.A. (2)	Associated	16/12/2021	12	-	20.00%	20.00%

Decrease in interests in subsidiaries, joint ventures and/or investments in associates and similar at 31/12/2021

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)
Parque Científico-Tecnológico de Almería, S.A. (3)	Associated	25/03/2021	0.02%	30.11%	-
Promontoria Jaguar Real Estate, S.L. (4)	Subsidiary	16/12/2021	100.00%	0.00%	(83)

(1) Direct increases in interest due to incorporation of company.
(2) Indirect increase in interest due to acquisition by way of purchase.
(3) Indirect decrease in interest due to capital increase of the company.
(4) Indirect decrease in interest due to divestment.

The Group was involved in incorporating Plataforma Tierra, S.A.U. in 2021, acquired through the purchase of a 20% stake in Promontoria Jaguar, S.A.

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

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

Subsidiaries

Subsidiaries are those over which the Group has control and that comprise a decision-making unit. It is presumed that a decision-making unit exists when the Parent possesses a majority of voting rights, it has the power to appoint or remove the majority of the members of the governing board, and may have, by virtue of agreements reached with other shareholders, the majority of voting rights or has exclusively designated the majority of the members of the governing board.

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

The financial statements for the “subsidiaries” are consolidated with those of the Bank using the full consolidation method and therefore all the significant balances and transactions between the consolidated entities have been eliminated during the consolidation process. The net equity and results of subsidiaries relating to outside shareholders are recognised under the Group’s equity and the results are recorded 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).

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

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

Jointly-controlled entities

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

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

Associates

"Associates" are considered to be those in which the Bank, individually or together with the remaining Group entities, has a significant influence and which are not a subsidiary or jointly-controlled entity. To determine the existence of a significant influence the Bank considers, among other factors, representation on the board of directors or equivalent management body at the investee, participation in the process of establishing policies, including those relating to dividends and other distributions, the existence of significant transactions between the Bank and the investees, and the exchange of senior management personnel and supply of essential technical information.

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

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

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

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

Changes in the valuation adjustments of the associate, subsequent to the acquisition date, are recorded as an increase or decrease in the value of the shareholding. The amount of these changes is recorded under the heading "Accumulated other comprehensive income" in consolidated equity (Note 8.5.3).

Consolidable structured entities

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

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

- The entity's purpose is to cover the Group's specific needs;
- The Group has sufficient decision-making powers to obtain the majority of the entity's rewards or, alternatively, the entity runs on "autopilot" to the Group's benefit;
- The Group obtains most of the entity's rewards and therefore, is exposed to its risks; 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, inverse 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 main activity in which the Group entities and Parent are involved, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to the Group's equity, financial situation and results. Therefore, no specific environmentally-related disclosures are included in the notes to the accompanying consolidated annual accounts.

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

In accordance with the provisions of Royal Decree 84/2015, of 13 February 2015, implementing Act 10/2014, of 26 June 2014, Appendix III lists the financial agents with which Grupo Cooperativo operated at 31 December 2021 to attract customers or market and sell transactions and services.

3. Accounting policies and criteria applied

3.1. Financial instruments

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

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

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

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

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

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

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

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

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

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

a) Financial assets

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

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

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

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

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

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

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

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

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

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

The time value of money is simply the consideration for the passage of time. In order to evaluate if the interest includes any consideration other than that for the passage of time, the Group uses professional judgement and considers relevant factors such as the currency in which the financial assets 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 in an amount that are certain or may be determined, and for which the Group initially had, and continues to have, both the intention and demonstrated financial capacity to hold them until maturity.

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

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

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

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

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

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

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

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

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

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

Measurement of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

- When the contractual rights to the cash flows are transferred, provided that the transfer includes substantially all risks and rewards or, even if there is no substantial transfer or retention of those items, control over the financial asset is transferred. In the latter case, when control over the asset is not transferred, it will continue to be recognised based on the 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 book value of financial assets is adjusted by the Group against profit or loss when there is objective evidence that there are impairment losses. This is the case where:

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

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

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

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

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

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

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

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

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

    – Tightening of operating margins or available recurring income.

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

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

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

  The doubtful exposure group is also split into two categories:

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

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

  - Doubtful exposures for reasons other than borrower arrears: includes debt instruments, whether past due or not, which are not classifiable as write-off or doubtful due to borrower arrears, but for which there are reasonable doubts about their full repayment (principal and interest) under the contractual terms. Also included are off-balance-sheet exposures not classified as doubtful due to borrower arrears whose payment by the entity is likely but whose recovery is doubtful and which do not present any amount more than 90 days past due.

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

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

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

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

- Specific credit loss allowances for financial assets, estimated on an individual basis: the cumulative amount of allowances recognised for non-performing assets individually estimated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Impairment losses on equity instruments**

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

- The existence of significant financial difficulties and/or the disappearance of an active market for the instrument in question due to the issuer's financial difficulties;
- Significant changes in the issuer's results and/or technical objectives;

- Significant changes in the market, global economy or the economic environment in which the equity instrument issuer operates;
- Significant changes in the technological or legal environment in which the issuer operates;
- Significant changes in the results of comparable entities or in the valuations implied by the 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 an instrument's fair value falls significantly or below its carrying amount over a prolonged period of time. Objective evidence of impairment will 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 book value. These impairment losses are taken to profit or loss for the period in which they occur and subsequent recoveries are recognised on the consolidated statement of profit or loss of the recovery period.

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

b) Financial liabilities

A financial liability is any commitment that gives rise to a contractual obligation to provide cash or another or another financial asset from a third party or to exchange financial assets or liabilities with third parties under potentially unfavourable conditions, or a contract that can or must be settled using the same equity instruments.

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

Classification of financial liabilities

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

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

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

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

Measurement of financial liabilities

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

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

- Financial liabilities arising from the transfer of assets that do not comply with the conditions to write the asset off the assignor's balance sheet, since the assignor retains control over the financial assets and the risks and rewards are not substantially transferred or retained.

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

Derecognition of financial liabilities

Financial liabilities are written off the Group's consolidated balance sheet when they have been extinguished or are acquired. The difference between the book value of the extinguished financial liability and the compensation provided is recognised immediately on the consolidated statement of profit or loss.

An exchange of debt instruments between the Group and the relevant borrower, provided that the instruments have substantially different conditions, will be recognised as 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 when the discount consists of the original effective interest rate, differs by at least 10% of the present discounted value of the cash flows that remain pending with respect to the original financial liability. If an exchange of debt instruments or a modification of the conditions is recorded as a cancellation, the costs or commissions incurred will be recognised as part of the result deriving from cancellation. If the aforementioned exchange or modification is not recognised as a cancellation, the costs and commissions will be adjusted by the book value of the liability and will be amortised over the remaining life of the modified liability.

c) Gains and losses in the value of financial instruments

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

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

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

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

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

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

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

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

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

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

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

- Accrued interest calculated is recognised on the consolidated statement of profit or loss in accordance with the effective interest rate method.
- Dividends accrued are recognised on the consolidated statements of profit or loss where applicable.
- Exchange differences are recognised on the consolidated statements of profit or loss for monetary financial assets, and through other comprehensive income for non-monetary financial assets.
- Impairment losses on debt instruments or gains on the recovery thereof are recognised on the consolidated statements of profit or loss.
- Other changes in value are recognised through other comprehensive income in equity.
- The amounts taken to profit or loss for the period in connection with debt instruments at fair value through other comprehensive income will be the same as those applicable if the instruments were measured at amortised cost.
- When a **debt instrument** at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss in equity is reclassified to profit or loss for the period. When an **equity instrument** at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss in equity is not reclassified to profit or loss, rather to a reserves account.
- The criteria for reclassification between financial instrument portfolios described in Note 3.1.d to the accompanying annual accounts will be considered when recognising gains or losses previously recognised under accumulated other comprehensive income in equity.

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

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

d) Reclassification between financial instrument portfolios

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

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

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

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

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

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

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

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

3.2. Capital

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

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

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

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

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

- Non-voting shares for a nominal amount not exceeding half of the capital. Non-voting shares shall confer upon their holders the rights established in the issue resolution, in accordance with current legislation.

- Redeemable shares for a nominal amount not exceeding one quarter of capital. Redeemable shares shall confer upon their holders the rights established in the issue resolution, in accordance with current legislation and by means of the requisite amendment to the By-laws.

- Shares that confer a privilege over ordinary shares in the legally established terms, in compliance with the formalities prescribed for the amendment of the By-laws.

Contributions to the capital of the Credit Cooperatives comprising Grupo Cooperativo are recognised as equity when there is an unconditional right to waive reimbursement or there is any legal or by-law prohibitions against making the contribution. If the reimbursement prohibition is partial, the reimbursable amount above the prohibition is recorded in a specific heading and is considered to be a financial liability. The contributions for which there is a compensation obligation, even if subject to the condition of the cooperative obtaining a surplus, are treated as financial liabilities. Compensation for contributions are recorded as a finance cost for the year if they relate to contributions recorded as financial liabilities; and directly in equity, as part of the distribution of results obtained by the cooperative, if not.

The Parent's By-laws and those of the credit institutions making up Grupo Cooperativo are consistent with the recommendations of Spanish and international watchdogs concerning solvency and capital, such that the reimbursement of capital contributions requires in all cases the prior and favourable resolution of the Governing Board (Note 18.1.3).

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

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

In any event, Bank of Spain Circular 3/2008, of 22 May 2008, and subsequent modifications, regarding the calculation and control of minimum equity for credit institutions, stipulates that contributions to the capital of credit cooperatives, independent of their accounting classification as a financial liability or as equity, will be part of Tier 1 capital until 31 December 2012, and after that date, and in accordance with the amendments included in Bank of Spain Circular 4/2011, only contributions recognised as equity will be considered as capital. As indicated above, all the Group's capital contributions meet the requirements to be computed as Tier 1 capital at both 31 December 2021 and 31 December 2020.

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

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

Debt instrument portfolios (loans, advances that are not loans and debt securities) and off-balance sheet exposures (loan commitments, financial guarantees and other commitments given), irrespective of the holder, arrangement or guarantee, are analysed in order to determine the credit risk to which the Group is exposed and estimate impairment allowances (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 attributed to the customer**

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

  <u>Classification categories:</u>

  - **<u>Phase 1 or performing</u>:** all exposures whose credit risk has not increased significantly since initial recognition.
  - **<u>Phase 2 or performing exposures under special monitoring:</u>** exposures where there has been a significant increase in credit risk since initial recognition, although there are no doubts about their full repayment.
  - **<u>Phase 3 or non-performing exposures:</u>** exposures where there are reasonable doubts about their full repayment by the borrower under the contractual terms, 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, raising doubt as to the full repayment of the transaction by the borrower under the contractual terms.

- **Phase 4 or total write-off:** exposures that are deemed to be irrecoverable. Where the possibility of recovery is considered to be remote, the carrying amount of the transaction is written off.

Significant increase in risk or possibilities of default can be determined either collectively or individually.

Collective classification criteria:

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

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

- If the obligor is in one of the business sectors most affected by the financial crisis sparked by the Covid-19 pandemic (primarily hotels, restaurants, cafes, tourism, passenger transport and leisure) and has shown signs of a significant increase in risk since initial recognition; or customers who, because of financial difficulties caused by the pandemic, have arranged a loan that does not meet the criteria stipulated in the EBA GL/2020/02 guidelines on legislative and non-legislative moratoria applied in light of the COVID-19 crisis. The loans that meet the criteria in said guidelines are:

  - **Legislative moratoria:** Facilities regulated by state legislation aimed at granting borrowers repayment holidays. The most significant of these are regulated by Royal Decrees 8/2020 and 11/2020 for natural persons – provided they comply with the so-called "exclusion criteria" or have leased properties they have stopped receiving rent from, and self-employed professionals and their loans for properties used to carry out their business.
  - **Sector moratoria:** Facilities regulated by the Spanish Banking Association (AEB) for customers who are individuals or self-employed professionals and offering a six or twelve-month principal repayment holiday for loans secured by personal guarantees or mortgage collateral, respectively, provided the customer pays the interest. After these holidays, the customer starts paying back the loan normally.
  - **Loans secured by ICO/SGR guarantees:** In the form of various guarantee facilities provided to generate liquidity through new loans and other forms of finance or loan extensions for self-employed professionals and businesses. The guarantees secure 80% of loans to SMEs and self-employed professionals, 70% of new loans to other companies, and 60% of loan extensions to other companies.

- That it involves a debt restructuring operation. These exposures are classified in Phase 2 for a probation or expiry period until all the following requirements are met and to be no longer considered as restructured and see their classification improve:

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

  - That a minimum of 24 months have has elapsed since the later of the date of entry into the restructuring or the date the exposure was classified in Phase 2.

  - The transaction is in the repayment period and principal and interest has been paid equal to the amount past due at the time of the restructuring.

  - The borrower does not have any other transactions with the Group with amounts more than 30 days past due.

- 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. This difference exceeding certain thresholds is evidence of a significant increase in risk with a high probability that the loan will move into Phase 3 within the next three months.

- Due to key triggers evidencing changes in the obligor's financial position because of increases in their debt ratios or a tightening of operating margins or recurring income.

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

Phase 3: Objective evidence of impairment leading to a transaction being classified in this phase 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 total write-offs. When the outstandings become less than 90 days past due, the transaction is moved out of Phase 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 borrower 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 as in Phase 3 at the time of restructuring or that comprise a second or subsequent restructuring. Restructured transactions in the probation period with amounts more than 30 days past due are also included provided they were in Phase 3 before the probation period.

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

    - That a year has elapsed since the later of the refinancing or restructuring date or the last date of being classified in Phase 3.

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

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

- There are key triggers 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.

- Transactions of borrowers that have been declared insolvent without applying for liquidation that do not comply with the criteria to be classified in Phase 2.

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

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

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

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

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

Expert classification criteria:

Certain borrowers deemed to be significant given their exposure to default and borrowers that are not associated with a similar exposure group which could be classified using collective procedures are classified based on expert criteria or 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 for losses due to credit risk attributable to insolvency

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

The criteria for calculating allowances depends on a transaction's classification, therefore expected losses at 12 months are calculated for Phase 1, expected losses during the life of the transaction for Phase 2, and cash flows expected to be recovered for Phase 3.

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

- **Estimation of individual allowance (expert analysis):**

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

Transactions with negligible risk are those whose borrower is:

- A central bank;
- A government of a European Union country, including 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; or
- 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 using case-by-case methods:

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

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

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

- **Estimate of collective allowances**

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

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

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

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

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

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

- Baseline scenario: The 5% GDP growth rate for 2021 confirms the economy recovery which began in the second half of 2020. The contribution of domestic demand to economic growth has increased in the last quarter by 3.6 points. It is forecast that in 2022 the economy will continue to grow at a similar rate to in 2021, although GDP will not fully make up the ground lost since the start of the crisis until 2023. Euribor rates will begin to climb in 2023.
- Worst-case scenario: This scenario involves a slower economic recovery than in the baseline scenario, with a lower GDP growth rate and slower fall in the unemployment rate. Euribor rates remain in negative territory even throughout 2023, with a less pronounced and later increase than in the baseline scenario.
- Best-case scenario In this scenario, the economic recovery arrives slightly earlier than in the baseline scenario at the start of 2023. The unemployment rate decreases somewhat faster than in the baseline scenario, while Euribor rates begin to climb in mid-2022, albeit remaining negative throughout the year.

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

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

Where:

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

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

The Group has methodologies for backtesting or contrasting the losses estimated using the internal models and actual losses. If any material differences are detected using these methodologies, they are modified internally to ensure the best possible estimates are generated. Testing in 2021 showed that the classification of and allowances for credit risk were appropriate to the portfolio's risk profile.

Accrual of interest on transactions classified as doubtful exposures

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

Country risk

Similarly, debt instruments not designated at fair value through profit or loss and contingent risks, irrespective of the customer, are analysed to determine the credit risk deriving from country risk.

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

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

These allowances are estimated in addition to the allowances for credit risk, whereby any risk not covered by the amount recoverable through the collection of effective collateral or allowances for insolvency risk is covered by the allowances for country risk. The latter is obtained by applying the percentages of coverage stipulated in Bank of Spain Circular4/2017 for the appropriate group for the country in question and based on the credit risk classification.

Guarantees

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

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

- Buildings and finished constructions, split between:
  - Homes
  - Offices, retail units and multi-use facilities
  - Other buildings, such as single use premises and hotels
- Urban land and building land
- Rural properties, split between:
  - Intensive horticulture operations
  - Other agricultural operations
- Other properties, such as:
  - Buildings under construction
  - Components of buildings under construction
  - Other land

- Pledges of financial instruments
- Other collateral, such as moveable assets pledged as collateral, second and subsequent mortgages on properties when these are effective
- Personal guarantees provided they cover the total amount of the transaction and direct and joint land several liability falls on the guarantor.

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

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

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

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

In order to estimate allowances for losses due to credit risk, Internal methodologies have been developed to calculate amounts to be recovered through real estate collateral that adjust appraisal values using discounts factoring in potential losses in value until they are executed and the foreclosed properties sold, and any costs of executing the guarantees and selling the properties.

Foreclosed real estate assets or those received as payment for debts

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

The Group calculates the difference between the book value of the foreclosed asset and its fair value, less selling costs, when determining the amount of impairment at a date after foreclosure or receipt in lieu of payment. 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.

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

3.4. Hedge accounting

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

The Group uses financial derivatives 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.

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

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

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

- The financial derivative should effectively eliminate any risk attaching to the component or position hedged over the entire expected hedging period. This means that since the contract date the expectation is that it will be highly effective (prospective effectiveness) and there is sufficient evidence that the hedge has been effective during the life of the hedged asset or position (retrospective effectiveness). This evidence is obtained when the 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 effectiveness test. Regression analysis is a statistical technique used to analyse the relationship between variables. A simple linear regression may demonstrate, based on past data, that a derivative instrument is (retrospective evaluation) or probably will be (prospective evaluation) highly effective at offsetting changes in the fair value of the flow of the hedged item.

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

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

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

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

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

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

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

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

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

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

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

The gains and losses on hedge instruments are recognised directly in equity and remain there 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 accounting hedges, primarily, to hedge its exposure to changes in the fair value of its financial instruments as a result of the following underlyings:

- Interest rate: fundamentally certain liabilities referenced to a fixed interest rate.

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

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

3.5. Transfers and derecognition of financial assets

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

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

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

- When, even if the risks and rewards are not substantially transferred or retained, control over the financial asset is transferred following an evaluation of the risks and rewards as described below.

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

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

- If all the risks and rewards are substantially transferred to third parties, such as in unconditional sales, sales under repos at fair value on the repurchase date, sales of financial assets with a call option acquired or put option issued deeply out of the money, asset securitisations in which the assignor retains no subordinated financing and does not grant any type of credit enhancement to the new holders, the financial instrument transferred is written off the consolidated balance sheet and at the same time any right or obligation retained or created as a result of the transfer is recognised.

- If the risks and rewards associated with the financial instrument being transferred are substantially retained, as in the case of sales of financial assets with buy-back agreements at a set price or for the sale price plus interest, security lending agreements where the borrower is required to return the same or similar assets, transfers in which the Group retains subordinated financing that substantially absorb expected losses, the financial instrument transferred is not written off the consolidated balance sheet and continues to be measured using the same criteria used before the transfer. Nonetheless, the associated financial liability is recognised for accounting purposes for an amount equal to the consideration received which is measured subsequently at amortised cost, together with the income from the financial asset transferred but not written off and the expenses relating to the new financial liability.

- If the risks and rewards associated with the financial instrument being transferred are neither substantially transferred nor substantially retained, as in the case of sales of financial assets with call and put options issued not deeply in or out of the money, securitisations of assets where the assignor assumes subordinate financing or any other kind of credit enhancement for a part of the asset transferred, a distinction is made between the following:

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

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

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

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

The Group applies the requirements described above to derecognise of all financial assets and liabilities that arise, other than derivative instruments, as from the years starting on 1 January 2004. Financial assets and liabilities for transactions arising before 1 January 2004, other than derivative instruments, written off as a result of the above rules, are not recognised unless they must be recorded as a result of a subsequent transaction or event. The amounts recognised to hedge the contributions to securitisation funds, subordinated securities, financing and credit commitments of any kind that during the liquidation of those funds come after non-subordinated securities in the order of creditors, will be released in proportion to the cancellation of financial assets, unless there is any new evidence of impairment, in which case the allocations necessary for their hedging are made.

3.6. Financial guarantees, loan commitments and other commitments given

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

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

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

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

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

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

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

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

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

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

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

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

Assets classified as "Non-current assets and disposal groups of assets classified as held for sale" are generally measured at the lower of the book value at the time they are considered such and fair value net of their estimated selling costs. While they are classified as "Non-current assets and disposal groups classified as held for sale", non-current assets and disposal groups classified as held for sale are not amortised.

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

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

When, exceptionally, the sale or handover to owners is expected to take place in a period of more than a year, the 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.

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

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

3.8. Tangible assets

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

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

The cost of tangible assets include 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 to obtain future profits from their use. In accordance with the provisions of IFRS 1 and section B).6 of Transitional Provision One of Bank of Spain Circular 4/2004 and the amendments thereto, regarding the first-time application of this circular, the cost of acquisition of property, plant and equipment for own use that is freely available includes their fair value at 1 January 2004, which is their attributed cost at that date. That fair value at 1 January 2004 was obtained based on independent expert valuations. Tangible assets deriving from business combinations are stated at fair value at the date of the combination, and that is its new attributed cost (Notes 3.23).

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

The acquisition or production cost of tangible assets, except for plots of land (which are considered to have an indefinite life and are not depreciated), net of their residual value is 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.

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

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

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

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

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

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

3.9. Intangible assets

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

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

<u>Computer software acquired</u>

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

Computer software developed internally

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

Administrative concessions

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

Goodwill

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

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

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

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

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

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

Losses for impairment of goodwill cannot subsequently be reversed.

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

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

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

The useful lives of other intangible assets may be indefinite when, on the basis of analyses performed of the relevant factors, the conclusion is that there is no foreseeable limit to the period during which net cash flows are expected to be generated in favour of the Group, or are of a definite useful life. 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 definite life are amortised at rates similar to those used for property, plant and equipment.

In any case, the Group records for accounting purposes any loss that may have arisen in the recognised value of these assets arising from impairment with a balancing entry on the consolidated statement of profit or loss. The criteria for recognising impairment losses on these assets and, if appropriate, the reversal of impairment losses recorded in prior years are similar to those for property, plant and equipment.

At 31 December 2020 the Group recognised intangible assets with an indefinite useful life, i.e. goodwill on business combinations resulting from the merger process carried out in 2012 between Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito, that are fully impaired at 31 December 2021 (Note 13).

3.10. Leases

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

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

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

- **Finance leases**

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

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

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

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

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

a) The fair value of the leased asset, or

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

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

- **Operating leases**

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

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

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

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

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

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

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

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

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

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

Assets transferred through operating lease agreements to Group entities are recognised in the Bank’s separate financial statements as investment property, and as assets for own use in the consolidated financial statements.

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

3.11. Foreign currency transactions

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

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

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

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

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

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

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

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

3.12. Other provisions and contingent liabilities

The Group makes a distinction between provisions and contingent liabilities. The Group's present obligations resulting from past events are considered provisions when their nature is clearly defined at the date of the consolidated financial statements but the amount or time of settlement are not defined, and upon the maturity of which and in order to settle them the Group expects an outflow of resources 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 incomes in the consolidated annual accounts all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual accounts. Instead, they are reported unless the possibility of their giving rise to an outflow of funds which include economic benefits is considered remote.

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

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

At 31 December 2021 and 31 December 2020, a number of legal proceedings and claims had been initiated against the Group, arising in the ordinary course of business. The Bank's legal advisors and its directors understand that the outcome of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the consolidated annual accounts for the years in which they are concluded (Notes 14.3 and 14.4).

3.13. Education and Development Fund

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

- Mandatory contributions which are recognised as an expense for the year; and

- Additional contributions which are recognised as an application of profits.

Grants, donations and other assistance related to the EDF and CDTF in accordance with the law or funds deriving from the levying of fines on members linked to said fund, 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. Asset swaps

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

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

3.15. Minimum capital requirement

As Parent of Grupo Cooperativo Cajamar ("GCC") and 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 Real 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 resolution and restructuring 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 was transposed into Spanish law through Act 11/2015, of 18 July 2015, and Royal Decree 7/2021, of 27 April 2021.

In order to completely incorporate the Basel Committee's package of reforms into European legislation, on 27 October 2021 the European Commission published three legislative proposals to amend Regulation (EU) 575/2013 (CRR III) and Directive 2013/36/UE (CRD VI), as well as Directive 2014/59/EU. These proposals need to go through the appropriate process to be approved by the European Union and the Council before taking effect.

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

On the supervision side, the approval of Regulation (EU) No 1024/2013 of the Council, 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 restructuring and resolution of credit institutions and investment firms (Directive 2014/59/EU).

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

In general terms, the entry into force of the SSM 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 entities and the Bank of Spain for direct supervision of the less significant institutions. Additionally, other supervisory functions not attributed to the ECB, and supervision of certain institutions not included in the definition of a credit institution, are still performed by the Bank of Spain.

Lastly, EU Regulation 575/2013 stipulates that the competent authorities may fully or partially exempt entities belonging to consolidated groups from the obligation to comply individually with the requirements of this Regulation. In this respect the Bank of Spain's Executive Committee recognised Grupo Cooperativo Cajamar as an Institutional Protection System and consolidable group of credit institutions, exempting the Group entities from the fulfilment of individual solvency requirements. Grupo Cooperativo Cajamar is therefore only required to fulfil the consolidated capital requirements.

3.16. Fees and commission

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

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

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

3.17. Deposit Guarantee Fund

The Group forms part of the Deposit Guarantee Fund for Credit Institutions, regulated by Royal Decree-Law 16/2011, of 14 October 2011.

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

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

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

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

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

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

The Deposit Guarantee Fund for Credit Institutions Management Committee has determined the annual contributions to be made by fund members for 2021, as provided for article 6 of Royal Decree-Law 16/2011, of 14 October 2011, and article 3 of Royal Decree 2606/1996, of 20 December 1996, on deposit guarantee funds for credit institutions as follows:

- Annual contribution to the deposit guarantee compartment equal to 1.7% 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 2020, calculated based on the amount of secured deposits and their risk profile.

- Annual contribution to the securities guarantee compartment equal to 2% of the calculation base comprising, as explained above, 5% of the value of covered securities defined in accordance with Article 3.2.b) of the aforementioned royal decree and existing at 31 December 2021, as per Article 3.2.b) of Royal Decree 2060/1996.

- The Management Committee also agreed that the contributions calculated as explained in the previous points will be paid by the last business day in February 2022.

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, an 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, which should be paid on the dates concerned, may be deducted from the ordinary annual contribution which, if appropriate, is paid by the entity on that same date and up to the amount of the ordinary instalment.

In 2021 and 2020, the expense incurred in respect of contributions by the Group to the Fund is recognised under "Other operating expenses – Contribution to the Deposit Guarantee Fund" on the accompanying consolidated statement of profit or loss (Note 26).

3.18. Income tax

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

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

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

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

Grupo Cooperativo Cajamar entities applied the following tax rates at 31 December 2021 and 31 December 2020: The Bank and the non-financial corporations forming part of its tax consolidation group apply a rate of 30%; the Credit Cooperatives have applied the rate of 25% for corporate profits and a rate of 30% for non-cooperative profits; and the other non-financial corporations apply a rate of 25%.

On the basis of the projections contained in the Group's business plan – which already factors in the new macroeconomic forecasts and interest rate forecasts as a result of the pandemic – and future projections prepared using parameters similar to the ones included in the plan, as well as legislation currently in force, the Group expects to recover the deferred assets in the coming 20 years (currently no tax statute of limitations).

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

The General State Budget Act approved for 2022 has introduced a minimum corporate income tax rate. 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. It is estimated that the impact of the minimum corporate income tax rate on taxable income will not be material for the Group.

3.19. Recognition of income and expenses

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

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

Dividends received from other 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. In other cases, the generation date is taken as falling before initial recognition when the amounts distributed by the issuer since initial recognition exceed its profit over the same period.

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

Income and expenses for fees and similar commissions are generally recognised on the consolidated statements of profit or loss based on the following criteria:

- Those related to financial assets and liabilities measured at fair value through the statement of profit or loss are recorded at the time of collection.
- Those that relate to transactions or services which are carried out over a period of time are recorded in the period in which such transactions or services take place.
- Those relating to a transaction or service performed in a single act are recorded when such act takes place.

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

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

3.20. Staff expenses and post-employment remuneration

Short-term compensation

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 adjustment, 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 remuneration

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

- Defined contribution plan

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

- Defined benefit plan

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

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

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

  - They cannot return to the Group except when the assets remaining in the plan are sufficient to cover all commitments to employees to reimburse the Group for benefits it pays.

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

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

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

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

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

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

    - The current service cost is recognised within staff expenses.
    - The net interest on the liability is recognised as interest expense and similar charges.
    - The net interest on the asset is recognised as interest and similar income.
    - The past service cost is recognised as a charge to provisions (net).

- When the entity has recognised under assets a pension related insurance contract, the expense for the year related to the defined benefit plan is recognised at the amount recognised in the year as reimbursable.
- In the statement of total changes in equity: the changes in the value of the liability/asset as a result of actuarial gains or losses, the return on plan assets, excluding the amount included in net interest on the liability/asset, and changes in the present value of the asset as a result of changes in the present value of the cash flows to which the entity is entitled, insofar as not included within net interest on the liability/asset. The amounts recognised on the statement of total changes in equity are not reclassified to profit or loss in subsequent years.

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

Other long-term remuneration for the benefit of employees

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

Severance benefits

Severance benefits are recorded under the heading “Staff expenses” on the accompanying consolidated statement of profit or loss crediting the accounts “Pensions and other post-employment defined benefit obligations” under the heading “Provisions” on the accompanying consolidated balance sheet only when the Group is demonstrably committed to terminating the employment of an employee or group of employees before their normal retirement date, or to pay 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 the Group corresponding to employees who provide their services to the Group’s credit institutions are governed by the prevailing collective bargaining agreement and, as warranted, the corresponding governing board resolutions, as ratified at the pertinent general assemblies.

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

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

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

<u>The defined benefit commitments recognised 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 a top-up over the social security pension for employees joining the Group from a number of banking entities from which the Group acquired a portion of their branch networks and who were entitled to such a top-up at their original employers.

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

- Payments in the event of death or total disability (€24.58 thousand), workplace accident (€49.17 thousand) or certified major disability (€106.39 thousand) for all Group employees.

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

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

At 31 December 2021, the Group had not entered into commitments in respect of terminations other than those provided for in the Plan.

At 31 December 2021 and 2020, actuarial studies have been carried out relating to the coverage of the main post-employment compensation, using the projected credit unit calculation method. The main assumptions used in the actuarial studies, for serving, retired and early-retired personnel are presented in detail below for each credit institution:

Actuarial assumptions used by Grupo Cooperativo Cajamar	2021		2020	
	Active employees	Early retirees	Active employees	Early retirees
Mortality tables	PER2020 1st order	PER2020 1st order	PERM/F 2000	PERM/F 2000
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:				
Assets (retirement benefits)	1.33%	-	1.13%	-
Pensioners (immediate benefits)	1.01%	-	0.83%	-
Length of service award	1.05%	-	0.87%	-
Asset yield:				
Assets (retirement benefits)	1.33%	-	1.13%	-
Pensioners (immediate benefits)	1.01%	-	0.83%	-
Length of service award	1.05%	-	0.87%	-
Salary evolution (including slides)	3.00%	1,50% / 2,00%	3.00%	1.50% / 2.00%
Consumer price index increases (CPI)	2.00%	-	2.00%	-
Increases in pensions	75% salary increase	-	75% salary increase	-
Maximum social security pension (€ thousand)	39.5	39.5	37.57	37.57
Annual revaluation of the maximum monthly social security pension	2.00%	-	1.50%	-
Annual increases in the social security contribution bases	2.00%	-	2.00%	-

The expected yield from plan assets is as follows:

	Expected yield from the assets	
	2021	2020
Assets (retirement benefits)	1.33%	1.13%
Pensioners (immediate benefits)	1.01%	0.83%
Length of service award	1.05%	0.87%

The values of other long-term remuneration and pension obligations may be affected if the main actuarial assumptions considered change. In a scenario where the discount interest rate fluctuates by +/- 25 basis points, the present value of the Group's post-employment obligations could vary by -3.54% and 3.68%, respectively. However, these variations would be partially offset by increases of 2.06% or decreases of -1.97%, respectively, in the fair value of pension-related insurance policies and of assets. This same scenario would give rise to a +/-0.35% change in other long-term remuneration.

3.21. Off-balance sheet customer deposits

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

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

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

3.22. Consolidated cash flow statement

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

- Cash flows: inflows and outflows of cash and cash equivalents, understood as short-term investments which are highly liquid and involve a low risk of changes in value.

- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities and interest paid for some financing received.

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

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

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

3.23. Business combinations

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

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

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

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

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

- Relevant voting rights in the combined entity following the business combination. The acquirer will be the entity combined whose owners as a group retain or receive the highest proportion of voting rights.

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

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

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

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

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

3.24. Inventories

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

- Maintains for sale during the ordinary course of its business,
- Is in the process of making, building or developing for such purposes; or

- Plans to consume in the production process or in the provision of services.

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

Inventories are stated at the lower of cost, which includes all amounts paid to acquire and transform the inventories and all direct and indirect costs incurred to bring them to their present condition and location, and "net realisable value". The net realisable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses. The cost of inventories is increased for any directly attributable finance costs, provided they require more than a year to be readied for sale. Finance 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 book value, are recognised in the consolidated statement of profit or loss in the year they are incurred, under "Impairment or reversal of impairment of non-financial assets – Other" (Note 26).

The book value 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 the guarantees or guarantee contracts under which the Bank is obligated to compensate a beneficiary in the event of non-compliance with a specific payment obligation by a specific debtor due to the beneficiary, such as the guarantees provided to ensure the participation in auctions and public tenders, or the proper completion of a project or transaction or any other type of technical guarantee, including irrevocable guarantee promises and letters of guarantee when required by law.

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

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

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

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

3.26. Consolidated statement of changes in equity

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

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

Consolidated statement of recognised income and expenses

This statement presents the income and expenses generated by the Group as a result of its business activity in the year. A distinction is made between income and expenses recognised on the consolidated income statement, on 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 equity, including those deriving from changes in accounting criteria and error corrections. This statement therefore presents a reconciliation of the book value at the start and end of the year for all the items making up equity, grouping the movements based on their nature in the following headings:

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

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

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

3.27. Fair value of financial instruments

Fair value of financial assets

The fair value of "Debt securities" that are listed on active markets is calculated based on the market price. 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 each issue will depend on the characteristics of that issue.

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

There are other investments that are measured at cost, i.e. adjusting the Bank's equity by tacit capital gains existing at the measurement date.

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

"Hedging derivatives" are measured at fair value using the quoted price, the discount of expected future cash flows updated to the current date and other accepted measurement methods.

Fair value of financial liabilities

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

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

Measurement of financial instruments at fair value

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

Note 8.1 provides details of consolidated assets and liabilities at fair value of the Group's financial instruments at 31 December 2021 and 31 December 2020, broken down by class of financial assets and liabilities and the following levels:

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

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

- Level 2: Financial instruments whose fair value has been estimated based on quoted prices on organised markets for similar instruments or through the use of other measurement techniques in which all of the significant inputs are based on market information that is directly or indirectly observable.

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

  Level-2 assets will include:

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

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

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

  Level-3 assets are measured applying the following or other similar procedures: Issuer prices, comparable prices. Custodian prices and Internal prices.

3.28. National Resolution Fund and Single Resolution Fund

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

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

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

Contributions are based on:

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

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

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

The expense for the ordinary contributions to the Single Resolution Fund of the Group is recognised in the item "Other operating expenses – Contribution to the Deposit Guarantee Fund" on the accompanying consolidated statements of profit or loss for 2021 and 2020 (Note 26).

Regarding contributions to the Single Resolution Fund, Regulation (EU) 2014/806 of the European Parliament and of the Council allows irrevocable payment commitments which are fully backed by collateral of low-risk assets unencumbered by any third-party rights, at the free disposal of and earmarked for the exclusive use by the Board for the purposes specified in Article 76.1 of the regulation to be included in the annual contribution.

4. Errors and changes in accounting estimates and policies

In 2021 and up to the date the consolidated annual accounts were prepared, there have been no errors that, due to their materiality, had to be included in the consolidated annual accounts prepared by the Group's Board of Directors.

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

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

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

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

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

5. Distribution of results

The proposal for the distribution of the Parent's 2021 profits that the Group's Board of Directors will submit to the Annual General Meeting for approval, together with the proposal already approved for 2020, is as follows:

	Thousands of Euros	
	2021	**2020**
Profit for the period	**18,690**	**17,415**
Distribution:		
Dividends	8,000	-
Legal reserve	1,869	1,742
Other voluntary reserves	-	15,673
Remainder	8,821	-
Total distributed	**18,690**	**17,415**

The proposal for 2020, and the subsequent distribution, was approved by the Group's Annual General Meeting on 29 June 2021.

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) Basic principles and guidelines for defining credit risk management and control policies

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

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

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

  - There must be a technical unit engaged solely in credit risk acceptance, monitoring and recovery processes, providing analytical support for the commercial function and expressing opinions when decisions are taken. Unit management must not be 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 and must not depend on the territorial scope of the activity.

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

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

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

In accordance with the Basel Committee's recommendations, the common measure that must be used to compare the size of credit risk assumed in each operation is the economic capital required in each case, i.e. the amount of capital that the entity must hold to cover its unforeseen losses.

In order to reliably estimate economic capital and therefore guarantee the consistency principle, the Group requires:

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

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

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

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

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

  Based on this principle, the Parent's Board of Directors delegates the approval of credit operations to its Executive Committee, that cannot be resolved by subordinate bodies but must be resolved before the next Governing 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 Executive Committee, must be approved before the next meeting of the Board of Directors or the Executive Committee. In these cases, the transactions will be presented during the first meeting of the Board of Directors or Executive Committee that takes place, so that the matter may be heard and ratified and the delegated authority controlled.

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

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

- **<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 phase 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 lower 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.
  - <u>Yields</u>. Loans must have yields that match the inherent risk.
- **Regarding the credit loss oversight and prevention policy:**
  - <u>Relative importance</u>. 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. In order to achieve this objective, criteria must be defined to control all borrowers representing significant exposures, for which oversight and control actions must be intensified.
  - <u>Anticipation.</u> Actions to prevent loan losses must be implemented sufficiently in advance in order to assess and optimise management of loan recovery options. This entails defining a borrower rating system that defines the risk policy to be implemented when certain alerts are notified.

- **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	3%	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 companies under the auspices of the Central Admin.	15%	6%
Public non-financial companies under the auspices of other administration	15%	6%
4. Social economy	**5%**	**8%**
5. Financial intermediaries	**5%**	**8%**

- **Limits on structured finance**

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

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

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

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

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

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

Limits on % of own funds 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 / Executive Committee:
  - Investment Committee
  - Non-performing Asset Committee
  - Analysis Centres
  - Savings Banks' Governing Board / Commission
  - Central Business Committee
  - Territorial Risk Teams
  - Investments Division
  - Area and Territorial Business Committee
  - Branch Management Committee

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

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

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

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

- Credit quality modules:

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

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

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

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

  - Approve: The model concludes that there is an acceptable probability of default for the transaction and therefore recommends it be approved.

  - Analyse; The model is not conclusive. Additional judgement is required before the transaction can be approved.

  - Reject: The model concludes that the probability of default for the transaction is too high and therefore recommends it be rejected.

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

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

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

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

  - An initial limit is assigned based on parameters measuring the counterparty's size.

  - This limit is adjusted based on the counterparty's solvency and profitability.

  - The adjusted value is corrected based on the rating, providing an overall limit for the counterparty analysed.

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

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

  - Limit the maximum line granted to 10% of the Group's equity.

  - Not open a counterparty line for entities that show a risk limit of below €5,000 thousand after applying the above-mentioned reductions.

b.2) Credit Risk Mitigation. Guarantee procurement policy

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

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

- The fair value of the assets owned by the borrower and the guarantors amount to more than twice the value of their debts.

- Through real estate collateral pledged in first lien (and subsequent lien) mortgage loans, provided they are duly arranged and show the bank as the beneficiary.

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

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

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

Guarantee assurance policy

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

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

- It should cover at least the damages deriving from claims which may affect the 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 valuation companies

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

In order to be authorised, a valuation company must fulfil the following requirements:

- o Be entered in the Bank of Spain's Register of Valuation Companies.

- o 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 valuer'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:

- o 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.

- o The appraised value, which must fulfil the following requirements:

    - Issued by a valuation 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:

<table>
<tr><th>Classification of transaction</th><th colspan="2">Type of property/type of transaction</th><th>Individual appraisal</th><th>Statistical appraisal (i)</th><th>Frequency</th><th>Starting point</th><th>Method</th></tr>
<tr><td rowspan="3">Performing</td><td colspan="2">Guarantee for buildings and components of completed buildings</td><td>Yes</td><td>Yes</td><td>Annual verification (ii)</td><td rowspan="3">On arrangement of credit</td><td rowspan="3">Individual appraisal of up to six months</td></tr>
<tr><td colspan="2">Guarantee other than for buildings and components of completed buildings</td><td rowspan="2">Yes</td><td rowspan="2">No</td><td rowspan="2">Three years if no significant decrease in risk</td></tr>
<tr><td colspan="2">Transactions with a gross book value of over €3 million or equal to 5% of eligible capital</td></tr>
<tr><td rowspan="5">Watch-list performing</td><td rowspan="3">Guarantee for buildings and components of completed buildings</td><td>Transactions pertaining to segments with an aggregate gross amount of more than €300 million or 10% of eligible capital (v)</td><td rowspan="2">Yes</td><td>Yes</td><td rowspan="2">Annual verification (ii)</td><td rowspan="5">On arrangement of credit</td><td rowspan="5">Individual appraisal of up to six months</td></tr>
<tr><td>Transactions with a gross amount exceeding €1 million and LTV >70%</td><td>Only exceptionally and where justified</td></tr>
<tr><td>Other</td><td>Yes</td><td>Yes</td><td>Annual verification</td></tr>
<tr><td colspan="2">Guarantee other than for buildings and components of completed buildings</td><td rowspan="2">Yes</td><td rowspan="2">No</td><td rowspan="2">Annual</td></tr>
<tr><td colspan="2">Transactions with a gross book value of over €3 million or equal to 5% of eligible capital</td></tr>
<tr><td rowspan="4">Non-performing</td><td rowspan="3">Transactions with a gross book value less than or equal to €0.3 million</td><td>Non-performing for three years or less</td><td>No</td><td>Yes</td><td>Annual</td><td rowspan="4">On being classified as non-performing</td><td rowspan="4">Individual appraisal or statistical appraisal (vi)</td></tr>
<tr><td rowspan="2">Non-performing for three years or more (iii)</td><td>No</td><td>Yes</td><td>Annual</td></tr>
<tr><td>Yes</td><td>No</td><td>Three years</td></tr>
<tr><td colspan="2">Other transactions</td><td>Yes</td><td>No</td><td>Annual</td></tr>
<tr><td rowspan="4">Foreclosed real estate assets or those received as payment for debts</td><td rowspan="3">Transactions with a fair value less than or equal to €0.3 million</td><td>On balance sheet for three years or less</td><td>No</td><td>Yes</td><td>Annual</td><td rowspan="4">On being foreclosed or at time of dation</td><td rowspan="4">Individual appraisal issued by a different appraisal firm to before</td></tr>
<tr><td rowspan="2">On balance sheet for three years or more (iv)</td><td>No</td><td>Yes</td><td>Annual</td></tr>
<tr><td>Yes</td><td>No</td><td>Three years</td></tr>
<tr><td colspan="2">Other transactions</td><td>Yes</td><td>No</td><td>Annual</td></tr>
</table>

(i) The following types of property are assets that can be valued through statistical appraisals: housing (including parking spaces and store rooms), offices, multi-use business premises and multi-use industrial units.
(ii) Appraisals must be revised in the event of significant decreases in value. Checks will be performed at least annually for indications of significant decreases in value.
(iii) After three years on the balance sheet, both valuation methods can be combined so that full individual appraisals are performed at least every three years.
(iv) After three years on the balance sheet, both valuation methods can be combined so that full individual appraisals are performed at least every three years.
(v) Concerns those segments in section III of Appendix IX where the aggregate gross value of watch-list performing transactions exceeds one of the two indicated parameters.
(vi) Two consecutive direct appraisals from the same appraisal firm are allowed and the appraisal firm must be changed for the subsequent review.

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

- Purchase price declared in a public deed plus post-acquisition costs allowed in the 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

- Loan term:

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

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

- Settlement periods:

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

- Grace period:

  Interest payment grace periods are not permitted.

  Capital payment grace periods may be applied when: (i) financing a project that will only start to provide income at a future date, (ii) it is bridge financing, (iii) forms part of the design of a specific product for the retail sector, in which case this credit facility must be taken into account to adjust the calculation of the customer's capacity to make payment, or (iv) is a debt restructuring operation. A grace period for the payment of interest is only available in the latter case.

b.5) Restructuring policy

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

Restructuring operations will observe the following policies in general:

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

- Any body, under its exemption of the body, in the terms established in chapter 3 of the Credit Risk Manual.

Note 25.4 provides the required disclosures regarding refinanced and restructured transactions.

c) <u>Organisation of the risks, powers, responsibilities and delegation function. Risk unit reports Management tools and control procedures</u>

The Parent's Board of Directors assumes its responsibility as the highest management and credit risk control body, which does not impede it from reasonably delegating that authority to lower bodies.

The Parent's Board of Directors may thus delegate, in turn, to the Executive Committee or Governing Boards of the GCC's savings banks and they may also delegate to lower bodies within their organisations.

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

c.1) Credit risk acceptance phase:

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

  - <u>Bodies empowered to grant loans</u>:

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

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

  - <u>Analysis Centres Area, Special Financing Area, Structured and Syndicated Financing Area and Major Borrowers Area:</u>

    These area 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.

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

  - <u>Special Financing Area:</u>

    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.

  - <u>Structured and Syndicated Financing Area:</u>

    Its function is to analyse, sanction and manage acceptances of structured finance transactions and syndicated loans.

- Major Borrowers Area:

Its role is to manage on an end-to-end basis the origination 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 five offices to correctly fulfil its duties:

- Agro Analysis Centre: Analyse and report credit transactions in Portfolio 15 (Retail Agro-food) that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar through the Business Offices and Committees.

- Corporate Analysis Centre: Analyse and report credit transactions related with the customer segment and transactions that the unit is responsible for analysing that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar to bodies higher than the Business Offices and Committees that must be analysed by the Special Financing Centre.

- Overdraft and Working Capital Finance Analysis Centre: Analyse and approve proposed overdrafts, excess withdrawals and other exceptional items with respect to discounting facilities, foreign trade, confirming, factoring and C-19 that exceed the authority of the Business Offices and Committees for all of Cajamar Grupo Cooperativo or, if appropriate, inform BCC and/or Group Entities, to address these extraordinary customer requests such that the situation can be normalised and prevent them from reoccurring.

- Retail Analysis Centre: Analyse and report credit transactions that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar through the Business Offices and Committees.

- Execution: Tasked primarily with: (i) drawing up and reviewing financing agreements and any and all documentation related with credit transactions; (ii) controlling external providers of services related with loan execution processes; and (iii) resolution of registration-related incidents.

In its day to day work the department is in permanent contact with other departments and areas of the Bank, mainly with the territorial divisions, the Risk Recovery area and the Credit Risk Control area.

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

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

Monitoring of the credit risk is understood as the permanent classification of operations and customers in order to establish an individual action policy which strengthens credit recovery expectations in the event of default.

Responsibility for defining the evaluation systems and rating loans and customers is attributed to General Control Division, through the following organisational units and systems under the auspices of the Risk Control Division:

- <u>Expert Analysis Area</u>

  Comprising the following units:

  - ***Individual analysis of credit loss allowances:*** Its primary functions are to verify and, where applicable, propose the correct accounting classification and credit loss allowances for the Bank's significant exposures analysing each exposure.

    - Borrowers/groups with credit risk exposure > 0.5% of the Group's eligible own funds.
    - Borrowers/groups with aggregate positions on special watch > 0.1% of the Group's eligible own funds.
    - Borrowers/groups with aggregate positions that are non-performing > 0.1% of the Group's eligible own funds
    - Transactions with no appreciable risk of default > €0.1 million.

  - ***Borrower control:*** Its main functions are to control compliance with policies concerning borrowers and risk groups, define and review the early-warning based classification system and the monthly control of restructuring of arrears in payment and write-offs of doubtful assets; and to perform the necessary controls to ensure credit risk data is of the required quality.

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

  - **Real Estate Risk Control** The main functions are to ensure policies concerning asset acquisitions and transfers of asset 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 the evolution of restructured credit, and verify the criteria for classifying hedging derivatives under prevailing legislation are correctly applied.

- <u>Market risk control:</u>

  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.

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

  The main tools employed to monitor, measure and control credit risk are listed below:

  - Customers monitoring models that assess customers and group them in the following three categories:
    - Favourable: Customers with good credit scores that do not need to be monitored by their branch.
    - Neutral: Customers whose credit score raises some doubts, either because there are signs of a deterioration or because there is limited relationship with the customer and the models cannot evaluate these customers with a sufficient degree of reliability.
    - Restrictive: Customers showing signs of a deterioration in their credit scores and therefore requiring close monitoring and measures aimed at reducing exposure either through collections or more collateral.
  - Operation monitoring models that assess operations from the moment each approval evaluation is deemed obsolete (normally six months into the contract) to the end of the contract. Aspects evaluated include the payment record of the customer in general and in each specific operation, grouping them in the following four categories:
    - Low risk operation: The loan is unlikely to become past due.
    - Medium risk operation: There is a certain likelihood of the loan becoming past due.
    - High risk operation: The loan is quite likely to become past due.
    - Very high risk operation: The loan is very likely to become past due.
  - Cecabank Risk and Treasury Platform (CITRIX): Application used to channel counterparty risk control.

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

  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:

  <u>Favourable:</u> Customers showing good credit quality.

  <u>Neutral:</u> Customers with a credit quality that raises certain doubts.

  <u>Restrictive:</u> Customers showing clear signs of impaired credit quality.

  - Operation rating using operation monitoring models.

    Operations are grouped into four categories on the basis of default probabilities:

    <u>Low risk:</u> The loan is unlikely to become past due.

    <u>Average risk:</u> There is a certain likelihood of the loan becoming past due.

    <u>High risk:</u> The loan is quite likely to become past due.

    <u>High risk:</u> The loan is very likely to become past due.

  - Rating of Significant Exposure borrowers.

    The Individual Analysis Office performs individual reviews of borrowers and risk groups to which exposure is significant.

- Monitoring of credit and counterparty risks relating to financial institutions.

  Daily checks are performed to ensure the credit risk limits for each counterparty are being adhered with. The ratings of financial counterparties are also monitored monthly 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 phase:

- **Bodies involved**

The recovery phase is performed mainly by three functional units:

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

- **Risk Recovery Area**, whose mission is to control and provide guidance on compliance management across the Group, from the moment a breach is identified to restructuring or settlement of the position; and to support the Parent's General Investments Division with attaining its objectives regarding risk recovery, identifying available resources to achieve maximum efficiency, developing initiatives, actions and support to most effectively and inexpensively obtain recoveries by the Group.

- **Foreclosed Assets Management**, whose remit is to perform the disintermediation of non-performing assets owned by Grupo Cooperativo Cajamar – primarily real estate assets – for the primary purpose of divesting them at the lowest cost and in the quickest time possible. The primary function to achieve this is to establish, oversee and monitor general policies on the management of non-performing assets, and coordinate and oversee the management activity outsourced to Haya RE.

  To this end, it has the following internal offices:

  - **Monitoring and Control of Distressed Assets**, which is responsible for applying controls to Haya and to support and process proposals received that lie outside of its authority. Provide support for consultations made by other Departments regarding the management of Haya. Monitor compliance with adaptations to court-ordered bankruptcies. Prepare regular business activity monitoring reports. Prepare the reports required by the Bank of Spain or other Group departments.

  - **Judicial Foreclosure Management**, whose mission is to control and monitor the servicer, Haya, and provide support in connection with Haya's requests and incidents encountered. It also manages enquiries from other units/departments concerning Haya and questions outside Haya's remit. It prepares regular progress reports on actions to recover unpaid, past-due loans at the pre-litigation and litigation stages.

- **Debt Recovery Accounting Management**, whose function is to manage and record any risks in arrears not yet doubtful, doubtful risks and those in delinquency (in arrears for 120 days or less or borrower in a non-court bankruptcy situation) that are not being handled in-branch or by other organisational units, and the recording of accounting entries concerning asset purchases.

- **Past-due Debt Management**, which carries out all action intended to control the projected and actual evolution of risks in arrears not yet doubtful, doubtful risks and those in delinquency, as well as to monitor such transactions (in arrears for 120 days or less or borrower in a non-court bankruptcy situation) on behalf of the Group.

- **Pre-litigation Case Management**, which monitors and supports the servicer, HAYA, to analyse past-due loans within its remit and prepare legal claims. It responds to enquiries from the network and other units in the Bank regarding loans that are past due by more than 90 days and are being analysed to possibly be collected through legal action or where legal action has been 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 transactions in an irregular situation and/or reflecting payment difficulties while ensuring an adequate internal control environment and facilitating operational efficiency. This centre also analyses debt restructuring transactions where there is a marked potential risk of delinquency, focusing its analysis on the best accounting outcome for our Group.

- **Territorial Risk Teams:**

  The Regional Risk Organisational Unit, which reports hierarchically to the General Investments Division and functionally to the Debt Recovery Unit, is currently divided into Regional Departments with a marked geographical component that directly support the Local Departments. Its duties notably include actions in various stages of the credit risk evolution cycle, monitoring, early and pre-delinquency debt management, and non-performing asset recovery.

- **Asset Management and Quality**, responsible for post-deal management, handling relations with the assignees of assigned loan books, liaising with them to verify and manage compliance with the commitments assumed in the assignment agreements. It is also responsible for handling requests for information and documentation on the assigned loans received from assignees and Group Entities' branches and organisational units.

  This in-house office is also responsible for monitoring asset approval processes until such assets are put on sale, optimising the management and monitoring of material assets, and proposing and implementing improvements to circuits with a view to achieving efficiency and minimising the time between receiving an asset and putting it on sale.

- **Haya Real State (HRE),** a company contracted to manage the pre-litigation and litigation cases of associates, receiving cases that have payments past due by more than 120 days. Its mission is to expedite litigation if is seizable assets or rights are identified during its analysis. Alternatively, it may act through external specialist collection agencies in the case of doubtful transactions that given their amount or the lack of seizable collateral or rights may be open to recovery over the telephone.

  - **Recovery management tools:**

    The Bank's recovery process is managed using a number of applications including:

    - **Recovery:** integral risk management tool that covers the monitoring, non-payment, pre-litigation, litigation and bankruptcy stages, which is used by the entities making up the Group, the servicer Haya and the outside legal counsel offices.
    - Past due loan management. A list is generated for consultation of **loans as from the first day of default**.
    - Overdraft management. Provides information on overdrafts and excesses **as from the first day of default**.
    - Management of past due loans in each Office's commercial portfolio.
    - Management of past due loans in foreign lending operations.
    - Call Centre management outsourced to the servicer, Gescobro, where cases are handled over the telephone on the days in arrears D+2.
    - Information on past due risks and the management thereof in the tranches of loans past due by 1 to 30 days (v1), 31 to 60 days (v2) and 61 to 90 days (v3) and projected tranches.

  - **Recovery controls:**

    Procedure manuals are in place describing actions to be taken by each body involved in management and in what time frame, modulating the involvement of higher bodies based on the default period and amount.

d) Responsible loan and credit approvals

In accordance with Article 29 of Act 2/2011, of 4 March, the Group's Credit Risk Manual includes responsible consumer loan and credit approval policies applied. The last version of this manual was published by the Parent's Board of Directors on 2 December 2020.

Specifically, Title 2 of the manual sets out the policies for approving transactions and for analysing the ability to pay, the terms, grace periods, settlement and collateral. The section of Title 4 on approval processes provides more detail of these policies and how they are implemented, stipulating in particular the general and specific guidelines for the structuring of transactions. One of these is responsible lending as per the aforesaid law.

6.3. Market and exchange rate risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic principles applicable to market and foreign exchange risks are as follows:

- The utilisation and holding of financial instruments quoted in official secondary markets must fulfil the following purposes:

    1) Compliance with supervisory and regulatory standards that require the holding of financial assets, such as liquidity ratios.

    2) Adequate management of liquidity and the funding structure; and/or

    3) Diversification of the Group's income sources.

- Only the Parent may, in general, have exposure to market risk. However, when circumstances so advise, and on an exceptional basis, the Parent may authorise any of the Group's entities or the consolidated group to be exposed to market risk.

- Financial instruments carrying market risk may only be acquired and held as part of the management of a "portfolio" the creation of which must be specifically authorised by the Parent's Executive Committee, which will establish each portfolio's investment policy and management objectives and, if applicable, will impose limits on value losses, value at risk and concentration. Where these limits are not necessary, the Executive Committee's resolution must be reasoned.

- Market risk exposures have different risk levels depending on the reason for holding the instruments carrying the risk, so that separate limits will be established based on the category in question. To this end, the portfolios referred to above will be included in one of the following categories:

    1) Not treated based on exposure to market risk.

        a) Fixed income classed as held to maturity in the accounts. As the securities included in this category will not be sold in the market but will be held until they are redeemed by the issuer, the predominant risk is the issuer credit risk; these securities must be treated as stipulated in the Group's Credit Risk Manual. Consequently, no limit is applied to the market risk arising from these investments.

        b) Institutional financial instruments, including shareholdings in Group entities and other financial instruments in respect of which the investment is made in response to the Group's operating needs and institutional obligations. For these exposures, which are indefinite in nature, no market risk limit is applied.

    2) Treated based on exposure to market risk, in line with the following principles:

        a) Liquid and listed financial instruments in which a position is taken in order to generate short-term gains, which are therefore included in a trading portfolio ("trading activity"). This portfolio must operate under the principles of diversification and moderate value at risk, in the terms of the Market Risk Manual.

        b) Financial instruments exposed to market risk that are not included in the above-mentioned categories.

    The financial instruments included in this category will be subject to the market risk exposure limits established in the Market Risk Manual.

- The above principles will not apply to instruments contracted for hedging purposes unrelated to the portfolio management referred to in the previous point.

- Foreign exchange risk limits will be adjusted to levels strictly necessary to facilitate customers' operating needs and the trading activity described in the previous point.

The following limits structure is applied to ensure that exposure to market and foreign exchange risks is at levels compatible with the basic principles referred to above:

  - Limit on trading positions. The sum of net positions in trading portfolios may not exceed 10% of eligible capital.

  - Limit on VaR of trading positions. The value at risk (VaR) of positions held in trading portfolios may not at any time exceed 1% of eligible capital. To this end, one-day VaR will be used, with a 99% confidence threshold.

  - Limit on the overall market risk position. The Group's net overall market risk position may not exceed 100% of eligible capital.

  - Limit on VaR of positions subject to market risk. The value at risk (VaR) of positions exposed to market risk may not at any time exceed 2.59% of eligible capital. To this end, one-day VaR will be used, with a 99% confidence threshold.

  - Limit on variations in the economic value of the fixed-income portfolio subject to market risk over a six-month time horizon. Decline in the economic value of the fixed-income portfolio subject to market risk over a six-month time horizon, using the interest rate curve discounted by the market at that moment, which must not exceed 10% of eligible capital.

  - Limit on the overall currency position. The sum of the equivalent value in euros of currency positions, using absolute values, may not exceed 1.20% of eligible capital.

  - Limit on the maximum position in an individual currency. The equivalent value in euros of the position in each currency, in absolute terms, may not exceed 0.80% of eligible capital.

  - Limit on currency VaR. The value at risk of the currency position expressed in annual terms and at a 99% confidence level may not exceed 0.35% of eligible capital.

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

The following bodies are responsible for managing and controlling market and exchange risks:

- Executive Committee
- 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) **<u>Management tools: measurement, communication, control and monitoring systems</u>**

The Bank manages market risk using Bloomberg terminals to obtain value inputs and to consult market factors.

It also uses Cecabank Risk and Treasury Platform (CITRIX), which includes specialist front, middle and back-office tools, and applications to integrate and reconcile these.

6.4. Operational risk

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

In the Operational Risk Management and Control Manual, the following are regulated: (i) the basic management and control principles; (ii) the scope of operation; (iii) the risk management cycle; (iv) the bodies tasked with management and control; and (v) the operational risk management and control tools.

The general principles of operational risk management and control that must be observed in all related activities are as follows:

- Principle of accountability: Senior management and the governing bodies are responsible for designing and transmitting the values, basic principles and policies of management. They are ultimately responsible for the Group's operational risks.

- Principle of functional independence: In order to establish the effective management of the operational risk, there must be autonomy in decision taking with respect to the persons and departments directly affected by this risk.

- Principle of unity, according to which there must be consistency in policies, processes, procedures and tools. As a result, the concept of operational risk has been accurately defined and its definition is known and adopted by all those involved. The Operational Risk Control Office was set up and a network of Operational Risk Coordinators was defined with specific and concrete functions in order to extend this principle to each of the areas and offices affected by this risk.

- Principle of transparency. In light of the need for a corporate culture of operational risk, it is necessary to establish appropriate disclosure of the actions performed to manage this risk at both internal and external level, ensuring that the organisation and market players are able to know and assess the Group's operational risk approach.

- Principle of adapting to change. Due to the on-going changes in the regulation and management of credit institutions, the need is established for the bodies responsible for operational risk control to analyse specifically (i) the operational risk profile of new products, processes, systems and lines of business, (ii) the change of the overall risk profile resulting from acquisitions, mergers or integrations and (iii) the operational risk inherent in regulatory amendments.

- Principle of assurance. Group entities should cover their operational risk through insurance contracts, the establishment of a self-insurance fund or through the combination of both systems. The Parent is ultimately responsible for these decisions.

The fundamental objectives of operational risk management and control are listed below:

- Identify events that could cause a loss.

- Define appropriate controls to avoid losses.
- Measure the capital necessary to cover operational risk.
- Prepare periodic reports on exposure to operational losses.

In order to achieve these objectives, a five-phase management cycle has been defined: identification, evaluation, monitoring, measurement and mitigation.

GCC's operational risk model has three lines of defence:

1. First line of defence: Business and support units.
   These are charged with managing the operational risk associated with the Bank's products, activities, processes and systems.
2. Second line of defence: Operational Risk Control Office.
   This office is responsible for designing and maintaining the Group's operational risk management model and checking that it is applied correctly by the various units.
3. Third line of defence: GCC's Internal Audit team.
   This team is charged with performing an independent review of the management model, ensuring that existing corporate policies are adhered to and are effective.

The scope of application of the management cycle is the entire organisation, through all levels, such that it is applied to all risks entailing material exposure. The only exceptions are those areas, departments or processes where there is no material exposure to operational risk.

In order to assure this level of implementation, an analysis should be included of all the Group's credit institutions and special vehicle companies.

- **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 or proposals for improvement.

For the calculation of capital consumption caused by operational risk, the necessary automatic procedures have been developed to allocate relevant income by business line, so as to calculate capital requirements under the standard approach of operational risk.

Grupo Cooperativo Cajamar takes part in external forums, benchmarking processes and working groups with other entities in the sector (Spanish Operational Risk Consortium (CERO)), in order to provide comparative event losses data, find out about best practices applied and implement standard criteria.

The Operational Risk Control Office has defined and periodically runs a raft of operational risk stress scenarios that incorporate the main factors found to affect exposure to this risk.

The operational risk stress scenarios are subject to the rules set out in the Group's stress test framework governance manual.

6.5. Interest rate risk

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

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic interest rate risk principles contained in the Guide are as follows:

- The Group must apply a commercial and financial policy of minimal exposure to interest rate risk.
- Despite this principle, since the mere evolution of the market interest rate curve could place the Group on undesired exposure levels, a system of powers must be established to determine whether to maintain the exposure reached or take measures to reduce it.
- Only structural balance sheet positions are considered when calculating interest rate risk, and therefore trading positions are excluded.

In order to ensure compliance with the principles, the following limits structure is in place:

- Limits on economic value, which dictate that the sensitivity of economic value may not exceed -20% of eligible capital, or of economic value, when rates rise or fall by 200 basis points (instantaneous 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:

- Executive Committee
- 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 different interest rate evolution scenarios.

The Group manages interest rate risk at a consolidated level, and has risk levels that are below the limits stipulated in both regulations. The sensitivity analysis performed by the Group from a "Net interest income perspective" and from an "Economic value perspective" is presented hereon:

<u>Impact of net interest income:</u>

The sensitivity of net interest income is analysed, both from a point of view of maintaining the size and structure of the balance sheet, as well as from a dynamic point of view 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 8.76% (0.87% in 2020).

<u>Impact on economic value:</u>

Future cash flows are restated to obtain an approximation of the Bank's present value, paying special attention to the repricing of equity figures and the effect of various options. As a result of the analysis, the impact on the Bank's economic value in the event of an instant 100 basis-point increase (1%) in interest rates would be -1.86% (-3.10% in 2020).

Analysis of interest rate risk from the point of view of economic value at 31 December 2021 and 31 December 2020

The following tables show the analysis of interest rate risk that affects the Group's financial activity at 31 December 2021 and 31 December 2020:

	Thousands of Euros									
2021	**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	4,809,123	-	-	-	-	4,809,123	41	0.09%	-	4,809,123
Credit market	3,920,366	5,037,298	7,703,309	9,698,703	6,579,670	32,939,346	6,232	1.89%	1,219,212	34,158,558
Capital markets	1,073,789	7,076,444	2,915,585	760,334	5,959,662	17,785,814	6,778	3.81%	453,484	18,239,298
Other assets	-	-	-	-	-	-	-	-	4,156,589	4,156,589
	9,803,278	**12,113,742**	**10,618,894**	**10,459,037**	**12,539,332**	**55,534,283**	**13,051**	**2.68%**	**5,829,285**	**61,363,568**
Liabilities										
Money market	11,180,481	41,938	70,778	54,992	461,540	11,809,729	247	0.21%	-	11,809,729
Medium and long-term issues	1,087,272	728,664	791,287	1,116,889	1,897,150	5,621,262	1,057	1.88%	-	5,621,262
Other liabilities	-	-	-	-	-	-	-	-	5,296,629	5,296,629
Payables	13,640,163	1,984,013	2,273,087	2,781,564	17,957,121	38,635,948	10,855	2.81%	-	38,635,948
	25,907,916	**2,754,615**	**3,135,152**	**3,953,445**	**20,315,811**	**56,066,939**	**12,159**	**2.17%**	**5,296,629**	**61,363,568**
Gap	**(16,104,638)**	**9,359,127**	**7,483,742**	**6,505,592**	**(7,776,479)**	**(532,656)**	**892**	**0.23%**	**532,656**	
Gap/Assets (%)	**(26.24%)**	**15.25%**	**12.20%**	**10.60%**	**(12.67%)**	**(0.87%)**				

	Thousands of Euros									
2020	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 and 12 months**	**Over 12 months**	**Total sensitive**	**Sensitivity (1 bp variance)**	**Term**	**Not sensitive**	**Total**
Assets										
Money market	2,719,942	-	-	-	-	2,719,942	23	0.08%	-	2,719,942
Credit market	3,666,496	5,363,464	7,574,821	9,314,420	5,785,815	31,705,016	6,673	2.10%	1,048,204	32,753,220
Capital markets	806,007	2,169,108	839,795	1,241,358	10,374,341	15,430,609	6,551	4.25%	1,130,986	16,561,595
Other assets	-	-	-	-	-	-	-	-	4,144,353	4,144,353
	7,192,445	**7,532,572**	**8,414,616**	**10,555,778**	**16,160,156**	**49,855,567**	**13,247**	**2.68%**	**6,323,543**	**56,179,110**
Liabilities										
Money market	10,975,041	54,600	182,622	36,915	262,535	11,511,713	149	0.13%	-	11,511,713
Medium and long-term issues	291,739	810,311	768,971	1,070,739	1,822,897	4,764,657	824	1.73%	-	4,764,657
Other liabilities	-	-	-	-	-	-	-	-	4,638,158	4,638,158
Payables	11,790,669	2,317,874	2,437,220	3,536,566	15,182,253	35,264,582	9,774	2.77%	-	35,264,582
	23,057,449	**3,182,785**	**3,388,813**	**4,644,220**	**17,267,685**	**51,540,952**	**10,747**	**2.09%**	**4,638,158**	**56,179,110**
Gap	**(15,865,004)**	**4,349,787**	**5,025,803**	**5,911,558**	**(1,107,529)**	**(1,685,385)**	**2,500**	**0.59%**	**1,685,385**	**-**
Gap/Assets (%)	**(28.24%)**	**7.74%**	**8.95%**	**10.52%**	**(1.97%)**	**(3.00%)**				

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 are shown for the asset and securitised 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, completing the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No 575/2013., institutions must regularly assess what effect interest rate risk may have on their future stability and solvency, especially when the potential impact of interest rate fluctuations on economic value is negative and results in a 20% reduction in an institution's economic value or its own capital.

The EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) also establishes the need to assess six interest rate shock scenarios. This change in value must not reduce TIER 1 capital by more than 15%.

Internal operations, the method used to manage assets and liabilities, the type of information and the criteria applied are covered by the 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, and will keep control in the maturity date 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 apply a Liquidity Contingency Plan that foresees the action to be taken in the event of liquidity crisis situations deriving from both internal and external causes
- The Group should have defined a set of relevant stress scenarios and periodically assess the levels of risk associated with each.
- The asset securitisation market will not be one of the entity's business lines. Issuances on this market will only be permitted in relation to prudent liquidity management, principally to generate valid collateral within the scope of application of the European Monetary Policy.

The following limits structure is applied to ensure that liquidity risk exposure is compatible with the basic principles referred to above:

- Short-term liquidity risk limits:
  - Daily liquidity limit. The liquidity for immediate use by the Group at the start of business, adjusted for the expected movement of funds, should be sufficient to cover any unexpected outflow of funds on a working day with a confidence level of 99%.
  - Six-month liquidity profile ratio limit (RPL6M). The Group's effective liquidity, i.e. liquid assets minus enforceable liabilities derived from wholesale financing, in a six-month time horizon, may not fall below 4% of the total of customer funds and contingent liabilities. This limit must be fulfilled on a weekly average basis.
  - Guarantees limit available in the discountable assets portfolio. Grupo Cooperativo must at all time keep discountable assets available to the European Central Bank having a cash value of at least €1,500 million.

- Limit on dependence on wholesale financing. Wholesale financing may not exceed 20% of loans and receivables.

- Limits on short-term wholesale financing. Net wholesale financing falling due in six months or less may not exceed the lower of the following amounts:

  - Overall cash value of the portfolio of discountable assets at the European Central Bank.

  - Thirty percent of total wholesale financing.

- Limit applicable to the eligible mortgage portfolio. The outstanding balance of mortgage covered securities issued by the Group may not exceed 65% of the eligible mortgage portfolio.

- Limits on adjustments to maturities of long-term wholesale financing. At least 100% of any negative liquidity gaps arising from differences between liquidity outflows due to the expiration of wholesale funding instruments and liquidity inflows from the expiration of wholesale investment instruments, over the life of the financing plan in place, must be covered using the Group's potential sources of liquidity at the evaluation date.

This raft of internal limits supplements the regulatory liquidity coverage ratio (LCR) and NSFR.

- The LCR is intended to ensure credit institutions retain an adequate level of available high-quality liquid assets (HQLA that can be converted into cash to meet liquidity needs for a 30 calendar day critical liquidity stress scenario.

  At 31 December 2021 the Group's ratio stood at 206.05% (comfortably above the regulatory level of 100%), while the annual average was around 230.65% (31 December 2020: 235.5%).

- The NSFR is one of the key reforms of the Basel Committee to enhance stability in the banking sector. It is intended to ensure the robustness of banks' medium and long-term funding structure, requiring them to retain stable sources of funding sufficient for their operations in order to mitigate the risk of possible liquidity squeezes.

  At 31 December 2021 the Group's ratio stood at 138.12% (comfortably above the regulatory level of 100%), while the annual average was around 134.53% (31 December 2020: 127.7%).

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 Bank'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 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Cash	322,778	304,108
Cash balances at central banks	4,634,617	2,373,146
Other demand deposits	20,735	16,489
Total	**4,978,130**	**2,693,743**

The balance under the heading “Cash balances at central banks” relates to the deposit made to cover the minimum reserve ratio (Note 1.4).

The balance of this heading has been considered to be cash or cash equivalents for the purposes of preparing the cash flow statements for 2021 and 2020.

8. Financial instruments

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

Details of the book value of the financial assets owned by the Group at 31 December 2021 and 31 December 2020, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of Euros				
	2021				
	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	1,131	-	-	-	-
Equity instruments	-	4,119	-	131,254	-
Debt securities	-	108,745	-	438,952	14,599,303
Loans and advances:	-	349,683	-	-	33,962,308
Central Banks	-	-	-	-	-
Credit Institutions	-	-	-	-	153,432
Customers	-	349,683	-	-	33,808,876
Total	**1,131**	**462,547**	**-**	**570,206**	**48,561,611**
	2020				
Financial Assets: Nature/Category					
Derivatives	2,976	-	-	-	-
Equity instruments	-	4,142	-	117,976	-
Debt securities	-	116,324	-	2,179,790	11,479,957
Loans and advances:	-	317,524	-	-	32,766,006
Central Banks	-	-	-	-	-
Credit Institutions	-	-	-	-	330,311
Customers	-	317,524	-	-	32,435,695
Total	**2,976**	**437,990**	**-**	**2,297,766**	**44,245,963**

	Thousands of Euros		
	2021		
	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	907	-	-
Short positions	-	-	-
Deposits:			
Central Banks	-	-	10,269,833
Credit Institutions	-	-	840,295
Customers	-	-	39,732,717
Debt securities issued	-	-	2,389,123
Other Financial Liabilities	-	-	1,014,778
Total	**907**	**-**	**54,246,746**
	2020		
Financial Liabilities: Nature/Category			
Derivatives	2,609	-	-
Short positions	-	-	-
Deposits:			
Central Banks	-	-	9,449,530
Credit Institutions	-	-	863,923
Customers	-	-	37,136,481
Debt securities issued	-	-	1,658,758
Other Financial Liabilities	-	-	407,589
Total	**2,609**	**-**	**49,516,281**

The fair value of the Group's financial assets and liabilities by nature and counterparty at 31 December 2021 and 31 December 2020 is as follows (Note 3.27):

2021	Thousands of Euros									
			Fair value hierarchy:			Change in fair value for the period		Accumulated change in fair value before taxes		
	Balance sheet balances	*Of which: Securities at fair value*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading (Note 8.2)	**1,131**	**1,131**	**-**	**1,131**	**-**	**58,272**	**-**	**-**	**1,614**	**-**
Derivatives	1,131	1,131	-	1,131	-	58,272	-	-	1,614	-
Trading financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-trading financial assets mandatorily at fair value through profit or loss	**462,547**	**462,547**	**100,513**	**8,232**	**353,802**	**164**	**2**	**(2,457)**	**(436)**	**1,555**
Equity instruments	4,119	4,119	-	-	4,119	-	(367)	-	-	2,599
Debt securities	108,745	108,745	100,513	8,232	-	164	369	(2,457)	(436)	(1,044)
Loans and advances	349,683	349,683	-	-	349,683	-	-	-	-	-
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)	**570,206**	**570,206**	**443,854**	**214**	**126,138**	**1**	**3,337**	**5,934**	**-**	**(30,326)**
Equity instruments	131,254	131,254	16,292	-	114,962	-	9,548	589	-	(17,395)
Debt securities	438,952	438,952	427,562	214	11,176	1	(6,211)	5,345	-	(12,931)
Non-derivative no-trading financial assets, designated at fair value through profit or loss	-		-	-	-	-	-	-	-	-
Non-derivative no-trading financial assets, designated at fair value in equity	-		-	-	-	-	-	-	-	-
Derivatives – Hedge accounting (Note 9)	**606,871**	**606,871**	**-**	**606,871**	**-**	**575,056**	**-**	**-**	**603,372**	**-**
ASSETS	**1,640,755**	**1,640,755**	**544,367**	**616,448**	**479,940**	**633,493**	**3,339**	**3,477**	**604,550**	**(28,771)**
Financial liabilities held for trading (Note 8.2)	**907**	**907**	**-**	**907**	**-**	**(58,759)**	**-**	**-**	**(83,754)**	**-**
Derivatives	907	907	-	907	-	(58,759)	-	-	(83,754)	-
Trading financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – Hedge accounting (Note 9)	**188,706**	**188,706**	**-**	**188,706**	**-**	**(73,645)**	**-**	**-**	**73,481**	**-**
LIABILITIES	**189,613**	**189,613**	**-**	**189,613**	**-**	**(132,404)**	**-**	**-**	**(10,273)**	**-**

2020	Thousands of Euros									
			Fair value hierarchy:			Change in fair value for the period		Accumulated change in fair value before taxes		
	Balance sheet balances	*Of which: Securities at fair value*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading (Note 8.2)	**2,976**	**2,976**	**-**	**2,976**	**-**	**3,544**	**-**	**-**	**3,001**	**-**
Derivatives	2,976	2,976	-	2,976	-	3,544	-	-	3,001	-
Trading financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-trading financial assets mandatorily at fair value through profit or loss	**437,990**	**437,990**	**94,016**	**9,183**	**334,791**	**(572)**	**435**	**(3,305)**	**(2,103)**	**(4,093)**
Equity instruments	4,142	4,142	-	-	4,142	-	2,739	-	-	2,738
Debt securities	116,324	116,324	94,016	9,183	13,125	(572)	(2,304)	(3,305)	(2,103)	(6,831)
Loans and advances	317,524	317,524	-	-	317,524	-	-	-	-	-
Financial assets designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 8.5)	**2,297,766**	**2,297,766**	**2,185,205**	**3,469**	**109,092**	**(75)**	**(15,679)**	**10,593**	**4**	**(34,330)**
Equity instruments	117,976	117,976	29,726	-	88,250	-	(14,532)	(1,347)	-	(27,771)
Debt securities	2,179,790	2,179,790	2,155,479	3,469	20,842	(75)	(1,147)	11,940	4	(6,559)
Derivatives – Hedge accounting (Note 9)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ASSETS	**2,738,732**	**2,738,732**	**2,279,221**	**15,628**	**443,883**	**2,897**	**(15,244)**	**7,288**	**902**	**(38,423)**
Financial liabilities held for trading (Note 8.2)	**2,609**	**2,609**	**-**	**2,609**	**-**	**(3,178)**	**-**	**-**	**(135,203)**	**-**
Derivatives	2,609	2,609	-	2,609	-	(3,178)	-	-	(135,203)	-
Trading financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – Hedge accounting (Note 9)	**195,974**	**195,974**	**-**	**195,974**	**-**	**(9,163)**	**-**	**-**	**6,883**	**-**
LIABILITIES	**198,583**	**198,583**	**-**	**198,583**	**-**	**(12,341)**	**-**	**-**	**(128,320)**	**-**

There were no material changes in terms of reclassification between the various levels of the fair value hierarchy in 2021 and 2020.

A breakdown of financial instruments by time left to maturity at 31 December 2021 and 31 December 2020 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:

2021

	Thousands of Euros									
ASSETS	**On demand**	**Up to 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Unclassified and undetermined maturity**	**Valuation adjustments**	**Total**
Cash, cash balances at central banks and other on demand deposits	**4,978,464**	-	-	-	-	-	-	-	**(334)**	**4,978,130**
Financial assets held for trading	-	-	-	-	**376**	**755**	-	-	-	**1,131**
Derivatives	-	-	-	-	376	755	-	-	-	1,131
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	-	**458,428**	**4,119**	-	**462,547**
Equity instruments	-	-	-	-	-	-	-	4,119	-	4,119
Debt securities	-	-	-	-	-	-	108,745	-	-	108,745
Loans and advances	-	-	-	-	-	-	349,683	-	-	349,683
Customers	-	-	-	-	-	-	349,683	-	-	349,683
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	**332,338**	**109,671**	**131,254**	**(3,057)**	**570,206**
Equity instruments	-	-	-	-	-	-	-	131,254	-	131,254
Debt securities	-	-	-	-	-	332,338	109,671	-	(3,057)	438,952
Financial assets at amortised cost	**866,213**	**926,150**	**1,258,772**	**1,586,165**	**2,729,923**	**12,664,994**	**28,823,381**	**1,067,554**	**(1,361,541)**	**48,561,611**
Debt securities	-	38,609	1,297	19,754	9,632	1,195,152	13,888,337	-	(553,478)	14,599,303
Loans and advances	866,213	887,541	1,257,475	1,566,411	2,720,291	11,469,842	14,935,044	1,067,554	(808,063)	33,962,308
Credit institutions	-	45,263	-	-	-	-	10,004	98,160	5	153,432
Customers	866,213	842,278	1,257,475	1,566,411	2,720,291	11,469,842	14,925,040	969,394	(808,068)	33,808,876
TOTAL	**5,844,677**	**926,150**	**1,258,772**	**1,586,165**	**2,730,299**	**12,998,087**	**29,391,480**	**1,202,927**	**(1,364,932)**	**54,573,625**
EQUITY AND LIABILITIES	-	-	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	**275**	**632**	-	-	-	**907**
Derivatives	-	-	-	-	275	632	-	-	-	907
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	**34,818,146**	**2,303,232**	**1,110,704**	**978,979**	**3,040,901**	**9,661,107**	**1,729,138**	**741,013**	**(136,474)**	**54,246,746**
Deposits	34,818,146	1,280,372	1,110,704	978,979	3,040,901	9,176,752	593,424	6,580	(163,013)	50,842,845
Central banks	-	-	-	-	1,833,000	8,598,000	-	-	(161,167)	10,269,833
Credit institutions	171,248	12,455	20,669	30,744	63,947	392,957	142,318	5,317	640	840,295
Customers	34,646,898	1,267,917	1,090,035	948,235	1,143,954	185,795	451,106	1,263	(2,486)	39,732,717
Debt securities issued	-	742,515	-	-	-	484,355	1,135,714	-	26,539	2,389,123
Other financial liabilities	-	280,345	-	-	-	-	-	734,433	-	1,014,778
Memorandum: subordinated liabilities	-	-	-	-	-	-	639,460	-	3,997	643,457
TOTAL	**34,818,146**	**2,303,232**	**1,110,704**	**978,979**	**3,041,176**	**9,661,739**	**1,729,138**	**741,013**	**(136,474)**	**54,247,653**

2020

	Thousands of Euros									
ASSETS	**On demand**	**Up to 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Unclassified and undetermined maturity**	**Valuation adjustments**	**Total**
Cash, cash balances at central banks and other on demand deposits	**2,693,746**	-	-	-	-	-	-	-	**(3)**	**2,693,743**
Financial assets held for trading	-	-	-	**5**	-	**859**	**2,112**	-	-	**2,976**
Derivatives	-	-	-	5	-	859	2,112	-	-	2,976
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	-	**433,848**	**4,142**	-	**437,990**
Equity instruments	-	-	-	-	-	-	-	4,142	-	4,142
Debt securities	-	-	-	-	-	-	116,324	-	-	116,324
Loans and advances	-	-	-	-	-	-	317,524	-	-	317,524
Customers	-	-	-	-	-	-	317,524	-	-	317,524
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	**801,723**	**1,207,408**	**32,964**	**140,774**	**117,976**	**(3,079)**	**2,297,766**
Equity instruments	-	-	-	-	-	-	-	117,976	-	117,976
Debt securities	-	-	-	801,723	1,207,408	32,964	140,774	-	(3,079)	2,179,790
Financial assets at amortised cost	**1,171,063**	**751,729**	**1,002,295**	**1,534,844**	**2,709,621**	**14,593,289**	**21,922,045**	**1,466,827**	**(905,750)**	**44,245,963**
Debt securities	-	-	-	6,458	5,031	3,668,598	7,796,857	-	3,013	11,479,957
Loans and advances	1,171,063	751,729	1,002,295	1,528,386	2,704,590	10,924,691	14,125,188	1,466,827	(908,763)	32,766,006
Credit institutions	13	72,012	-	-	-	-	2	258,277	7	330,311
Customers	1,171,050	679,717	1,002,295	1,528,386	2,704,590	10,924,691	14,125,186	1,208,550	(908,770)	32,435,695
TOTAL	**3,864,809**	**751,729**	**1,002,295**	**2,336,572**	**3,917,029**	**14,627,112**	**22,498,779**	**1,588,945**	**(908,832)**	**49,678,438**
EQUITY AND LIABILITIES	-	-	-	-	-	-	-	-	-	
Financial liabilities held for trading	-	-	-	**5**	-	**721**	**1,884**	-	**(1)**	**2,609**
Derivatives	-	-	-	5	-	721	1,884	-	(1)	2,609
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	**29,782,473**	**2,457,361**	**1,656,174**	**1,368,926**	**1,667,928**	**11,233,373**	**1,090,330**	**260,728**	**(1,012)**	**49,516,281**
Deposits	29,782,473	2,301,448	1,656,174	1,368,926	1,667,928	9,993,638	703,630	9,052	(33,335)	47,449,934
Central banks	-	-	-	-	-	9,482,000	-	-	(32,471)	9,449,529
Credit institutions	72,572	106,053	22,393	125,494	48,425	380,253	99,907	8,183	644	863,924
Customers	29,709,901	2,195,395	1,633,781	1,243,432	1,619,503	131,385	603,723	869	(1,508)	37,136,481
Debt securities issued	-	-	-	-	-	1,239,735	386,700	-	32,323	1,658,758
Other financial liabilities	-	155,913	-	-	-	-	-	251,676	-	407,589
Memorandum: subordinated liabilities	-	-	-	-	-	-	386,700	-	13,921	400,621
TOTAL	**29,782,473**	**2,457,361**	**1,656,174**	**1,368,931**	**1,667,928**	**11,234,094**	**1,092,214**	**260,728**	**(1,013)**	**49,518,890**

The following table shows the Group's total credit risk net of valuation adjustments at 31 December 2021 and 31 December 2020:

	Thousands of Euros	
	2021	2020
Financial assets held for trading	**1,131**	**2,976**
Derivatives	1,131	2,976
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**462,547**	**437,990**
Equity instruments	4,119	4,142
Debt securities	108,745	116,324
Loans and advances	349,683	317,524
Financial assets designated at fair value through profit or loss	**-**	**-**
Debt securities	-	-
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	**570,206**	**2,297,766**
Equity instruments	131,254	117,976
Debt securities	438,952	2,179,790
Financial assets at amortised cost	**48,561,611**	**44,245,963**
Debt securities	14,599,303	11,479,957
Loans and advances	33,962,308	32,766,006
Derivatives	**606,871**	**-**
Total credit risk due to financial assets	**50,202,366**	**46,984,695**
Loan commitments given	5,295,409	4,734,941
Financial guarantees given	316,965	283,840
Other commitments given	882,981	552,970
Total off-balance sheet exposures	**6,495,355**	**5,571,751**
Total maximum exposure to credit risk	**56,697,721**	**52,556,446**

Credit risk concentration by activity, geographical area and counterparty at 31 December 2021 and 31 December 2020 is as follows:

	Thousands of Euros				
	2021				
	TOTAL	**Spain**	**Rest of the European Union**	**America**	**Rest of the world**
Central banks and credit institutions	**5,656,045**	**5,295,509**	**353,065**	**959**	**6,512**
Public Administrations	**15,866,685**	**6,108,973**	**9,754,689**	**-**	**3,023**
Central government	14,527,405	4,769,693	9,754,689	-	3,023
Other Public Administrations	1,339,280	1,339,280	-	-	-
Other financial corporations and self-employed individuals (financial business activity)	**1,723,947**	**1,172,530**	**477,830**	**4,119**	**69,468**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by purpose)	**18,567,451**	**17,356,168**	**962,568**	**56,184**	**192,531**
Real estate development and construction (including land)	434,531	434,365	-	-	166
Execution of civil works	4,361	4,361	-	-	-
Other purposes	18,128,559	16,917,442	962,568	56,184	192,365
Large companies	5,913,942	4,743,206	934,370	53,567	182,799
SMEs and self-employed	12,214,617	12,174,236	28,198	2,617	9,566
Other households (broken down by purpose)	**14,106,490**	**13,855,285**	**114,082**	**10,877**	**126,246**
Housing	12,827,756	12,580,748	111,924	10,792	124,292
Consumer	319,540	317,976	841	75	648
Other purposes	959,194	956,561	1,317	10	1,306
TOTAL	**55,920,618**	**43,788,465**	**11,662,234**	**72,139**	**397,780**
	2020				
	TOTAL	**Spain**	**Rest of the European Union**	**America**	**Rest of the world**
Central banks and credit institutions	**2,904,316**	**2,825,848**	**72,440**	**1,240**	**4,788**
Public Administrations	**13,984,517**	**4,654,264**	**9,326,252**	**-**	**4,001**
Central government	13,099,688	3,769,435	9,326,252	-	4,001
Other Public Administrations	884,829	884,829	-	-	-
Other financial corporations and self-employed individuals (financial business activity)	**1,767,089**	**1,406,135**	**310,051**	**4,142**	**46,761**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by purpose)	**17,456,636**	**16,562,625**	**733,588**	**80,513**	**79,910**
Real estate development and construction (including land)	589,523	589,523	-	-	-
Execution of civil works	4,719	4,719	-	-	-
Other purposes	16,862,394	15,968,383	733,588	80,513	79,910
Large companies	5,217,074	4,369,416	691,003	80,334	76,321
SMEs and self-employed	11,645,320	11,598,967	42,585	179	3,589
Other households (broken down by purpose)	**14,120,444**	**13,888,838**	**100,483**	**10,979**	**120,144**
Housing	12,456,266	12,230,656	97,694	10,793	117,124
Consumer	330,405	328,594	944	92	774
Other purposes	1,333,773	1,329,588	1,845	94	2,246
TOTAL	**50,233,002**	**39,337,710**	**10,542,814**	**96,874**	**255,604**

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 2021 and 31 December 2020 is as follows:

	Thousands of Euros 2021									
	TOTAL	Andalusia	Aragón	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla-Leon	Catalonia
Central banks and credit institutions	5,295,509	152,301	25,267	-	710	-	257,438	-	-	76,992
Public Administrations	6,108,973	177,361	7,016	25,013	5,735	131,764	-	92,140	76,694	86,419
Central government	4,769,693	-	-	-	-	-	-	-	-	-
Other Public Administrations	1,339,280	177,361	7,016	25,013	5,735	131,764	-	92,140	76,694	86,419
Other financial corporations and self-employed individuals (financial business activity)	1,172,530	271,649	167	6	898	878	4	291	1,486	18,345
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by purpose)	17,356,168	4,431,102	209,553	116,436	535,553	775,061	31,114	308,431	1,095,994	1,032,139
Real estate development and construction (including land)	434,365	161,074	5,594	-	2,374	23,264	42	3,566	10,513	13,983
Execution of civil works	4,361	481	-	-	-	-	-	-	-	-
Other purposes	16,917,442	4,269,547	203,959	116,436	533,179	751,797	31,072	304,865	1,085,481	1,018,156
Large companies	4,743,206	618,069	115,268	84,782	110,537	165,157	4,669	40,332	96,519	486,984
SMEs and self-employed	12,174,236	3,651,478	88,691	31,654	422,642	586,640	26,403	264,533	988,962	531,172
Other households (broken down by purpose)	13,855,285	3,939,613	31,402	13,764	364,652	412,808	11,667	137,088	530,605	1,013,121
Housing	12,580,748	3,585,550	28,667	12,493	335,328	367,624	10,976	126,022	488,583	965,870
Consumer	317,976	96,528	639	579	6,587	17,102	403	3,338	14,059	10,492
Other purposes	956,561	257,535	2,096	692	22,737	28,082	288	7,728	27,963	36,759
TOTAL	43,788,465	8,972,026	273,405	155,219	907,548	1,320,511	300,223	537,950	1,704,779	2,227,016

	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencian Community	Basque Country	La Rioja	Ceuta y Melilla
Central banks and credit institutions	4,268	11,392	4,653,743	-	-	248	113,150	-	-
Public Administrations	-	-	163,033	109,626	245	396,371	1	2,528	65,334
Central government	-	-	-	-	-	-	-	-	-
Other Public Administrations	-	-	163,033	109,626	245	396,371	1	2,528	65,334
Other financial corporations and self-employed individuals (financial business activity)	71	15	839,860	7,683	7	5,217	25,552	-	401
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by purpose)	51,526	293,144	2,090,656	2,357,509	126,768	3,406,303	448,918	30,789	15,172
Real estate development and construction (including land)	30	2,032	39,665	43,052	348	127,225	-	-	1,603
Execution of civil works	-	-	3,880	-	-	-	-	-	-
Other purposes	51,496	291,112	2,047,111	2,314,457	126,420	3,279,078	448,918	30,789	13,569
Large companies	9,224	191,904	1,348,803	414,827	84,745	545,929	408,119	12,733	4,605
SMEs and self-employed	42,272	99,208	698,308	1,899,630	41,675	2,733,149	40,799	18,056	8,964
Other households (broken down by purpose)	6,877	28,429	729,176	2,480,723	34,607	4,044,591	7,597	7,306	61,259
Housing	6,077	25,798	685,366	2,295,029	31,927	3,543,435	7,094	6,692	58,217
Consumer	201	763	8,741	59,358	920	97,095	146	241	784
Other purposes	599	1,868	35,069	126,336	1,760	404,061	357	373	2,258
TOTAL	62,742	332,980	8,476,468	4,955,541	161,627	7,852,730	595,218	40,623	142,166

	Thousands of Euros 2020									
	TOTAL	Andalusia	Aragón	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla-Leon	Catalonia
Central banks and credit institutions	2,825,848	291,416	27,015	-	710	-	16,308	2,013	-	40,136
Public Administrations	4,654,264	172,752	14,121	25,043	1,002	1,860	-	4,615	87,646	33,289
Central government	3,769,435	-	-	-	-	-	-	-	-	-
Other Public Administrations	884,829	172,752	14,121	25,043	1,002	1,860	-	4,615	87,646	33,289
Other financial corporations and self-employed individuals (financial business activity)	1,406,134	245,604	211	7	785	772	4	133	1,275	16,692
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by purpose)	16,562,626	4,215,253	139,153	116,006	548,699	742,616	30,391	279,681	1,055,096	828,970
Real estate development and construction (including land)	589,523	194,246	2,930	-	3,267	31,246	57	7,384	15,079	18,231
Execution of civil works	4,719	543	-	-	-	-	-	-	-	-
Other purposes	15,968,384	4,020,464	136,223	116,006	545,432	711,370	30,334	272,297	1,040,017	810,739
Large companies	4,369,417	568,669	77,228	87,934	107,885	155,756	4,786	39,571	100,595	337,552
SMEs and self-employed	11,598,967	3,451,795	58,995	28,072	437,547	555,614	25,548	232,726	939,422	473,187
Other households (broken down by purpose)	13,888,838	3,923,687	30,267	9,603	335,101	399,064	10,431	140,870	518,034	1,043,115
Housing	12,230,655	3,483,825	26,995	8,227	297,388	343,745	9,397	125,133	468,018	982,784
Consumer	328,594	98,911	555	538	6,596	18,083	427	3,339	13,710	10,871
Other purposes	1,329,589	340,951	2,717	838	31,117	37,236	607	12,398	36,306	49,460
TOTAL	39,337,710	8,848,712	210,767	150,659	886,297	1,144,312	57,134	427,312	1,662,051	1,962,202

	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencian Community	Basque Country	La Rioja	Ceuta y Melilla
Central banks and credit institutions	-	11,413	2,394,247	-	-	25,909	16,681	-	-
Public Administrations	-	-	172,039	110,229	272	187,331	-	3,539	71,091
Central government	-	-	-	-	-	-	-	-	-
Other Public Administrations	-	-	172,039	110,229	272	187,331	-	3,539	71,091
Other financial corporations and self-employed individuals (financial business activity)	13	13	997,367	7,535	-	9,989	125,311	-	423
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by purpose)	43,146	230,293	2,241,084	2,315,312	95,918	3,261,341	372,240	29,448	17,979
Real estate development and construction (including land)	34	2,158	50,329	68,104	408	193,017	-	-	3,033
Execution of civil works	-	-	4,176	-	-	-	-	-	-
Other purposes	43,112	228,135	2,186,579	2,247,208	95,510	3,068,324	372,240	29,448	14,946
Large companies	3,246	124,519	1,519,296	424,277	60,889	401,757	342,778	12,679	-
SMEs and self-employed	39,866	103,616	667,283	1,822,931	34,621	2,666,567	29,462	16,769	14,946
Other households (broken down by purpose)	4,746	21,944	708,610	2,505,289	23,433	4,137,928	7,632	6,083	63,001
Housing	4,196	18,311	660,993	2,216,225	20,684	3,493,058	6,901	5,280	59,495
Consumer	166	891	9,114	61,269	955	101,908	127	241	893
Other purposes	384	2,742	38,503	227,795	1,794	542,962	604	562	2,613
TOTAL	47,905	263,663	6,513,347	4,938,365	119,623	7,622,498	521,864	39,070	152,494

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 sheet are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2021	2020	2021	2020
Derivatives	1,131	2,976	907	2,609
Equity instruments	-	-	-	-
Debt securities	-	-	-	-
Loans and advances	-	-	-	-
Total	**1,131**	**2,976**	**907**	**2,609**

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 2021 and 31 December 2020 the fair value of trading derivatives on the asset side is €1,131 thousand and €2,976 thousand, respectively, with the fair value of derivatives on the liabilities side standing at €907 thousand and €2,609 thousand, respectively.

The fair values of trading derivatives are classified in Level 2 (Notes 3.27 and 8.1) because the valuations are calculated on the basis of observable market inputs. These are mainly interest rate derivatives whose notional value at 31 31 December 2021 was €1,266,015 thousand (€1,571,615 thousand at 31 December 2020).

The notional values and the fair values of financial derivatives registered as "Trading derivatives" at 31 December 2021 and 31 December 2020 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							
	2021				2020			
	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	**1,131**	**907**	**1,266,015**	**12,552**	**2,976**	**2,609**	**1,571,615**	**19,447**
OTC options	99	99	25,104	12,552	189	188	38,894	19,447
Other OTC	1,032	808	1,240,911	-	2,787	2,421	1,532,721	-
Other OTC	-	-	-	-	-	-	-	-
DERIVATIVES	**1,131**	**907**	**1,266,015**	**12,552**	**2,976**	**2,609**	**1,571,615**	**19,447**
Of which: OTC – credit institutions	99	809	1,219,435	-	189	2,421	1,495,161	-
Of which: OTC – others	1,033	99	46,579	-	2,787	188	76,453	-

8.2.2. Equity instruments

At 31 December 2021 and 31 December 2020, the Bank has no positions in this portfolio, although it did establish such a portfolio of €5,997 thousand in 2020 that was derecognised in the same year.

Income from "Equity instruments" at 31 December 2020 totalled €5 thousand.

The gains or losses recorded on the statement of profit or loss on the disposal of assets classified in the portfolio at 31 December 2020 amounted to a loss of €261 thousand.

8.2.3. Debt securities

At 31 December 2021 and 31 December 2020, the Bank has no positions in this portfolio, although it did establish such a portfolio of €39,686 thousand in 2020 that was derecognised in the same year.

Income from "Debt securities" at 31 December 2020 amounted to €5 thousand (Note 26).

The gains or losses recorded on the statement of profit or loss on the disposal of assets classified in the portfolio at 31 December 2020 amounted to a gain of €85 thousand.

8.2.4. Loans and advances

At 31 December 2021 and 31 December 2020 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 sheet are as follows:

	Thousands of Euros	
	2021	2020
Equity instruments	4,119	4,142
Debt securities	108,745	116,324
Loans and advances	349,683	317,524
Total	**462,547**	**437,990**

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 2021 and 31 December 2020 the breakdown of this heading by the issuer's business sector is as follows:

	Thousands of Euros	
	2021	2020
Credit institutions	-	-
Other resident sectors	-	-
Non-residents	4,119	4,142
Total	**4,119**	**4,142**

At 31 December 2021 and 31 December 2020 the account "Equity instruments", breakdown as follows, based on whether or not the shares making up the heading are listed or not, also showing the percentages of the total:

	2021		2020	
	Thousands of Euros	% of total	Thousands of Euros	% of total
Listed:	-	-	-	-
Non-listed:	**4,119**	**100.00%**	**4,142**	**100.00%**
Cost	1,520	36.90%	1,404	33.90%
Valuation adjustments against profit or loss	2,599	63.10%	2,738	66.10%
Total	**4,119**	**100.00%**	**4,142**	**100.00%**

In 2021 and 2020 the account "Equity instruments" reflects the following movements, excluding impairment losses and making a distinction between securities that are listed on an organised market and those that are not listed:

	Thousands of Euros			
	Listed		Non-listed	
	2021	2020	2021	2020
Opening balance	-	-	**4,142**	-
Additions	-	-	-	-
Disposals	-	-	-	(1,506)
Transfers and reclassifications	-	-	-	2,910
Value adjustments against profit and loss	-	-	(139)	2,738
Currency conversion	-	-	116	-
Closing balance	-	-	**4,119**	**4,142**

The €116 thousand change in securities not listed on official markets in 2021 was due to the exchange rate adjustment affecting Visa Inc.

Movements in 2020 due to transfers of securities not listed on official markets corresponded to Visa Inc. and totalled €2,910 thousand, while movements due to derecognitions over the year corresponded to the partial settlement of "Class C" (convertible) shares of Visa Inc. and totalled €1,506 thousand executed in the first contractually recognised conversion window.

8.3.2. Debt securities

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

	Thousands of Euros	
	2021	2020
Central banks	-	-
Public administrations	-	-
Credit institutions	100,513	94,016
Other private sectors	8,232	22,308
Non-performing assets	-	-
Total	**108,745**	**116,324**

At 31 December 2021 and 31 December 2020 there were no securities pledged to secure transactions

Movements in the balance under this heading of the accompanying consolidated balance sheet in 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Opening balance	**116,324**	**122,420**
Procurements	18,414	-
Sales and redemptions	(31,529)	(1,444)
Portfolio cost allowance	(2,416)	1,033
Accrued interest	20	-
Valuation adjustments against profit and loss	7,932	(5,685)
Closing balance	**108,745**	**116,324**

At 31 December 2021 the nominal value of the securities in this portfolio was €106,183 thousand, while their fair value was €108,745 thousand. At 31 December 2020 the nominal value of the securities in this portfolio was €119,425 thousand, while their fair value was €116,324 thousand.

Income from "Debt securities" at 31 December 2021 amounted to €3,428 thousand (€6,811 thousand at 31 December 2020) (Note 26).

The effective interest rate on debt instruments classified in this portfolio in the Group during 2021 was 3.95% (4.73% in 2020).

8.3.3. Loans and advances

At 31 December 2021 this heading includes an amount of €349,683 thousand corresponding to the variable price of the Cajamar Vida, S.A. transaction (€317,524 thousand at 31 December 2020).

In 2004, the Group sold 50% of the capital of Cajamar Vida, S.A. de Seguros y Reaseguros to Generali España, Holding de Entidades de Seguros, S.A., retaining the other 50% of the shares. According to the share sale-purchase agreement, the shares' overall price, which is to be settled in 15 years, consisted of a fixed price of €9,508 thousand that was collected in 2004 and a variable price that will be calculated based on the value of the business and the net value of the assets at the time the contract, which has been rolled over several times, expires.

Subsequently, in order to include agreements reached as a result of the new configuration of the IPS and the branch network, in subsequent years contract amendments were renegotiated, which have primarily modified how the variable price is determined. The last amendment was dated 4 August 2016 and stipulated that the Accrued Variable Price be recognised each anniversary of the Variable Price as a fixed amount that cannot be revised. The agreement will be automatically extended if the Accrued Variable Price is higher than the Accrued Price on the 15th anniversary, up until the time at which that price exceeds or equals the Accrued Variable Price. The annual change in the present value of the Accrued Variable Price is recognised under the heading "Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss – Loans and advances". It amounted to €29,767 thousand in 2021 (31 December 2020: €79,144 thousand).

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

At 31 December 2021 and 31 December 2020 there were no balances booked 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	
	2021	2020
Debt securities	438,952	2,179,790
Equity instruments	131,254	117,976
Loans and advances	-	-
Total	**570,206**	**2,297,766**

The fair values of assets classified in the "Financial assets at fair value through other comprehensive income" portfolio are classified in three levels: Level 1 refers to all those assets whose valuation prices are obtained from active markets; Level 2 is for assets having prices or valuations based on variables other than those that apply to Level 1 and which are directly or indirectly observable in the market; and Level 3 contains assets whose valuation or valuation price is provided by a third party or calculated internally on the basis of in-house criteria and models (Note 8.1).

8.5.1. Debt securities

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

	Thousands of Euros	
	2021	2020
Central banks	-	-
Public administrations	302,210	2,035,919
Credit institutions	96,726	96,421
Other private sectors	43,073	50,529
Non-performing assets	-	-
Valuation adjustments:	-	-
Valuation adjustments for impairment	(3,057)	(3,079)
Total	**438,952**	**2,179,790**

The effective interest rate on debt instruments classified in this portfolio in the Group during 2021 was 0.52% (0.14% in 2020).

At 31 December 2021 none of the amounts comprising the balance of "Debt securities" corresponded to "Repurchase agreements" (€100,190 thousand at 31 December 2020).

Movements in the balance under this heading of the accompanying consolidated balance sheet at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	2020
Opening balance	**2,179,790**	**2,250,307**
Procurements	1,969,542	6,574,560
Sales and redemptions	(3,704,715)	(6,641,644)
Portfolio cost allowance	23,135	(12,078)
Accrued interest	(15,849)	7,910
Valuation adjustments in equity	(12,973)	986
Valuation adjustments for impairment	22	(251)
Closing balance	**438,952**	**2,179,790**

The gains or losses recorded on the statement of profit or loss at 31 December 2021 on the disposal of assets classified as "Financial assets at fair value through other comprehensive income" amounted to €1,068 thousand (31 December 2020: €8,135 thousand) (Note 26).

At 31 December 2021 the interest accrued on "Debt securities" was €3,984 thousand (31 December 2020: €5,256 thousand) (Note 26).

The breakdown of impairment losses booked at 31 December 2021 and 31 December 2020 for assets under the "Financial assets at fair value through other comprehensive income – Debt securities" heading is as follows:

	Thousands of Euros	
	2021	2020
Opening balance	**(3,079)**	**(3,082)**
Allowances taken to profit or loss	-	-
Recoveries	21	3
Cancellations due to use and others	1	-
Closing balance	**(3,057)**	**(3,079)**

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 2021 and 31 December 2020 the breakdown of this heading by the issuer's business sector is as follows:

	Thousands of Euros	
	2021	2020
Credit institutions	2,952	2,952
Other resident sectors	67,744	70,317
Non-residents	60,557	44,707
Total	**131,253**	**117,976**

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 €9,141 thousand at 31 December 2021 (31 December 2020: €12,774 thousand) (Note 18.2)

Income from "Equity instruments" at 31 December 2021 and 2020 amounted to €3,925 thousand and €8,878 thousand, respectively (Note 26).

At 31 December 2021 and 31 December 2020 the account "Equity instruments", breakdown as follows, based on whether or not the shares making up the heading are listed or not, also showing the percentages of the total:

	2021		2020	
	Thousands of Euros	% of total	Thousands of Euros	% of total
Listed:	**16,292**	**12.41%**	**29,725**	**25.20%**
Cost	15,703	11.96%	31,072	26.34%
Accumulated other comprehensive income	588	0.45%	(1,347)	(1.14%)
Non-listed:	**114,962**	**87.59%**	**88,250**	**74.80%**
Cost	119,052	90.70%	102,717	87.07%
Accumulated other comprehensive income	(4,091)	(3.12%)	(14,467)	(12.26%)
Total	**131,253**	**100.00%**	**117,976**	**100.00%**

In 2021 and 2020 the account "Equity instruments" reflects the following movements, excluding impairment losses and making a distinction between securities that are listed on an organised market and those that are not listed:

	Thousands of Euros			
	Listed		Non-listed	
	2021	2020	2021	2020
Opening balance	**29,725**	**205,612**	**88,251**	**95,048**
Additions	-	104,404	41,834	21,502
Disposals	(15,369)	(284,322)	(25,498)	(9,804)
Transfers and reclassifications	-	(122)	-	(2,787)
Cost correction	-	-	-	256
Accumulated other comprehensive income	1,936	4,153	10,376	(16,167)
Accumulated other comprehensive income – Currency conversion	-	-	-	203
Closing balance	**16,292**	**29,725**	**114,962**	**88,251**

The most significant derecognitions of equity instruments during 2021 and comprising securities listed on official markets related to the sale of 7,841 thousand Endesa shares, 2,809 thousand Red Eléctrica de España shares and 2,413 thousand Total Fina ELF shares.

The most significant additions under "Equity instruments" during 2021 and comprising securities not listed on official markets primarily related to the acquisition and new redemptions of equity stakes in Sociedad Española de Sistemas de Pago, S.A. (IBERPAY); and the acquisition of equity stakes in Ponienteplast, S.A., Oquendo Senior Debt Fund II, S.C.A. SICAV-RAIF, Pemberton Senior Loan Fund SCSP SICAV-RAIF (A), and Oquendo Senior Debt Fund One, S.C.A. SICAV-RAIF.

The Parent's equity stake in Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) was disposed of in 2021, due to a €11,251-thousand reduction in the equity stake held to zero to redress its equity. The entire gain from this disposal has been taken to reserves. As a result of the action to redress equity, a new contribution has also been made to Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) of €7,068 thousand, which has been fully written down by recognising an impairment allowance under "Other comprehensive income" in equity.

Moreover, disbursements in several venture capital funds totalling €3,824 thousand were also made, and in Pemberton Senior Loan Fund SCSP SICAV-RAIF (A), Trea Direct Lending S.C.A. SICAV-RAIF (TREA DL II), and Private Debt Co-Investor Fund II of €4,284 thousand, €2,561 thousand and €1,652 thousand, respectively.

The most significant additions under "Equity instruments" during 2020 and comprising securities not listed on official markets primarily related to the new contributions in Private Debt Co-Investor Fund II, F.C.R. and Certior Credit Opportunities Fund II SCSP amounting to €8,077 thousand and €1,979 thousand, respectively. Other redemptions included several additional redemptions in Trea Direct Lending, S.C.A. and SICAV-RAIF (TDL II) of €6,182 thousand, €1,500 thousand, €800 thousand and €74 thousand, respectively.

The significant derecognitions in 2020 corresponded to several redemptions of venture capital funds totalling €2,011 thousand, and in BTC Trea S.C.A. SICAR (TDL) of €1,832 thousand;. During the year, the capital of Espiga Capital Inversión, S.C.R., S.A. was reduced and the equity stake sold for €2,685 thousand.

The most significant derecognitions of equity instruments during 2020 and comprising securities listed on official markets related to the sale of Fondo ETF Lixor Ibex 35 for €24,970 thousand.

In 2020, the equity stake in Visa Inc was reclassified to "Financial assets designated at fair through profit or loss" in the amount of €2,910 thousand.

8.5.3. Loans and advances

At 31 December 2021 and 31 December 2020 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.

At 31 December 2021 and 2020, the details of these variations on the consolidated balance sheets are as follows:

Items that will not be reclassified to profit or loss	Thousands of Euros	
	2021	**2020**
Changes in the fair value of equity instruments at fair value through other comprehensive income	**2,505**	**(5,268)**
Gains/losses	9,433	(2,765)
Tax effect	(6,928)	(2,503)
Total valuation adjustments	**2,505**	**(5,268)**

Items that will be reclassified to profit or loss	Thousands of Euros	
	2021	**2020**
Foreign currency translation		
Debt instruments at fair value through other comprehensive income		
Gains/losses	(5,074)	5,385
Tax effect	1,886	(1,674)
Total valuation adjustments	**(3,188)**	**3,711**

8.6. Financial assets at amortised cost

The detail of this heading of the accompanying consolidated balance sheet is as follows:

	Thousands of Euros	
	2021	**2020**
Loans and advances to credit institutions	153,432	330,311
Loans and advances to customers	33,808,876	32,435,695
Debt securities	14,599,303	11,479,957
Total	**48,561,611**	**44,245,963**

The following table shows loans and receivables drawn down and financial guarantees given at 31 December 2021 and 31 December 2020 by segment, portfolio and sub-portfolio:

	Thousands of Euros			
	2021		2020	
	Exposure	Distribution (%)	Exposure	Distribution (%)
Retail:	**23,990,162**	**60.11%**	**23,908,334**	**62.69%**
Home mortgage:	**13,032,421**	**32.65%**	**12,546,419**	**32.90%**
Primary	11,526,626	28.88%	11,100,795	29.11%
Other uses	1,505,795	3.77%	1,445,624	3.79%
Other household financing:	**1,020,584**	**2.56%**	**1,450,175**	**3.80%**
Micro-consumer	569,808	1.43%	198,615	0.52%
Car	-	-	71,454	0.19%
Other goods and services	450,776	1.13%	1,180,106	3.09%
Automatically renewable:	**684,797**	**1.72%**	**678,367**	**1.78%**
Credit cards	675,250	1.70%	665,372	1.74%
Overdrafts	9,547	0.02%	12,995	0.03%
Small businesses:	**5,508,924**	**13.80%**	**5,616,332**	**14.73%**
Self-employed	1,698,676	4.26%	1,687,871	4.43%
Micro companies	2,114,934	5.30%	2,197,124	5.76%
Small retail	1,241,236	3.11%	1,296,923	3.40%
Medium retail	454,078	1.13%	434,414	1.14%
Retail agro-food:	**3,743,436**	**9.38%**	**3,617,041**	**9.48%**
Greenhouse cultivation	783,702	1.96%	782,199	2.05%
Other agro-food sector	2,959,734	7.42%	2,834,842	7.43%
Corporate:	**11,871,060**	**29.75%**	**10,987,240**	**28.81%**
Developers:	**736,940**	**1.85%**	**898,773**	**2.36%**
Housing development	428,334	1.07%	502,688	1.32%
Land	112,777	0.28%	195,452	0.51%
Other developers	195,829	0.50%	200,633	0.53%
Corporate agro-food:	**4,290,315**	**10.75%**	**3,955,825**	**10.37%**
Agrofood producer	1,130,867	2.83%	1,107,475	2.90%
Agrofood distributor	2,671,859	6.69%	2,436,321	6.39%
Agrofood auxiliary industry	487,589	1.23%	412,029	1.08%
SMEs:	**2,569,330**	**6.44%**	**2,484,817**	**6.52%**
Small	1,529,212	3.83%	1,499,965	3.93%
Medium	1,040,118	2.61%	984,852	2.58%
Large companies:	**4,274,475**	**10.71%**	**3,647,825**	**9.57%**
Public administrations:	**3,014,009**	**7.55%**	**2,290,232**	**6.01%**
Non-profits:	**146,047**	**0.37%**	**157,803**	**0.41%**
Financial intermediaries:	**887,693**	**2.22%**	**792,433**	**2.08%**
Total loan portfolio	**39,908,971**	**100.00%**	**38,136,042**	**100.00%**
Of which: structured transactions	**2,252,608**	**5.64%**	**1,723,417**	**4.52%**

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), assets in delinquency 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	
	2021	**2020**
Term deposits	**20,006**	**52,317**
Hybrid financial assets	**-**	**-**
Reverse repurchase agreement	**-**	**-**
Non-performing assets	**-**	**13**
Resident credit institutions	-	13
Other financial assets	**133,421**	**277,973**
Valuation adjustments	**5**	**8**
Valuation adjustments for impairment	(2)	(6)
Accrued interest	(1)	4
Unaccrued transaction costs	8	10
Total	**153,432**	**330,311**

The movement in impairment losses recognised at 31 December 2021 is as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 December 2020	**-**	**-**	**(6)**	**(6)**
Increases due to origination and acquisition	-	-	-	-
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	-	(1)	6	5
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	(1)	-	-	(1)
Balance at 31 December 2021	**(1)**	**(1)**	**-**	**(2)**

The movement in impairment losses recognised at 31 December 2020 is as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 diciembre de 2019	**-**	**-**	**-**	**-**
Increases due to origination and acquisition	-	-	-	-
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	-	-	(6)	(6)
Changes due to modifications with no derecognitions (net)	-	-	-	-
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 December 2020	**-**	**-**	**(6)**	**(6)**

8.6.2. Loans and advances - Customer loans

The breakdown of this heading on the accompanying consolidated balance sheets is indicated below, in accordance with the type and status of the loan, and the sector in which the counterparty operates:

	Thousands of Euros	
	2021	**2020**
By credit type and status:		
Commercial loans	1,252,206	882,197
Secured loans	18,482,953	17,912,896
Other term loans	12,413,323	11,726,688
Finance leases	314,041	306,821
Receivables on demand and others	556,407	522,305
Non-performing assets	1,311,024	1,657,750
Other financial assets:		
Commissions for financial guarantees and other commitments given (Note 22.2) (Note 22.3)	53,596	47,129
Other financial assets	233,394	288,679
Of which in arrears	*900*	*555*
Valuation adjustments	(808,068)	(908,770)
Total	**33,808,876**	**32,435,695**
By sector:		
Public Administrations	1,440,580	924,491
Other private sectors:		
Financial corporations	985,369	1,035,027
Non-financial corporations	14,126,698	13,421,200
Households	17,256,229	17,054,977
Total	**33,808,876**	**32,435,695**

At 31 December 2021 and 31 December 2020, the fair value of debt instruments in this portfolio is equal to their book value.

The heading “Other financial assets – Other assets” includes other balances receivable by the Group for transactions that are not classified as loans.

The effective interest rate on debt instruments classified in this portfolio in the Group during 2021 was 1.61% (1.66% in 2020).

During 2021 and 2020 the Group individually assigned certain loans for insignificant amounts. As with the sale of the aforementioned loan books, the purpose of this assignment was to manage credit risk.

As a result of these sales the assignees acquired full ownership of the assigned loans.

Details, excluding valuation adjustments, of loans and advances to customers at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Performing exposure	33,305,020	31,686,160
Of which: Watch-list performing exposure	*2,692,523*	*2,389,742*
Non-performing exposure	1,311,024	1,657,750
Other assets in arrears	900	555
Closing balance	**34,616,944**	**33,344,465**

The amount of collateral received to secure loans and advances to customers at 31 December 2021 and 31 December 2020, is as follows:

2021	Thousands of Euros – Maximum amount of collateral or personal guarantee that can be considered						
	Loans collateralised by property		Other collateralised loans				Financial guarantees received
	Residential buildings	Commercial buildings	Cash, deposit, [debt securities issued]	Moveable goods	Equity instruments and Debt securities	Other	
Loans and advances	**13,841,295**	**4,204,973**	**23,812**	**2,823**	**-**	**2,031**	**3,261,560**
Of which: Other financial corporations	1,736	874	86	-	-	-	**5,420**
Of which: Non-financial corporations	458,902	2,891,050	13,675	2,558	-	1,774	**2,724,766**
Of which: Small and medium-sized enterprises	457,386	2,577,742	13,141	1,927	-	1,331	**2,277,914**
Of which: Business property loans to small and medium-sized enterprises	346,724	2,577,742	1,654	-	-	-	**12,471**
Of which: Business property loans to non-financial corporations other than small and medium-sized enterprises	1,380	313,308	-	-	-	-	**290**
Of which: Households	13,358,141	1,303,426	9,584	265	-	257	**525,781**
Of which: Lending for house purchase	12,507,989	180,509	2,005	-	-	41	**15,335**
Of which: Consumer credit	31	86	2,021	-	-	-	**10,887**

2020	Miles de euros – Maximum amount of collateral or personal guarantee that can be considered						
	Loans collateralised by property		Other collateralised loans				Financial guarantees received
	Residential buildings	Commercial buildings	Cash, deposit, [debt securities issued]	Moveable goods	Equity instruments and Debt securities	Other	
Loans and advances	**13,601,512**	**4,599,302**	**31,917**	**175,417**	**-**	**365**	**2,580,634**
Of which: Other financial corporations	2,648	1,213	94	-	-	-	**9,773**
Of which: Non-financial corporations	479,242	3,146,429	17,566	103,440	-	102	**2,357,450**
Of which: Small and medium-sized enterprises	477,499	2,836,605	16,942	94,074	-	102	**2,067,444**
Of which: Business property loans to small and medium-sized enterprises	326,644	2,754,492	1,960	373	-	102	**-**
Of which: Business property loans to non-financial corporations other than small and medium-sized enterprises	1,274	308,976	-	-	-	-	**-**
Of which: Households	13,095,069	1,441,658	13,660	71,977	-	263	**207,096**
Of which: Lending for house purchase	12,057,290	244,829	2,842	653	-	36	**219**
Of which: Consumer credit	51	136	2,935	-	-	-	**5**

Set out below is a breakdown by counterparty of loans and advances to customers at 31 December 2021 and 31 December 2020, together with details of the amount covered by each of the main guarantees and distribution of secured financing on the basis of the percentage of the book value of financing over the amount of the latest valuation of the guarantee available:

2021	Thousands of Euros							
				Secured loans, book value based on latest available appraisal (loan to value)				
	Total	Of which: Real estate mortgage secured	Of which: Other collateral	Less than or equal to 40%	Over 40% and equal to or less than 60%	Over 60% and equal to or less than 80%	Over 80% and equal to or less than 100%	Over 100%
Public Administrations	**1,420,456**	**38,127**	**467**	**2,657**	**18,859**	**3,212**	**1,702**	**12,164**
Other financial corporations and self-employed individuals (financial business activity)	**818,529**	**8,624**	**148**	**2,623**	**2,939**	**2,180**	**684**	**346**
Non-financial corporations and self-employed individuals (non-financial business activity)	**17,495,010**	**5,064,612**	**170,284**	**1,833,926**	**1,718,012**	**1,067,300**	**243,169**	**372,489**
Real estate development and construction (including land)	383,306	378,672	1,884	114,812	135,842	71,767	29,610	28,525
Execution of civil works	4,361	4,361	-	26	3,880	-	455	-
Other purposes	17,107,343	4,681,579	168,400	1,719,088	1,578,290	995,533	213,104	343,964
Large companies	5,268,707	348,864	11,360	120,969	130,227	38,195	25,657	45,176
SMEs and self-employed individuals	11,838,636	4,332,715	157,040	1,598,119	1,448,063	957,338	187,447	298,788
Other households	**14,074,881**	**13,241,378**	**9,125**	**3,618,899**	**4,005,741**	**3,891,474**	**1,248,191**	**486,198**
Housing	12,827,756	12,795,634	2,466	3,412,381	3,889,912	3,806,167	1,226,614	463,026
Consumer	319,540	160	2,140	54	10	12	1,579	645
Other purposes	927,585	445,584	4,519	206,464	115,819	85,295	19,998	22,527
Total	**33,808,876**	**18,352,741**	**180,024**	**5,458,105**	**5,745,551**	**4,964,166**	**1,493,746**	**871,197**
Memorandum items:								
Refinancing, refinanced and restructured transactions	**1,331,144**	**1,067,533**	**11,903**	**250,176**	**307,884**	**297,161**	**111,831**	**112,384**

2020	Thousands of Euros							
				Secured loans, book value based on latest available appraisal (loan to value)				
	Total	Of which: Real estate mortgage secured	Of which: Other collateral	Less than or equal to 40%	Over 40% and equal to or less than 60%	Over 60% and equal to or less than 80%	Over 80% and equal to or less than 100%	Over 100%
Public Administrations	**900,047**	**30,226**	**596**	**2,932**	**19,529**	**4,524**	**910**	**2,927**
Other financial corporations and self-employed individuals (financial business activity)	**817,322**	**8,753**	**169**	**3,384**	**3,061**	**1,739**	**495**	**243**
Non-financial corporations and self-employed individuals (non-financial business activity)	**16,628,180**	**5,187,384**	**219,745**	**1,821,085**	**1,729,934**	**1,159,034**	**302,934**	**394,142**
Real estate development and construction (including land)	542,829	532,207	3,872	135,789	114,604	138,810	84,021	62,855
Execution of civil works	4,718	4,718	-	52	4,176	-	490	-
Other purposes	16,080,633	4,650,459	215,873	1,685,244	1,611,154	1,020,224	218,423	331,287
Large companies	4,664,906	334,016	10,133	111,081	135,379	43,094	24,704	29,891
SMEs and self-employed individuals	11,415,727	4,316,443	205,740	1,574,163	1,475,775	977,130	193,719	301,396
Other households	**14,090,146**	**13,133,238**	**12,611**	**3,635,021**	**4,114,018**	**3,530,539**	**1,277,756**	**588,515**
Housing	12,456,266	12,415,679	3,973	3,336,361	3,938,807	3,390,298	1,226,536	527,650
Consumer	330,405	166	3,214	68	60	19	1,973	1,260
Other purposes	1,303,475	717,393	5,424	298,592	175,151	140,222	49,247	59,605
Total	**32,435,695**	**18,359,601**	**233,121**	**5,462,422**	**5,866,542**	**4,695,836**	**1,582,095**	**985,827**
Memorandum items:								
Refinancing, refinanced and restructured transactions	**1,070,903**	**951,745**	**9,904**	**179,460**	**208,368**	**262,309**	**156,280**	**155,232**

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 2021 and 31 December 2020 is as follows:

	Thousands of Euros					
	2021			2020		
Thousands of Euros	Risk	Distribution	Of which: Doubtful assets	Risk	Distribution	Of which: Doubtful assets
Exceeding 6,000	7,189,105	20.78%	92,327	6,207,039	18.62%	172,606
Between 3,000 and 6,000	1,645,925	4.75%	93,776	1,448,490	4.34%	120,668
Between 1,000 and 3,000	2,771,752	8.01%	143,712	2,512,561	7.54%	184,725
Between 500 and 1,000	2,294,839	6.63%	114,574	2,181,652	6.54%	125,902
Between 250 and 500	3,192,228	9.22%	166,349	3,300,566	9.90%	215,886
Between 125 and 250	5,553,823	16.04%	303,462	5,676,560	17.02%	381,625
Between 50 and 125	8,450,966	24.41%	267,449	8,438,599	25.31%	317,287
Between 25 and 50	2,220,325	6.41%	65,288	2,154,320	6.46%	70,930
Less than 25	1,297,981	3.75%	64,988	1,424,678	4.27%	68,676
Measurement adjustments	(808,068)			(908,770)		
Loans and advances	**33,808,876**	**100.00%**	**1,311,924**	**32,435,695**	**100.00%**	**1,658,305**

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	
	2021	2020
Valuation adjustments:		
Impairment allowances	(934,167)	(976,343)
Impairment allowances for other financial assets	(998)	(671)
Accrued interest	53,867	52,317
Accumulated changes in fair value not due to credit risk	(793)	162
Premiums/discounts on acquisition	(1,075)	(9,899)
Commissions	(57,526)	(59,280)
Transaction costs	132,624	84,944
Total	**(808,068)**	**(908,770)**

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 2021 and 31 December 2020 the outstanding balance of these operations was as follows:

	Thousands of Euros	
	2021	**2020**
Written off the balance sheet:	**94,091**	**103,636**
Loans granted to securitisation funds	25,046	30,282
Other transfers to credit institutions	7,716	10,719
Other transfers	61,329	62,635
Held on the balance sheet:	**4,084,481**	**4,132,996**
Loans granted to securitisation funds	4,084,481	4,132,996
Total	**4,178,572**	**4,236,632**

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 2021 the Group retained €3,622,908 thousand in securitised bonds relating to the above-mentioned transformations of loans and credit lines (€3,502,612 thousand at 31 December 2020) (Note 8.7.3).

Of the aforementioned €3,622,908 thousand in securitisation bonds existing at 31 December 2021 (€3,502,612 thousand at 31 December 2020), no amount was pledged in the loan agreement including the encumbrance of securities and other assets concluded with the Bank of Spain (Note 8.7.1).

Commissions on securitised assets written off the consolidated balance sheet and which relate to all those securitisations prior to 1 January 2004 are recognised in "Gains or (-) losses on financial assets and liabilities " on the consolidated statement of profit or loss at 31 December 2021 and 31 December 2020 in an amount of €120 thousand and €263 thousand, respectively.

The net liability recorded in the balance sheet as a balancing entry for the securitised assets maintained on the balance sheet are classified under "Financial liabilities at amortised cost – Customer deposits" totalling €447,792 thousand and €599,657 thousand in 2021 and 2020, respectively, under the heading "Participation mortgages issued" (Note 8.7.3).

Of the loans and receivables recorded in the balance sheet, the Group has certain balances that have been pledged basically to the securitisations carried out, the issue of mortgage covered bonds as well as the transformations carried out, as follows:

	Thousands of Euros	
	2021	**2020**
Pledged loans and credit facilities		
Securing asset securitisations	4,170,856	4,225,913
Securing mortgage covered bonds and notes	7,174,669	7,174,669
Total	**11,345,525**	**11,400,582**

In accordance with the minimum coverage established by legislation governing the issue of mortgage covered bonds, the loans and credit facilities securing these issues have been calculated by applying 125% to the issues in force and they constitute the minimum coverage of the total eligible portfolio for these issues.

Securitisation arrangements in force at 31 December 2021 and 31 December 2020 to which the Group is party are as follows:

31 December 2021

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
TDA18-MIXTO FTA	77.84%	14/11/2003	Multi-assignor	OFF-BALANCE SHEET	330,000	25,046
TDA19-MIXTO FTA	67.09%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	30,283
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	116,821
RURAL HIPOTECARIO Global I FTA	54.52%	18/11/2005	Multi-assignor	ON-BALANCE SHEET	588,002	61,486
IM CAJAMAR3 FTA	100.00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000	192,002
RURAL HIPOTECARIO VIII FTA	34.16%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	57,830
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	203,290
RURAL HIPOTECARIO IX FTA	44.19%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	587,354	129,959
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	206,724
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	502,140
RURAL HIPOTECARIO X FTA	29.88%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	561,467	139,763
RURAL HIPOTECARIO XI FTA	26.02%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	633,194	187,308
RURAL HIPOTECARIO XII F.T.A.	29.51%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	268,787	79,580
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	438,300
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	345,938
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	608,022
IM BCC CAJAMAR PYME 3, F.T.	100.00%	06/04/2021	Other	ON-BALANCE SHEET	1,000,000	785,036
					13,317,762	**4,109,528**

31 December 2020

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
TDA18-MIXTO FTA	75.65%	14/11/2003	Multi-assignor	OFF-BALANCE SHEET	330,000	30,282
TDA19-MIXTO FTA	66.83%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	37,322
IM CAJAMAR1 FTA	100.00%	23/07/2004	Other	ON-BALANCE SHEET	370,000	37,862
RURAL HIPOTECARIO VII FTA	30.75%	29/04/2005	Multi-assignor	ON-BALANCE SHEET	323,767	35,654
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	137,912
RURAL HIPOTECARIO Global I FTA	54.06%	18/11/2005	Multi-assignor	ON-BALANCE SHEET	588,002	73,710
IM CAJAMAR3 FTA	100.00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000	223,673
RURAL HIPOTECARIO VIII FTA	33.50%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	66,691
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	233,808
RURAL HIPOTECARIO IX FTA	43.61%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	587,354	147,977
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	236,332
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	564,954
RURAL HIPOTECARIO X FTA	29.86%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	561,467	158,782
RURAL HIPOTECARIO XI FTA	28.82%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	633,194	209,049
RURAL HIPOTECARIO XII F.T.A.	29.51%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	268,787	90,016
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	482,537
IM BCC CAJAMAR PYME 2, F.T.	100.00%	24/04/2018	Other	ON-BALANCE SHEET	1,000,000	246,791
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	489,483
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	660,442
					14,011,529	**4,163,277**

8.6.2.3. *Impairment losses on loans and advances – Customer loans*

Details of and changes in impairment losses booked at 31 December 2021 for financial assets at amortised cost are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Fase 2	Phase 3	Total allowance
Balance at 31 December 2020	**(127,158)**	**(111,235)**	**(737,952)**	**(976,345)**
Increases due to origination and acquisition	(25,362)	(11,918)	(13,626)	(50,906)
Decreases due to derecognitions	13,542	11,897	116,334	141,773
Changes due to variation in credit risk (net)	17,725	563	(232,749)	(214,461)
Changes due to modifications with no derecognitions (net)	235	(3,139)	3,596	692
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	17	94	164,577	164,688
Other adjustments	(748)	(1,613)	2,753	392
Balance at 31 December 2021	**(121,749)**	**(115,351)**	**(697,067)**	**(934,167)**

Changes in gross exposures and impairment during 2021 are as follows:

	Thousands of Euros			
Gross exposure transfers:	From Phase 1:	From Phase 2:	From Phase 3:	Total
To Phase 1:		613,641	3,059	**616,700**
To Phase 2:	1,191,970		40,710	**1,232,680**
To Phase 3:	48,419	118,026		**166,445**
Impairment transfers:				
To Phase 1:		1,902	45	**1,947**
To Phase 2:	36,834		2,841	**39,675**
To Phase 3:	13,738	45,607		**59,345**

Details of and changes in impairment losses booked at 31 December 2020 for financial assets at amortised cost are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Fase 2	Phase 3	Total allowance
Balance at 31 diciembre de 2019	**(64,535)**	**(133,118)**	**(757,248)**	**(954,901)**
Increases due to origination and acquisition	(23,268)	(5,761)	(8,676)	(37,705)
Decreases due to derecognitions	12,811	14,676	90,186	117,673
Changes due to variation in credit risk (net)	(52,201)	14,602	(171,881)	(209,480)
Changes due to modifications with no derecognitions (net)	38	(2,027)	2,115	126
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	27	108,690	108,717
Other adjustments	(3)	366	(1,138)	(775)
Balance at 31 December 2020	**(127,158)**	**(111,235)**	**(737,952)**	**(976,345)**

Changes in gross exposures and impairment during 2020 are as follows:

	Thousands of Euros			
Gross exposure transfers:	From Phase 1:	From Phase 2:	From Phase 3:	Total
To Phase 1:		399,925	5,229	**405,154**
To Phase 2:	1,046,385		62,378	**1,108,763**
To Phase 3:	49,731	86,365		**136,096**
Impairment transfers:				
To Phase 1:		3,885	172	**4,057**
To Phase 2:	36,065		5,404	**41,469**
To Phase 3:	17,720	31,845		**49,565**

The breakdown of and changes in impairment losses on other financial assets classified within "Loans and advances – Customer loans" at 31 December 2021 is provided below:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 December 2020	**(234)**	**-**	**(437)**	**(671)**
Increases due to origination and acquisition	(13)	-	(314)	(327)
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	-	-	-	-
Changes due to modifications with no derecognitions (net)	-	-	-	-
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 December 2021	**(247)**	**-**	**(751)**	**(998)**

The breakdown of and changes in impairment losses on other financial assets classified within "Loans and advances – Customer loans" at 31 December 2020 is provided below:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 December 2019	**(238)**	**-**	**(1,385)**	**(1,623)**
Increases due to origination and acquisition	4	-	948	952
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	-	-	-	-
Changes due to modifications with no derecognitions (net)	-	-	-	-
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 December 2020	**(234)**	**-**	**(437)**	**(671)**

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

The details of this heading on the consolidated statements of profit or loss at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	2020
Charges for the year:	(1,201,411)	(886,078)
Allowances recognised in profit or loss	(1,121,154)	(812,547)
Repayments, net of loan losses	(80,257)	(73,531)
Recovery of write-offs	**30,543**	**17,974**
Other recoveries	**863,663**	**554,195**
Country risk	**(36)**	**-**
Charges	(36)	-
Total	**(307,241)**	**(313,909)**

8.6.4. Debt securities

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

	Thousands of Euros	
	2021	**2020**
Central banks	-	-
Public administrations	14,121,736	11,022,066
Credit institutions	39,198	15,166
Other private sectors	440,787	445,181
Non-performing assets	-	-
Valuation adjustments for impairment	(2,418)	(2,456)
Total	**14,599,303**	**11,479,957**

At 31 December 2021 and 31 December 2020, the fair value of the securities classified in this portfolio totalled €14,213,092 thousand and €12,005,845 thousand, respectively.

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2021 was 0.88% (0.80% in 2020).

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

At 31 December 2021 €1,930,361 thousand of the balance of "Debt securities" was pledged as collateral (31 December 2020: €1,602,889 thousand); €5,471,087 thousand was pledged under a loan agreement that encumbers securities and other assets concluded with the Bank of Spain (31 December 2020: €3,466,831 thousand); while €543,468 thousand corresponded to repurchase agreements (31 December 2020: €1,253,193 thousand).

At 31 December 2021 the return on "Debt securities" was €146,860 thousand (31 December 2020: €79,356 thousand) (Note 26).

In 2021, the Group sold a portfolio of Spanish and Italian public debt securities in this portfolio of €2,371 million and €7,403 million, respectively, positing a gain of €461 million. This sale was made because of the extraordinary instability caused by the pandemic, which had not been envisaged when the Group's capital and liquidity plan was drawn up. The Group considers that these sales are in line with its business model for managing these assets (holding of assets to generate contractual cash flows) (Note 1.7).

Movements in the balance under this heading of the accompanying consolidated balance sheet in 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Opening balance	**11,479,957**	**8,411,933**
Procurements	14,242,744	6,513,804
Sales and redemptions	(10,677,835)	(3,364,654)
transfers	-	-
Portfolio cost allowance	113,064	(66,032)
Accrued interest	(2,135)	(20,274)
Valuation adjustments in equity	-	-
Valuation adjustments, micro-hedge transaction	(556,530)	5,469
Valuation adjustments for impairment	38	(289)
Closing balance	**14,599,303**	**11,479,957**

The gain registered at 31 December 2021 on the statement of profit or loss for disposing of these assets was €459,739 thousand (31 December 2020: €128,769 thousand) (Note 26).

Impairment losses accounted for at 31 December 2021 and 31 December 2020 for assets under “Financial assets at amortised cost – Debt securities” break down as follows:

	Thousands of Euros	
	2021	**2020**
Opening balance, impairment	**(2,456)**	**(2,167)**
Allowances taken to profit or loss	(188)	(405)
Recoveries	225	116
Cancellations due to use and others	1	-
Closing balance, impairment	**(2,418)**	**(2,456)**

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:

2021	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 (*)	**33,585,546**	**33,265,238**	**320,308**	**30,847,669**	**2,663,869**
Central banks	-	-	-	-	-
Public Administrations	1,440,575	1,440,575	-	1,437,955	2,620
Credit institutions	153,428	153,428	-	153,428	6
Other financial corporations	985,325	984,987	338	984,591	734
Non-financial corporations	14,006,448	13,915,003	91,445	12,683,918	1,303,717
Of which: Small and medium-sized enterprises	8,673,054	8,584,112	88,942	7,545,224	1,110,791
Of which: Collateralised by commercial immovable property	3,017,118	2,964,274	52,844	2,462,805	544,069
Households	16,999,770	16,771,245	228,525	15,587,777	1,356,792
Of which: Loans collateralised by residential immovable property	13,369,592	13,176,062	193,530	12,300,880	1,027,742
Of which: Consumer credit	319,666	317,247	2,419	302,322	16,782
Total debt instruments at amortised cost	**33,585,546**	**33,265,238**	**320,308**	**30,847,669**	**2,663,869**

2020	Thousands of Euros				
	Total	Not past due or past due <=30 days	Past due > 30 days <= 90 days	Of which: Instruments without a significant increase in credit risk since initial recognition (Stage 1) (**)	Of which: Instruments with a significant increase in credit risk since initial recognition but not impaired (Stage 2) (**)
Loans and advances (*)	**32,084,709**	**31,706,591**	**378,118**	**29,685,237**	**2,397,211**
Central banks	-	-	-	-	-
Public Administrations	923,971	923,971	-	921,212	2,759
Credit institutions	330,304	330,304	-	330,304	-
Other financial corporations	1,034,986	1,034,818	168	1,034,701	284
Non-financial corporations	13,129,348	13,039,704	89,644	11,966,837	1,162,511
Of which: Small and medium-sized enterprises	8,429,254	8,340,944	88,310	7,361,030	1,068,225
Of which: Collateralised by commercial immovable property	3,122,816	3,074,089	48,727	2,576,562	546,254
Households	16,666,100	16,377,794	288,306	15,432,183	1,231,657
Of which: Loans collateralised by residential immovable property	13,171,744	12,924,161	247,583	12,223,903	947,842
Of which: Consumer credit	330,495	326,413	4,082	311,795	18,701
Total debt instruments at amortised cost	**32,084,709**	**31,706,591**	**378,118**	**29,685,237**	**2,397,211**

(*) Not including cash balances at central banks and other demand deposits.
(**) Included on applying the regulatory measures in connection with the Covid-19 pandemic.

8.6.6. Information on non-performing exposures

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

2021	Thousands of Euros							
	Total	Unlikely to be paid <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year	Of which: Unpaid	Of which: Impaired instruments (Stage 3)	Collateral received securing non-performing exposures
Central banks	-	-	-	-	-	-	-	-
Public Administrations	491	4	-	-	487	487	491	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	1,293	1,115	15	19	144	177	1,293	25
Non-financial corporations	645,995	72,277	34,374	43,163	496,181	643,817	645,995	177,431
Of which: Small and medium-sized enterprises	634,636	69,186	34,112	40,918	490,420	632,483	634,636	174,528
Of which: Collateralised by commercial immovable property	386,896	40,388	3,238	13,319	329,951	386,683	386,896	162,374
Households	664,145	64,731	14,608	32,704	552,102	660,569	664,145	305,780
Of which: Loans collateralised by residential immovable property	519,511	55,515	8,782	22,687	432,527	514,621	519,511	273,423
Of which: Consumer credit	7,868	172	564	1,127	6,005	7,811	7,868	9
Total debt instruments at amortised cost	**1,311,924**	**138,127**	**48,997**	**75,886**	**1,048,914**	**1,305,050**	**1,311,924**	**483,236**

2020	Thousands of Euros							
	Total	Unlikely to be paid <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year	Of which: Unpaid	Of which: Impaired instruments (Stage 3)	Collateral received securing non-performing exposures
Central banks	-	-	-	-	-	-	-	-
Public Administrations	519	5	19	467	28	519	519	27
Credit institutions	13	13	-	-	-	13	13	-
Other financial corporations	1,521	1,056	1	14	450	1,522	1,522	251
Non-financial corporations	816,887	43,544	20,848	60,524	691,971	816,887	816,887	320,674
Of which: Small and medium-sized enterprises	798,830	36,464	15,958	57,549	688,859	798,830	798,830	316,633
Of which: Collateralised by commercial immovable property	561,943	22,809	6,678	31,114	501,342	561,943	561,943	295,740
Households	839,378	91,636	17,121	31,436	699,185	839,377	839,377	431,857
Of which: Loans collateralised by residential immovable property	661,402	82,046	11,177	21,549	546,630	661,402	661,402	375,922
Of which: Consumer credit	9,881	326	669	1,016	7,870	9,881	9,881	29
Total debt instruments at amortised cost	**1,658,318**	**136,254**	**37,989**	**92,441**	**1,391,634**	**1,658,318**	**1,658,318**	**752,809**

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 €16,113 thousand and €13,166 thousand at 31 December 2021 and 31 December 2020, respectively.

At 31 December 2021 and 31 December 2020 details of and movements in financial liabilities at amortised cost classified as non-performing are as follows:

	Thousands of Euros	
	2021	**2020**
Opening balance	**1,658,318**	**1,948,075**
Additions	334,119	292,487
Of which: Transactions acquired from third parties	17	14
Disposals	680,513	582,244
Collected in cash	144,479	106,953
Foreclosure or receipt of assets	135,245	143,003
Performing	13,573	13,132
Performing exposures under special monitoring	76,468	85,240
Write-offs	235,885	174,362
Asset transfers	24,935	14,631
Other disposals	49,928	44,923
Closing balance	**1,311,924**	**1,658,318**

At 31 December 2021 and 31 December 2020 details of and movements in financial liabilities at amortised cost classified as write-offs are as follows:

	Thousands of Euros	
	2021	**2020**
Write-offs (a)		
Opening balance	**1,561,532**	**1,389,355**
Total additions	332,420	240,249
Use of accumulated impairment balance	164,689	107,465
Direct write-down in profit and loss	91,888	82,473
Contractually callable interest (b)	74,245	50,035
Other items	1,599	276
Total disposals	98,070	68,072
Collection of principal in cash from counterparties	51,679	36,232
Collection of interest in cash from counterparties	3,652	4,011
Forgiveness	33,796	27,157
Prescription	5,787	627
Foreclosure of tangible assets	-	-
Foreclosure of other assets	-	-
Debt refinancing or restructuring	-	-
Sale	3,156	45
Collection from assignees	300	45
Final write-off	2,856	-
Other items	-	-
Exchange differences	-	-
Closing balance	**1,795,882**	**1,561,532**

(a) Amount of additions and disposals during the year recognised under "Write-offs". Therefore does not include final write-offs due to forgiveness or outright sale of debt instruments recognised under assets on the date of forgiveness or sale.

(b) Contractually callable interest on debt instruments classified as write-offs.

8.7. Financial liabilities at amortised cost

Details of this liabilities heading on the accompanying consolidated balance sheets at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Deposits from central banks	10,269,833	9,449,530
Deposits from credit institutions	840,295	863,923
Customer deposits	39,732,717	37,136,481
Debt securities issued	2,389,123	1,658,758
Of which: Subordinated liabilities	*643,457*	*400,621*
Other financial liabilities	1,014,778	407,589
Total	**54,246,746**	**49,516,281**

8.7.1. Deposits from central banks

The balances under this heading on the accompanying consolidated balance sheets at 31 December 2021 and 31 December 2020 are comprised as follows:

	Thousands of Euros	
	2021	**2020**
Bank of Spain	10,431,000	9,482,000
Other central banks	-	-
Valuation adjustments	(161,167)	(32,470)
Total	**10,269,833**	**9,449,530**

In accordance with the loan agreement including the pledge of securities and other assets arranged with the Bank of Spain as per the mechanisms that govern the monetary policy for the Eurosystem, the Group has a credit with an approved limit of €13,945,980 thousand (€12,996,745 thousand at 31 December 2020), (Notes 8.5.1., 8.6.4. and 8.7.4.1.).

In April 2020 the European Central Bank recalibrated the TLTRO III auction conditions to ensure the various economic agents have adequate access to bank finance at a time of uncertainty caused by the impact of the Covid-19 pandemic. Banks with eligible net lending of over 0% between 1 March 2020 and 31 March 2021 would pay an interest rate of 0.5% below the average interest rate on deposit facilities between 24 June 2020 and 23 June 2021. This means the applicable interest rate will be -1%. Outside the aforesaid period the average applicable interest rate will be -0.5%. All this is provided the lending threshold is reached as per the European Central Bank conditions.

Given the aforesaid, the Group has finance in this programme to €10,431,000 thousand at 31 December 2021 (€9,482,000 thousand at 31 December 2020).

In 2021, the Group recognised €128,597 thousand of interest income from drawdowns on the TLTRO III facilities (31 December 2020: €37,139 thousand) under the “Interest income” heading on the statement of profit or loss.

The Governing Council of the European Central Bank has readjusted the conditions of the third programme of refinancing operations (TLTRO III), extending the period during which the most favourable conditions for interest on funds borrowed through the TLTRO III auction will be applied.

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	
	2021	**2020**
Reciprocal accounts	207	339
Current accounts	171,041	72,232
Term deposits	668,407	690,606
Repurchase agreement	-	100,101
Valuation adjustments:		
Accrued interest	640	645
Total	**840,295**	**863,923**

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	
	2021	**2020**
Repurchase agreements through central counterparties	544,695	1,281,314
Sight deposits	34,646,898	29,709,858
Term deposits	4,092,192	5,542,835
Participation mortgages issued	447,792	599,657
Cash received	*4,076,639*	*4,112,209*
Loans (-)	*(5,939)*	*(9,940)*
Debt securities (-)	*(3,622,908)*	*(3,502,612)*
Other accounts	3,626	4,325
Valuation adjustments:		
Accrued interest	*(2,486)*	*(1,508)*
Micro-hedging transactions	-	-
Total	**39,732,717**	**37,136,481**

The average effective interest rate on customers' sight and term deposits at the Group in 2021 was 0% (2020: 0.05%).

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	
	2021	**2020**
Marketable debt securities	1,745,666	1,258,137
Subordinated Liabilities	643,457	400,621
Total	**2,389,123**	**1,658,758**

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 2021	Thousands of Euros 2020
Mortgage covered bonds	5,739,735	5,739,735
Other secured bonds	350,000	350,000
Treasury shares	(4,862,865)	(4,850,000)
Other debt instruments issued	496,255	-
Valuation adjustments	22,541	18,402
Total	**1,745,666**	**1,258,137**

The movement of each type of financial liability during 2021 and 2020, without taking into account valuation adjustments, is as follows:

Thousands of Euros — 2021	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	**1,239,735**	1,496,255	(1,012,865)	-	**1,723,125**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage covered securities	**1,239,735**	1,000,000	(1,012,865)	-	**1,226,870**
Other debt instruments issued	**-**	496,255	-	-	**496,255**

2020	Opening balance	Issuances	Repurchases or redemptions	Exchange rate and other adjustments	Closing balance
Debt securities issued in a EU member state that required the registration of a prospectus	**1,983,716**	1,750,000	(2,493,981)	-	**1,239,735**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage covered securities	**1,983,716**	1,750,000	(2,493,981)	-	**1,239,735**
Other debt instruments issued	**-**	-	-	-	**-**

In 2021 the Group issued securities totalling €1,000,000 thousand and redeemed a security placement on expiration for €12,865 thousand. It has fully redeemed the placement in 2016 of €500,000 thousand expiring on 31 December 2021, the whole amount of which remains on the balance sheet In 2020 the Group completed two security placements of €1,750,000 thousand, fully retained and assigned to replenish collateral in the asset pledge facility with the Bank of Spain. A security placement was also redeemed on expiration for €743,981 thousand.

Details of issues placed and pending maturity under "Mortgage covered securities" at 31 December 2021 are as follows:

Date		Thousands of Euros				
Issuance	Maturity	Cash	Treasury shares	Rating	Agency	Interest rate
26/01/2015	26/01/2022	742,515	-	AA / AH	Standard & Poor's /DBRS	1.25%
31/01/2017	31/01/2022	500,000	(500,000)	AA	Standard & Poor's	0.85%
14/04/2016	30/06/2022	500,000	(500,000)	AH	DBRS	1.00%
15/09/2017	15/09/2024	750,000	(750,000)	AA	Standard & Poor's	1.15%
07/06/2018	18/06/2023	497,220	(12,865)	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)	AH	DBRS	0.10%
	Total issuances	**5,739,735**	**(4,512,865)**			

Details of issues placed and pending maturity under "Mortgage covered securities" at 31 December 2020 are as follows:

Date		Thousands of Euros				
Issuance	Maturity	Cash	Treasury shares	Rating	Agency	Interest rate
25/10/2011	25/10/2021	500,000	(500,000)	A3 / AA / BBB+ / AH	Fitch / DBRS /Moody's / Standard & Poor´s	5.50%
26/01/2015	26/01/2022	742,515	-	AA / BBB+ / AH	Standard & Poor´s / Fitch / DBRS	1.25%
31/01/2017	31/01/2022	500,000	(500,000)	AA / BBB+	Standard & Poor´s / Fitch	0.85%
14/04/2016	30/06/2021	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	0.75%
14/04/2016	30/06/2022	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	1.00%
15/09/2017	15/09/2024	750,000	(750,000)	AA	Standard & Poor´s	1.15%
07/06/2018	18/06/2023	497,220	-	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%
	Total issuances	**5,739,735**	**(4,500,000)**			

Mortgage covered security repurchases are intended to increase the volume of discountable securities that the Group holds in its portfolio, which may be deployed in the context of the implementation of European monetary policy.

The balances of "Other secured bonds" and "Other debt instruments issued" break down 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%
14/03/2017	14/03/2022	350,000	(350,000)	AH	DBRS	0.80%
	Issuance	**846,255**	**(350,000)**			

In 2021 the Parent issued 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 increases the volume of eligible liabilities to comply with the MREL (Note 1.9).

All of the issues were accepted for trading on the AIAF Fixed Income Market.

The interest accrued at 31 December 2021 on debt securities issued amounted to €18,560 thousand (31 December 2020: €22,702 thousand) (Note 26); this interest is included within "Interest expenses" on the accompanying consolidated statement of profit or loss.

At 31 December 2021, €2,735 thousand of the balance of "Debt securities issued" was pledged under a loan agreement that encumbers securities and other assets concluded with the Bank of Spain (31 December 2020: €4,828 thousand) (Note 8.7.1).

8.7.4.2. Subordinated liabilities

This account included under the heading "Financial liabilities at amortised cost" records the amount of financing received, regardless of the manner in which it is instrumented, and which, for the purposes of creditor ranking, is less senior than that owed to common creditors in accordance with the provisions of Act 13/1985, of 25 May 1985, and Royal Decree 1370/1985, of 1 August 1985.

Details on the accompanying consolidated balance sheet, by type of financial liability and counterparty, are as follows:

	Thousands of Euros	
	2021	**2020**
Subordinated marketable debt securities:	**639,460**	**386,700**
Convertible	-	-
Non-convertible	639,460	386,700
Subordinated deposits	**-**	**-**
Valuation adjustments	**3,998**	**13,921**
Total	**643,458**	**400,621**

The movement in this heading in 2021 and 2020 was as follows:

	Thousands of Euros	
	2021	**2020**
Opening balance	**386,700**	**388,800**
Additions	597,654	-
Disposals	(344,894)	(2,100)
Transfers	-	-
Closing balance	**639,460**	**386,700**

At 31 December 2021 the Group had several subordinated bonds issues, the details of which are as follows:

Date		Thousands of Euros						
Issuance	**Maturity**	**Nominal**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**	**Issuance**
07/06/2017	07/06/2027	48,600	48,406	(6,600)	B / BBL	Standard & Poor's / DBRS	7.75%	Fixed Rate Reset Subordinated Notes due 7 June 2027
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	**648,600**	**646,060**	**(6,600)**				

At 31 December 2020 the Group had several subordinated bonds issuances, the details of which are as follows:

Date		Thousands of Euros						
Issuance	**Maturity**	**Nominal**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**	**Issuance**
03/11/2016	03/11/2026	100,000	99,600	-	B / B / BBL	Standard & Poor´s / Fitch / DBRS	9.00%	Fixed Rate Reset Subordinated Notes due 3 November 2016
07/06/2017	07/06/2027	288,300	287,100	-	B / B / BBL	Standard & Poor´s / Fitch / DBRS	7.75%	Fixed Rate Reset Subordinated Notes due 7 June 2017
	Total issuances	**388,300**	**386,700**	**-**				

Interest accrued at 31 December 2021 and 31 December 2020 on these subordinated liabilities totalled €34,542 thousand and €31,695 thousand, respectively (Note 26) and they are included under the heading "Interest expenses" on the accompanying consolidated statement of profit or loss.

The Group's subordinated debt issues in 2021 and 2020 were 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.

In May, Banco de Crédito Social Cooperativo, S.A. issued €600 million of Tier 2 subordinated debt with a coupon of 5.25% and expiring on 27 November 2031. Moreover, 83.5% of the other two issues placed by the Bank on the market were repurchased for a total amount of €334.9 million. The gain on this transaction totalling €21.6 million is recognised under "Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss" (Note 26).

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 amount of bonds payable that take the form of financial liabilities not included under other headings.

Details of other financial liabilities grouped by financial instrument type are as follows:

	Thousands of Euros	
	2021	**2020**
Bonds payable	139,269	126,530
Guarantees received	510,931	5,602
Clearing houses	5,578	4,462
Tax collection accounts	205,185	142,664
Special accounts	55,389	42,001
Financial guarantees	17,770	15,902
Other items	80,656	70,428
Total	**1,014,778**	**407,589**

At 31 December 2021 "Guarantees received" mainly includes the guarantees received from a number of credit institutions amounting to €503,170 thousand to mitigate the risk in hedging derivative transactions linked to the portfolio of debt securities at amortised cost.

The liabilities recognised under "Obligations payable" on the accompanying consolidated balance sheet at 31 December 2021 and 31 December 2020 derive from the obligations assumed by the Group in operating leases for remaining lease terms are as follows:

2021	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	**31,608**	6,222	3,414	3,099	3,054	3,082	2,985	9,752
Rest of spaces	**1,538**	649	154	148	119	97	91	280
Vehicles	**1,491**	708	309	239	120	70	32	13
Computer equipment	**1,869**	456	471	(8)	475	(4)	479	-
Total	**36,506**	**8,035**	**4,348**	**3,478**	**3,768**	**3,245**	**3,587**	**10,045**

2020	Thousands of Euros							
Obligations for the right of use:	**Total Liabilities**	**Up to 12 Months**	**Between 12 and 18 Months**	**Between 18 and 24 Months**	**Between 24 and 30 Months**	**Between 30 and 36 Months**	**Between 36 and 42 Months**	**More than 42 Months**
Buildings and office premises	**41,290**	6,830	3,518	3,568	3,887	3,472	3,460	16,555
Rest of spaces	**1,647**	628	287	293	61	60	58	260
Vehicles	**1,677**	724	315	249	159	121	73	36
Total	**44,614**	**8,182**	**4,120**	**4,110**	**4,107**	**3,653**	**3,591**	**16,851**

The average discount rate used to determine the obligations payable deriving from operating leases is 3.48% at 31 December 2021 (31 December 2020: 3.72%).

The amount of capitalised rights-of-use in operating leases is given 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 2021 the Group had recognised €606,871 thousand under assets for the fair value of derivatives (no amount at 31 December 2020). On the other hand, the fair value of derivatives on the liabilities side totalled €188,706 thousand at 31 December 2021 and €195,974 thousand at 31 December 2020.

Instruments covered by micro-hedges are as follows:

- Sovereign debt instruments 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 case, and inflation derivatives through which the Bank transfers flows received in inflation-linked bonds in exchange for a fixed or variable coupon in the latter case.

Also regarding macro-hedges, in order to hedge the interest rate risk associated with the value of mortgages, the Group 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 2021 the result of the fair-value adjustment to loans and receivables was €955 thousand, which was fully hedged by the changes in the fair value of the hedging derivatives (31 December 2020: €162 thousand).

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 2021 and 31 December 2020 are set out below by counterparty, remaining term and type of risk:

	Thousands of Euros							
	2021				2020			
	Book value		Notional amount		Book value		Notional amount	
	Assets	Liabilities	Total hedges	Of which: sold	Assets	Liabilities	Total hedges	Of which: sold
Interest rate	606,104	76,509	9,073,800	-	-	100,107	1,300,000	-
Other OTC	606,104	76,509	9,073,800		-	100,107	1,300,000	
FAIR VALUE HEDGES	606,104	76,509	9,073,800	-	-	100,107	1,300,000	-
Interest rate	-	112,196	400,000	-	-	95,690	700,000	-
OTC options	-	-	-	-	-	-	-	-
Other OTC	-	112,196	400,000		-	95,690	700,000	
Options on organised markets	-	-	-	-	-	-	-	-
Others on organised markets	-	-	-		-	-	-	
CASH FLOW HEDGES	-	112,196	400,000	-	-	95,690	700,000	-
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	-	-	-	-	-	-	-	-
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	767	-	20,000	-	-	177	20,000	-
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	-	-	-	-	-	-	-	-
DERIVATIVES-HEDGE ACCOUNTING	606,871	188,706	9,493,800	-	-	195,974	2,020,000	-
Of which: OTC – credit institutions	606,871	188,706	9,493,800		-	195,974	2,020,000	
Of which: OTC – other financial corporations	-	-	-		-	-	-	
Of which: OTC – others	-	-	-		-	-	-	

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

The details of this heading on the accompanying consolidated balance sheets at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	2020
Property, plant and equipment for own use	**19,064**	**27,593**
Acquisition cost	21,492	31,690
Impairment allowances	(2,428)	(4,097)
Investment property	**9,282**	**19,298**
Acquisition cost	13,849	25,136
Accumulated depreciation	(1,392)	(2,006)
Impairment allowances	(3,175)	(3,832)
Property, plant and equipment foreclosed	**126,270**	**271,335**
Acquisition cost	177,723	331,430
Accumulated depreciation	(1,774)	(1,946)
Impairment allowances	(49,679)	(58,149)
Total	**154,616**	**318,226**

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	2021	2020	2021	2020	2021	2020	2021	2020
Property, plant and equipment for own use	655	1,059	20,837	30,631	-	-	-	-
Property, plant and equipment foreclosed	132,094	262,849	32,945	53,419	6,218	7,955	4,692	5,261
Investment property	2,917	4,925	7,856	16,522	673	672	1,011	1,011
Total	**135,666**	**268,833**	**61,638**	**100,573**	**6,891**	**8,627**	**5,703**	**6,272**

The fair value of the tangible assets recorded in this heading at 31 December 2021 and 2020, matches the book value.

Movements in these headings on the consolidated balance sheet, without taking into account impairment losses, during 2021 and 2020, are as follows:

	Thousands of Euros		
	Property, plant and equipment for own use	Foreclosed	Investment property
Cost			
Balance at 31 December 2019	**32,720**	**358,943**	**23,210**
Additions	-	19,546	-
Disposals	(723)	(44,975)	(463)
Transfers (Note 12) y (Note 16)	(307)	(2,084)	2,389
Balance at 31 December 2020	**31,690**	**331,430**	**25,136**
Additions	2	13,269	-
Disposals	(10,200)	(167,912)	(5,261)
Transfers (Note 12) y (Note 16)	-	937	(6,026)
Balance at 31 December 2021	**21,492**	**177,724**	**13,849**
Accumulated depreciation			
Balance at 31 December 2019	**-**	**(1,935)**	**(1,938)**
Additions	-	-	-
Disposals	-	156	10
Transfers (Note 12) y (Note 16)	-	(167)	(78)
Balance at 31 December 2020	**-**	**(1,946)**	**(2,006)**
Additions	-	-	-
Disposals	-	427	300
Transfers (Note 12) y (Note 16)	-	(255)	314
Balance at 31 December 2021	**-**	**(1,774)**	**(1,392)**

At 31 December 2021 sales and write-offs of certain tangible assets generated gains totalling €3,249 thousand (€6,033 thousand at 31 December 2020) and losses totalling €16,271 thousand (€12,717 thousand at 31 December 2020) (Note 26).

In 2021 loans were granted to finance the sale of tangible assets foreclosed by the Group totalling €38,716 thousand (€24,307 thousand in 2020). The average percentage financed compared with the total amount of inventories sold at 31 December 2021 was 59.13% (70.11% in 2020). There were no unrecognised gains on the sale of these assets at 31 December 2021 or 31 December 2020.

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

The main disposals from sales during the year correspond to the transfer of assets under the placement contract agreement entitled “Project Jaguar” (Note 1.7).

Impairment losses recognised for assets classified in this balance sheet heading in 2021 and 2020 are as follows:

	Thousands of Euros		
	Property, plant and equipment for own use	Foreclosed	Investment property
Balance at 31 December 2019	**(4,521)**	**(53,886)**	**(3,292)**
Allowances recognised in profit or loss (Note 26)	-	(15,119)	-
Recovered funds (Note 26)	-	4,556	-
Cancellation due to use, transfers and others	422	6,300	(539)
Balance at 31 December 2020	**(4,097)**	**(58,149)**	**(3,831)**
Allowances recognised in profit or loss (Note 26)	(4,595)	(48,547)	(2,670)
Recovered funds (Note 26)	-	2,013	-
Cancellation due to use, transfers and others	6,264	55,004	3,326
Balance at 31 December 2021	**(2,428)**	**(49,679)**	**(3,175)**

11. Investments in subsidiaries, joint ventures and associates

This heading on the accompanying consolidated balance sheets comprises the value of shareholdings in associates whose details, together with important information at 31 December 2021 and 2020, are included in Appendix I.

	Thousands of Euros	
	2021	2020
Associates	**106,383**	**101,357**
Securities held by the entity	106,383	101,357
Valuation adjustments:		
Impairment allowances	-	-
Total	**106,383**	**101,357**

In 2021 and 2020 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	
	2021	2020
Opening balance	**101,357**	**118,938**
Additions due to transfers, acquisitions and capital increases	8,214	-
Sale of shares and refund of contributions	(46,009)	(55,092)
Share of profit/(loss) of entities accounted for using the equity method	44,474	34,839
Other consolidation movements	(1,653)	2,672
Closing balance	**106,383**	**101,357**

The results of entities accounted for using the equity method at 31 December 2021 and 31 December 2020 totalled €44,474 thousand and €34,839 thousand, respectively (Note 26).

In 2021 a 20% equity stake was taken in “Promontoria Jaguar, S.A.” amounting to €8,210 thousand (Note 1.7), the book value of which is €8,167 thousand at 31 December 2021.

There were no additions of companies to this heading in 2020.

Details of investments in companies accounted for using the equity method on the Group's consolidated balance sheet at 31 December 2021 and at 31 December 2020 are as follows:

	Thousands of Euros	
	2021	2020
Cajamar Vida, S.A. de seguros y reaseguros	29,960	31,386
Agrocolor, S.L	1,107	848
Murcia Emprende, S.C.R, S.A.	429	519
Hábitat Utiel, S.L.	1	1
Giesmed Parking, S.L.	1,379	1,845
Biocolor, S.L.	377	329
Cajamar Seguros Generales, S.A	9,960	10,680
GCC Consumo Establecimiento Financiero de Crédito, S.A.	49,146	49,979
Parque de Innovación y Tecnológico de Almería, S.A.	5,698	5,682
Proyecta Ingenio, S.L.	75	5
Renovables la Unión, S.C.P.	84	84
Promontoria Jaguar, S.A.	8,167	-
Total	**106,383**	**101,357**

At 31 December 2021 and 31 December 2020 there were no balance for profits from the sale of shareholdings pending recognition, due to the financing of the sales.

Grupo Cajamar has signed a bancassurance agreement with Cajamar Seguros Generales to sell insurance. In 2018, it was proposed that the agreement be extended/novated to boost sales under a new business plan. This change involved the agreement term being extended, the Group's technical commission rate being altered, and new products to be sold being added.

Moreover, the rights to collect the technical commission for the period – generated as per the prior agreement – have also been sold at a fixed, outright price.

12. Tangible assets

The details of this heading on the accompanying consolidated balance sheets at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	2020
For own use		
Amortised cost		
Computer hardware	43,632	42,661
Of which: Capitalised rights to use in leases	*1,864*	-
Furniture, installations and other	123,370	130,314
Of which: Capitalised rights to use in leases	*1,399*	*1,593*
Buildings	543,519	558,383
Of which: Capitalised rights to use in leases	*30,966*	*41,467*
Construction in progress	32,960	25,802
Other tangible assets	23,882	24,908
Of which: Capitalised rights to use in leases	*677*	-
Accumulated impairment	(690)	(699)
Total	**766,673**	**781,369**

	Thousands of Euros	
	2021	2020
For social projects		
Amortised cost		
Furnishings and fixtures	81	78
Constructions	2,048	2,108
Accumulated impairment	-	-
Total	**2,129**	**2,186**

	Thousands of Euros 2021	2020
Investment property		
Amortised cost		
Furniture, vehicles and other fixtures	1,126	1,342
Buildings	164,029	201,376
Rural properties, land and plots	56,877	92,831
Accumulated impairment	(31,383)	(33,069)
Total	**190,649**	**262,480**

The breakdown of tangible assets for own use recorded under this heading on the consolidated balance sheet and movements during 2021 and 2020 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 diciembre de 2019	**203,994**	**512,597**	**686,839**	**20,104**	**31,372**	**1,454,906**
Additions	12,723	29,364	7,091	11,892	-	61,070
Disposals	(88)	(6,003)	(15,502)	-	-	(21,593)
Transfers (Note 10) (Note 16)	2	1,289	6,243	(6,194)	-	1,340
Other movements	9,562	-	-	-	-	9,562
Balance at 31 December 2020	**226,193**	**537,247**	**684,671**	**25,802**	**31,372**	**1,505,285**
Additions	14,780	15,768	2,823	14,173	121	47,665
Disposals	(8,193)	(9,143)	(15,916)	(114)	(1,744)	(35,110)
Transfers (Note 10) (Note 16)	2	866	5,296	(6,901)	796	59
Other movements	65	-	-	-	-	65
Balance at 31 December 2021	**232,847**	**544,738**	**676,874**	**32,960**	**30,545**	**1,517,964**
Accumulated depreciation						
Balance at 31 diciembre de 2019	**(162,507)**	**(390,526)**	**(118,757)**	**-**	**(6,147)**	**(677,937)**
Additions (Note 26)	(12,120)	(21,070)	(8,327)	-	(316)	(41,833)
Disposals	68	4,653	806	-	(1)	5,526
Transfers (Note 10) (Note 16)	-	10	(10)	-	-	-
Other movements	(8,973)	-	-	-	-	(8,973)
Balance at 31 December 2020	**(183,532)**	**(406,933)**	**(126,288)**	**-**	**(6,464)**	**(723,217)**
Additions (Note 26)	(13,486)	(22,410)	(8,388)	-	(313)	(44,596)
Disposals	7,899	7,975	1,321	-	114	17,309
Transfers (Note 10) (Note 16)	-	-	-	-	-	-
Other movements	(96)	-	-	-	-	(96)
Balance at 31 December 2021	**(189,215)**	**(421,368)**	**(133,355)**	**-**	**(6,663)**	**(750,600)**

*Cost includes the value of rights-of-use, net of depreciation.

Movements in valuation adjustments for impairment of tangible assets for own use in 2021 and 2020 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 diciembre de 2019	**-**	**-**	**-**	**-**	**-**	**-**
Allowances recognised in profit or loss	-	-	(704)	-	-	(704)
Recovered funds	-	-	5	-	-	5
Cancellation due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2020	**-**	**-**	**(699)**	**-**	**-**	**(699)**
Allowances recognised in profit or loss	-	-	-	-	-	-
Recovered funds	-	-	9	-	-	9
Cancellation due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2021	**-**	**-**	**(690)**	**-**	**-**	**(690)**

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 2021 are as follows:

	Capitalised rights to use in leases				
	Business units	**Other**	**Vehicles**	**Computer hardware**	**Total**
Cost					
Balance at 31 December 2019	**56,557**	**2,743**	**2,004**	**-**	**61,304**
Additions	2,475	89	806	-	3,370
Disposals	(5,128)	(260)	(59)	-	(5,447)
Transfers	(182)	182	-	-	-
Balance at 31 December 2020	**53,722**	**2,754**	**2,751**	**-**	**59,227**
Additions	1,443	191	598	2,130	4,362
Disposals	(5,514)	(462)	(294)	-	(6,270)
Transfers	(1,191)	1,191	-	-	-
Balance at 31 December 2021	**48,460**	**3,673**	**3,056**	**2,130**	**57,319**
Accumulated depreciation					
Balance at 31 December 2019	**(7,617)**	**(434)**	**(527)**	**-**	**(8,578)**
Additions	(7,324)	(643)	(689)	-	(8,656)
Disposals	946	61	60	-	1,067
Transfers	214	(214)	-	-	-
Balance at 31 December 2020	**(13,781)**	**(1,230)**	**(1,156)**	**-**	**(16,167)**
Additions (Note 26)	(6,589)	(846)	(750)	(266)	(8,451)
Disposals	1,754	199	252	-	2,205
Transfers	395	(395)	-	-	-
Balance at 31 December 2021	**(18,221)**	**(2,272)**	**(1,654)**	**(266)**	**(22,413)**

Details of the liabilities recognised as obligations payable arising in 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 2021 and 31 December 2020.

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 2021 and 2020, 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 2019	**1,762**	**210,192**	**91,985**	**2,865**	**3,610**
Additions	324	727	21,334	20	-
Disposals	-	(44,886)	(13,292)	-	-
Transfers (Note 10) (Note 16)	-	53,652	(7,196)	-	-
Balance at 31 December 2020	**2,086**	**219,685**	**92,831**	**2,885**	**3,610**
Additions	60	706	1,604	22	-
Disposals	-	(98,097)	(26,789)	-	-
Transfers (Note 10) (Note 16)	(59)	57,526	(10,769)	-	-
Balance at 31 December 2021	**2,087**	**179,820**	**56,877**	**2,907**	**3,610**
Accumulated depreciation					
Balance at 31 December 2019	**(544)**	**(15,198)**	**-**	**(2,789)**	**(1,441)**
Additions (Note 26)	(200)	(4,237)	-	(19)	(60)
Disposals	-	881	-	-	-
Transfers (Note 10) (Note 16)	-	245	-	-	-
Balance at 31 December 2020	**(744)**	**(18,309)**	**-**	**(2,808)**	**(1,501)**
Additions (Note 26)	(217)	(4,631)	-	(18)	(60)
Disposals	-	6,708	-	-	-
Transfers (Note 10) (Note 16)	-	441	-	-	-
Balance at 31 December 2021	**(961)**	**(15,791)**	**-**	**(2,826)**	**(1,561)**
Impairment losses					
Balance at 31 December 2019	**-**	**(32,552)**	**(402)**	**-**	**-**
Allowances recognised in profit or loss	-	(13,675)	(676)	-	-
Recovered funds	-	5,387	4,511	-	-
Cancellation due to use, transfers and others	-	8,253	(3,915)	-	-
Balance at 31 December 2020	**-**	**(32,587)**	**(482)**	**-**	**-**
Allowances recognised in profit or loss	-	(51,023)	(1,612)	-	-
Recovered funds	-	34,313	101	-	-
Cancellation due to use, transfers and others	-	18,260	1,648	-	-
Balance at 31 December 2021	**-**	**(31,038)**	**(345)**	**-**	**-**

At 31 December 2021 sales and write-offs of certain tangible assets generated gains totalling €3,249 thousand (€2,608 thousand at 31 December 2020) and losses totalling €11,757 thousand (€4,886 thousand at 31 December 2020) (Note 26).

The main disposals from sales of investment property in 2021 correspond to the transfer of assets under the placement contract agreement entitled "Project Jaguar" (Note 1.7).

At 31 December 2021 the Group granted financing on the sale of certain assets for a total of €24,598 thousand, which represents 39.71% of the average total sales carried out during the year (31 December 2020: €5,975 thousand, representing 55.71% of total sales during the year).

At 31 December 2021 and 31 December 2020 the Group had no unrecognised gains from financing on the sale of certain assets classified as investment property.

At 31 December 2021 the Group has commitments to acquired assets totalling €955 thousand (€709 thousand at 31 December 2020).

Fully depreciated assets still in use by the Group at 31 December 2021 totalled €486,494 thousand (€472,872 thousand at 31 December 2020).

The fair value of property for own use and investment property matches their book value.

Rental income from investment property amounted to €9,142 thousand at 31 December 2021 (€7,874 thousand at 31 December 2020) (Note 26). Operating expenses recognised in connection with these investments amounted to €991 thousand in 2021 (€841 thousand in 2020) (Note 26).

13. Intangible assets

The details of this heading on the accompanying consolidated balance sheets at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Goodwill	-	54,741
Computer software	225,646	221,315
Administrative concessions	18,468	18,502
Other intangible assets	1,736	1,635
Total, gross	**245,850**	**296,193**
Accumulated amortisation	(66,760)	(89,175)
Impairment losses	(6,386)	(6,386)
Total, net	**172,704**	**200,632**

The movement in computer software, administrative concessions and other intangible assets under this heading of the consolidated balance sheet in 2021 and 2020 was as follows:

	Thousands of Euros	
	2021	**2020**
Cost		
Opening balance	**201,889**	**160,191**
Additions	43,883	41,854
Disposals	(8,019)	(173)
Other	8,099	17
Closing balance	**245,852**	**201,889**
Accumulated amortisation		
Opening balance	**(49,612)**	**(40,055)**
Additions	(10,356)	(8,097)
Disposals	6,845	2
Other	(13,639)	(1,462)
Closing balance	**(66,762)**	**(49,612)**
Impairment losses		
Opening balance	**(6,386)**	**(6,386)**
Allowances recognised in profit or loss	-	-
Recovered funds	-	-
Cancellation due to use, transfers and others	-	-
Closing balance	**(6,386)**	**(6,386)**
Total, net	**172,704**	**145,891**

The goodwill at 31 December 2020 was generated in the merger of Cajamar Caja Rural Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito in November 2012, which led to the incorporation of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. The differences between the fair value of the new Bank's instruments and Ruralcaja's own funds gave rise to goodwill, as well as intangible assets, whose carrying amount was fully amortised.

The International Financial Reporting Standards adopted by the European Union (EU-IFRS) and in particular International Accounting Standard 36 (IAS 36) require goodwill to be tested for impairment on at least an annual basis. IAS 36.80 establishes that to analyse impairment of goodwill, the goodwill must be allocated to the cash-generating units (CGUs) expected to benefit from the synergies of the business combination. Thus, each CGU to which part of the goodwill is allocated should:

- Represent the lowest level at which the goodwill is monitored for internal management purposes; and
- Not be larger than an operating segment determined in accordance with IFRS 8.

The goodwill was allocated to five CGUs, in proportion to their fair values. Once the impairment losses on goodwill associated with each CGU identified in prior years (five CGUs) had been recognised, the Group fully wrote down the goodwill associated with three of these at 31 December 2020. In 2021 the Group therefore calculated the value in use of the remaining two CGUs. The methodology used was the “dividend discount” model, determined as the sum of the present value of future flows of dividends and the current residual value.

In general, an impairment loss is recognised only if the recoverable amount of the CGU to which goodwill has been allocated is lower than its book value.

The assumptions used were based on:

- The projection of the financial statements from the business plan prepared by the Group; These projections factor in the effect of the Covid-19 pandemic.
- The application of net interest income ratios to total average assets during the most recent projected periods; and
- Stable growth in profitable loans, stability of doubtful and impaired loans.
- Residual value has been determined factoring in:
    - The tax rates to which the Group is subject;
    - The BIS III capital requirements and density of RWAs of the Group;
    - The cost of equity using the capital asset pricing model (CAPM) methodology of 11.25% in a baseline scenario and a sensitivity analysis of +/- 10 b.p.; and
    - Perpetuity growth rates (g) in a baseline scenario of 1.0% and a sensitivity analysis of +/- 25 b.p.

The Group has compared each CGU’s value-in-use range with its carrying amount; on the basis of the assumptions considered and the methodology employed, goodwill was found to be fully impaired. The Group’s management therefore decided to recognise full goodwill impairment of €54,741 thousand on the consolidated statement of profit or loss (Note 26).

Fully amortised intangible assets comprising “Computer software” and “Administrative concessions” still in use by the Group at 31 December 2021 totalled €56,575 thousand (€50,040 thousand at 31 December 2020).

14. Provisions

The details of this heading on the accompanying consolidated balance sheets at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Pensions and other post-employment defined benefit obligations	4,536	6,943
Other long-term employee benefits	1,140	1,772
Commitments and guarantees given	7,603	10,997
Loan commitments given	*3,644*	*3,736*
Financial guarantees given	*2,517*	*3,486*
Other commitments given	*1,442*	*3,775*
Pending legal issues and tax litigation	-	28
Other provisions	81,923	61,805
Total	**95,202**	**81,545**

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	
	2021	**2020**
Other assets – Net pension plan assets	(98)	(110)
Provisions – Provisions for pensions and similar obligations	5,676	8,715

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							
	2021				2020			
	Active and retired employees		Early retirees	Other commitments	Active and retired employees		Early retirees	Other commitments
	Other assets	Provisions	Provisions		Other assets	Provisions	Provisions	
Present value of obligations:								
Commitments accrued with active employees	759	49,627	-	-	791	49,033	-	-
Commitments accrued with early retired employees	-	-	1,140	-	-	-	1,772	-
Commitments with retired employees	442	22,317	-	-	955	25,525	-	-
Fair value of plan net assets (-):								
Pension plan assets	(179)	(35,855)	-	-	(156)	(35,781)	-	-
Insurance contract	(1,120)	(31,553)	-	-	(1,700)	(31,834)	-	-
Actuarial gains not recognised on the balance sheet (+)	-	-	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (+)	-	-	-	-	-	-	-	-
Cost of past services not yet recognised on the balance sheet (-)	-	-	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (+)	-	-	-	-	-	-	-	-
(Other assets) / Provisions recognised on the balance sheet	**(98)**	**4,536**	**1,140**	**-**	**(110)**	**6,943**	**1,772**	**-**

Movements in net assets and liabilities during 2021 and 2020, recognised on the consolidated balance sheet, are as follows:

	Thousands of Euros							
	2021				2020			
	Active and retired employees		Early retirees	Other commitments	Active and retired employees		Early retirees	Other commitments
	Other assets	Provisions	Provisions		Other assets	Provisions	Provisions	
(Other assets) / Provisions – opening balance	**(110)**	**6,943**	**1,771**	**-**	**(166)**	**5,775**	**2,100**	**-**
Allocations made during the period	32	1,622	-	-	30	2,138	1	-
Gains and losses on other long-term employee benefits	-	-	(49)	-	-	-	419	-
Actuarial gains and losses adjusted to equity	7	360	-	-	17	13	-	-
Recovered funds	-	-	-	-	-	-	-	-
Other movements	(2)	2	-	-	21	(20)	1	-
Cash outflows	(25)	(4,391)	(582)	-	(12)	(963)	(749)	-
(Other assets) / Provisions – closing balance	**(98)**	**4,536**	**1,140**	**-**	**(110)**	**6,943**	**1,772**	**-**

Details of total income and expenses recognised on the consolidated statements of profit or loss at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	2020
Staff expenses – Appropriations to defined benefit plans (Note 26)	(2,246)	(2,111)
Pension fund interest expense (Note 26)	(672)	(935)
Interest income – Yield on plan assets (Note 26)	606	860
Appropriations to pension funds and similar obligations (Note 26)(*)	699	(402)
Accounting income/(expense)	**(1,613)**	**(2,588)**

(*) 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 2021 and 31 December 2020 totalled €11,337 thousand and €12,931 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 2021 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 December 2020	**5,066**	**1,658**	**4,273**	**10,997**
Increases due to origination and acquisition	1,697	406	96	2,199
Decreases due to derecognitions	(734)	(166)	(1,412)	(2,312)
Changes due to variation in credit risk (net)	(2,871)	(772)	279	(3,364)
Changes due to modifications with no derecognitions (net)	73	29	-	102
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	-	-	(22)	(22)
Other adjustments	24	-	(20)	4
Balance at 31 December 2021	**3,255**	**1,155**	**3,194**	**7,604**

Changes in gross exposures and impairment during 2021 are as follows:

	Thousands of Euros			
Transfers of commitments and financial guarantees given, gross:	**From Phase 1:**	**From Phase 2:**	**From Phase 3:**	**Total**
To Phase 1:		47,761	2,368	**50,129**
To Phase 2:	30,167		244	**30,411**
To Phase 3:	1,443	1,741		**3,184**
Transfers of provisions:				
To Phase 1:		34	2	**36**
To Phase 2:	223		-	**223**
To Phase 3:	377	503		**880**

Details of this heading on the consolidated balance sheet and movement in 2020 are as follows:

	Thousands of Euros			
	Valuation adjustments			
	Phase 1	Phase 2	Phase 3	Total allowance
Balance at 31 December 2019	**3,094**	**1,226**	**3,010**	**7,330**
Increases due to origination and acquisition	3,121	63	11	3,195
Decreases due to derecognitions	(485)	(413)	(297)	(1,195)
Changes due to variation in credit risk (net)	(680)	806	1,790	1,916
Changes due to modifications with no derecognitions (net)	7	(27)	(2)	(22)
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans writter	-	-	(31)	(31)
Other adjustments	9	3	(208)	(196)
Balance at 31 December 2020	**5,066**	**1,658**	**4,273**	**10,997**

Changes in gross exposures and impairment during 2020 are as follows:

	Thousands of Euros			
Transfers of commitments and financial guarantees given, gross:	**From Phase 1:**	**From Phase 2:**	**From Phase 3:**	**Total**
To Phase 1:		20,171	781	**20,952**
To Phase 2:	67,692		1,753	**69,445**
To Phase 3:	3,950	523		**4,473**
Transfers of provisions:				
To Phase 1:		31	5	**36**
To Phase 2:	1,195		11	**1,206**
To Phase 3:	1,044	7		**1,051**

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

At 31 December 2021, the Group had reversed the allowance for possible tax or legal contingencies of €28 thousand recognised at year-end 2020 (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 2021 and 2020 were as follows:

	Thousands of Euros			
	Market	**Miscellaneous**	**Other responsibilities**	**Total**
Opening balances 31 diciembre de 2019	**6,254**	**6,161**	**47,268**	**59,683**
Allocations made during the period (Note 26)	6,824	5,119	27,642	**39,585**
Recovered funds (Note 26)	(134)	(49)	(1,140)	**(1,323)**
Funds used and other movements	(7,392)	(2,443)	(26,304)	**(36,140)**
Opening balances 31 December 2020	**5,552**	**8,788**	**47,466**	**61,805**
Allocations made during the period (Note 26)	4,296	18,861	33,667	**56,824**
Recovered funds (Note 26)	(296)	(211)	(1,088)	**(1,595)**
Funds used and other movements	(6,233)	(2,621)	(26,258)	**(35,112)**
Closing balances 31 December 2021	**3,319**	**24,817**	**53,787**	**81,923**

In 2013, the Group eliminated the so-called 'mortgage floors' on all the mortgages affected by the Spanish Supreme Court judgement of 9 May 2013. Without prejudice to the foregoing, with the aim of covering the contingency related to potential lawsuits in the wake of the recent sentence (21 December 2016) issued by the EU Court of Justice, the Group estimated in prior years the maximum cost deriving from having to reimburse all the interest charges related with the mortgage floor on all the mortgage loans to consumers retrospectively. Having evaluated the claims lodged by customers, the provision has been re-estimated and an amount of €4,002 thousand booked for the year. Payments to customers have been made during the year, which, along with the administrative expenses incurred in managing claims, totalled €6,233 thousand. At 31 December 2021 the Group therefore has a provision for this contingency of €3,255 thousand, which is considered to be sufficient to cover any estimated future claims (Note 3.12).

The Group has set aside a provision of €16,197 thousand for sundry risks to cover the self-insurance fund at 31 December 2021 (€8,490 thousand at 31 December 2020).

At 31 December 2021 the Group had a provision for "Other liabilities "of €1,892 thousand (€1,912 thousand at 31 December 2020), to adequately cover the commitments arising from the Collective Merger, Restructuring and Labour Framework Agreement subscribed by the Group's Management and all the trade union representatives on 27 December 2012. This included a workforce restructuring plan, the most relevant measure of which is a voluntary early retirement plan orientated to those employees who are at least 55 years old (53 years old in the case of those located in the Autonomous Community of Valencia).

In 2015, a restructuring plan was implemented in the Group to manage the surplus workforce, resulting in 227 lay-offs through voluntary measures only, consisting of voluntary redundancies and contract suspensions until June 2016; voluntary mobility measures have also allowed staffing needs to be rebalanced in each of the Bank's territories. A provision for "Other liabilities" of €4,776 thousand therefore existed at 31 December 2021 (€5,083 thousand at 31 December 2020).

In 2017 the Group recognised a provision for "Other liabilities" to cover the special discretionary paid leave for employees born before 31 December 1963 who have worked for at least three of the last five years. The net provision charged against profit or loss for 2021 totalled €24,686 thousand (31 December 2020: €23,475 thousand).

At 31 December 2021 the Group had set aside provisions for "Other liabilities" in connection with several judicial proceedings – likely to give rise to liabilities – totalling €21,310 thousand (31 December 2020: €15,691 thousand).

15. Tax assets and liabilities – Corporate income tax

The breakdown of tax assets and liabilities at 31 December 2021 and 31 December 2020, respectively, is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2021	2020	2021	2020
Current taxes	**49,066**	**52,641**	**24,712**	**25,742**
Deferred taxes	**1,110,520**	**1,099,258**	**50,350**	**55,887**
For temporary differences:	**838,936**	**831,002**	**50,350**	**55,887**
Goodwill on the acquisition of assets	414	487	-	-
Impairment losses on assets	76,246	82,678	-	-
Pension funds and other insurance	52,196	48,252	-	-
Unaccrued fees, Bank of Spain Circular 4/2004	210	218	-	-
Early retirement and dismissal fund	6,513	6,944	-	-
Impairment losses on loans	573,674	588,383	5	998
Funds and provisions created	27,398	21,865	-	-
Excess amortisation/depreciation charge	3,720	4,937	-	-
Undervaluations of financial assets at fair value through other comprehensive income	14,262	3,207	-	-
Revaluation of properties	-	-	42,312	43,439
Revaluation of financial assets at fair value through other comprehensive income	-	-	7,967	11,434
Actuarial gains and losses	2,711	2,613	12	16
Fair value of loans and other	61,189	58,697	-	-
Limitation of the deduction of finance expenses	18,339	9,760	-	-
Other	2,064	2,961	54	-
Tax loss carryforwards	**264,828**	**261,472**	-	-
Tax deductions and credits	**6,757**	**6,784**	-	-
	1,159,585	**1,151,899**	**75,062**	**81,629**

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 2021 and 2020 are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2021	2020	2021	2020
Opening balance	**1,099,258**	**1,074,457**	**55,887**	**59,065**
Prior year adjustments	(1,118)	1,724	(410)	(103)
Corporate income tax for the year	-	-	-	-
Impairment losses on assets	2,986	(4,375)	-	-
Goodwill	(70)	(71)	-	-
Pension funds and other insurance	(158)	905	-	-
Impairment losses on financial assets at amortised cost	(649)	4,123	-	(478)
Unaccrued fees, Bank of Spain Circular 4/2001	(8)	(9)	-	-
Funds and provisions created	5,404	172	-	-
Early retirement fund	(5)	4	-	-
Excess amortisation/depreciation charge (Act 16/2012)	(1,206)	(1,224)	-	-
Tax loss carryforwards	(3,682)	14,419	-	-
Deductions and credits	(27)	1,439	-	-
Revaluation of properties	-	-	(586)	(964)
Other	(139)	17	55	-
Transfers and other				
Fair value of financial assets at fair value through other comprehensive income	11,062	803	(3,468)	(1,505)
Actuarial gains and losses	98	13	(3)	(1)
Change in current tax assets and liabilities	(221)	(4,890)	-	-
Change in payables to group companies	(2)	(1,050)	-	-
Other	(1,003)	12,801	(1,125)	(127)
Closing balance	**1,110,520**	**1,099,258**	**50,350**	**55,887**

Banco de Crédito Social Cooperativo, S.A. and the subsidiaries that meet the requirements of corporate income tax regulations to form a tax consolidated group for corporate income tax purposes agreed to apply the special tax consolidation scheme established in Corporate Income Tax Act 27/2014 with effect from 2016. Accordingly, the Bank and all the entities in which it owns a direct or indirect shareholding of at least 75% and the majority of voting rights form a consolidated group for corporate income tax purposes. However, the savings banks (cajas) that form part of the Group file their corporate income tax returns separately, i.e., they are not part of the consolidated tax group headed up by Banco de Crédito Cooperativo, which is why it is not possible to derive consolidated tax base for the Group.

Pursuant to Act 20/1990 on the tax regime applicable to cooperatives, the adjustments made in respect of loan losses and other asset impairment charges, and contributions to employee benefit schemes, including early retirement schemes (which give rise to monetisable tax assets) corresponding to the savings banks are made to gross tax payable and not the tax base.

The table below reconciles accounting profit and taxable income for 2021 and 2020:

	Thousands of Euros	
	2021	**2020**
Aggregate profit/(loss) before tax	**(68,572)**	**20,541**
Permanent differences:	**116,821**	**14,796**
Appropriation to Community Projects Fund	(2,214)	(1,352)
Mandatory Reserve Fund	(2,597)	(1,589)
Interest on share capital contributions	(18,661)	-
Dividends and other	8,585	(41,359)
Other provisions	131,708	59,096
Adjusted accounting profit/(loss) after permanent differences	**48,249**	**35,337**
Temporary differences:	**29,124**	**(60,661)**
Impairment losses on assets	10,565	(17,357)
Goodwill	(271)	(271)
Impairment losses on loans	(1,367)	(27,558)
Unaccrued fees, Bank of Spain Circular 4/2001	(31)	(31)
Funds and provisions created	20,398	513
Excess amortisation/depreciation charge (Act 16/2012)	(4,610)	(4,667)
Revaluation of properties	2,253	2,253
Portfolio valuation adjustments	(536)	(234)
Limitation of the deduction of financial expenses	-	(1,000)
Financial assets at fair value through other comprehensive income	2,723	(12,309)
Tax base before offset	**77,373**	**(25,324)**
Gross tax payable	113,453	55,108
Gross tax refundable	(36,074)	(80,432)
Losses due to defaults (Articles 11, 12 of nish Corporate Income Tax Act (LIS))	**14,359**	**6,399**
Tax base before offset of tax loss carryforwards	**91,732**	**(18,925)**
Gross tax payable	113,453	55,108
Gross tax refundable	(21,715)	(74,033)
Offset of prior years' tax loss carryforwards	**-**	**(14,826)**
Tax base	**91,732**	**(33,751)**
Gross tax payable (30%-25%)	**26,422**	**(9,038)**
Gross tax payable	28,891	9,986
Gross tax refundable	(2,469)	(19,024)
Monitisable tax asset expenses and losses (applied to tax payable)	**(1,122)**	**14,717**
Impairment losses on loans	2,607	19,480
Pension funds and other insurance	(3,729)	(4,763)
Application of the limit on monetisable tax assets	(3,649)	126
Tax payable (30%-25%)	**21,650**	**5,805**
Gross tax payable	24,103	23,786
Gross tax refundable	(2,453)	(17,981)
Tax credits for tax loss carryforwards	(6,137)	(3,617)
Deductions and credits	(25)	(11)
Withholdings and payments on account	(29,345)	(35,886)
Tax payable/(refundable)	**(11,404)**	**(15,728)**

The breakdown of corporate income tax included on the consolidated statement of profit or loss for 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	**2020**
Tax payable (30%-25%)	14,261	8,082
Deductions and credits	-	(1,500)
Adjustments to prior year corporate income tax	719	(12,671)
Consolidation adjustment, portfolio standardisation	210	5,414
Corporate income tax	**15,190**	**(675)**

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 2021 and 31 December 2020, the Group has recognised the following amounts in equity (deferred taxes) for the following concepts:

	Thousands of Euros	
	2021	2020
Fair value of tangible assets	42,312	43,304
Fair value of financial assets at fair value through other comprehensive income (revaluation)	7,036	11,328
Fair value of of financial assets at fair value through other comprehensive income (undervaluation)	4,373	(2,683)
Fair value of loans and receivables and other (revaluation)	6	106
Fair value of loans and receivables and other (undervaluation)	(61,196)	(58,925)
Actuarial gains and losses	(2,699)	(2,597)

Movements in corporate income tax connected with items that may be reclassified to profit or loss presented on the statement of recognised income and expenses was €4,530 thousand at 31 December 2021 (31 December 2020: €22,105 thousand), solely relate to financial assets designated at fair value through other comprehensive income and actuarial gains on defined benefit pension plans.

Deferred tax assets corresponding to charges for the impairment of loans and other assets deriving from the potential insolvency of debtors not related to the taxpayer and from transfers or contributions to staff welfare schemes and, if appropriate, early retirement, generated as from 1 January 2016, may be converted into a callable loan (that may be monetisable) with the tax authorities for an amount equal to the tax payable for the tax period in which they are generated in the circumstances stipulated in the relevant legislation.

Further, deferred tax assets corresponding to charges for the impairment of loans and other assets deriving from the potential insolvency of debtors not related to the taxpayer and from transfers or contributions to staff welfare schemes and, if appropriate, early retirement, generated as from 1 January 2016, may be converted into a callable loan with the tax authorities when included to determine the corporate income tax charge or, otherwise, used to determine payment of an annual ‘asset charge’ of 1.5%. The expense accrued by the Group in 2021 in respect of this ‘asset charge’ amounted to €8,051 thousand (31 December 2020: €8,164 thousand).

Monetisable tax assets at 31 December 2021 were €608,997 thousand (€627,564 thousand at 31 December 2020).

Royal Decree-Law 27/2018, of 28 December 2018, establishing certain tax and property registry measures amended Corporate Income Tax Act 27/2014 with effect for tax periods commencing on or after 1 January 2018. It establishes that credits and debits to reserves, which are considered to be income and expenses respectively, insofar as they have tax effects pursuant to the Law as a result of first time application of Bank of Spain Circular 4/2017, of 27 November 2017, to credit institutions’ public and confidential financial reporting rules and formats, must be included in equal parts in the tax base for each of the first three tax years commencing on or after 1 January 2018, provided this inclusion does not mean the provisions of article 130 of the Act are applicable. No amounts were included in the tax base at 31 December 2021 and none are pending inclusion.

A breakdown of tax credits for tax loss carryforwards, deductions and allowances available for offset in future years at 31 December 2021 and 31 December 2020 is as follows:

		Thousands of Euros	
Year generated	Item	2021	2020
2021	Tax credits for tax loss carryforwards	2,453	-
2020	Tax credits for tax loss carryforwards	16,719	17,981
2020	Deductions and credits	1,500	1,500
2019	Tax credits for tax loss carryforwards	7,274	7,274
2019	Deductions and credits	2,020	2,020
2018	Tax credits for tax loss carryforwards	16,865	10,531
2018	Deductions and credits	1,452	1,452
2017	Tax credits for tax loss carryforwards	30,299	28,005
2017	Deductions and credits	660	660
2016	Deductions and credits	542	542
2015	Tax credits for tax loss carryforwards	30,887	30,892
2014	Tax credits for tax loss carryforwards	6,640	6,636
2014	Deductions and credits	64	64
2013	Tax credits for tax loss carryforwards	114	122
2013	Deductions and credits	66	66
2012	Tax credits for tax loss carryforwards	152,840	158,472
2012	Deductions and credits	151	153
2011	Tax credits for tax loss carryforwards	402	423
2011	Deductions and credits	76	92
2010	Tax credits for tax loss carryforwards	334	1,138
2010	Deductions and credits	180	186
2009	Deductions and credits	47	47
	Total	**271,585**	**268,256**

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 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	2020
Other assets:		
Prepayments and accrued income	29,012	20,367
Inventories:	673,633	1,034,527
Amortised cost	1,089,093	1,443,104
Valuation adjustments for impairment	(415,460)	(408,577)
Other:		
Net pension plan assets (Note 14.1)	98	110
Transactions in transit	1,127	1,889
Other items	75,922	63,581
Total	**779,792**	**1,120,474**

	Thousands of Euros	
	2021	2020
Other liabilities:		
Accruals and deferred income	100,281	86,537
Other:		
Transactions in transit	16,536	82,205
Other items	205,655	186,399
Education and Development Fund	5,124	7,099
Total	**327,596**	**362,240**

The heading "Inventories" comprises assets, including land and other properties, that are for sale during the normal course of business. Movements in the assets mentioned in the above paragraph on the consolidated balance sheets, without taking into account valuation adjustments, throughout 2021 and 2020, are as follows:

	Thousands of Euros	
Cost	2021	2020
Opening balance	**1,443,104**	**1,475,982**
Additions	294,320	179,554
Disposals	(606,162)	(164,638)
Transfers (Note 10) (Note 12)	(42,169)	(47,794)
Closing balance	**1,089,093**	**1,443,104**

	Thousands of Euros	
Impairment losses	2021	2020
Opening balance	**(408,577)**	**(380,506)**
Additions (Note 26)	(682,325)	(206,021)
Disposals (Note 26)	533,702	154,858
Transfers due to reclassification	-	-
Transfers, applications and other	141,740	23,092
Closing balance	**(415,460)**	**(408,577)**

The main disposals from sales during 2021 correspond to the transfer of assets under the placement contract agreement entitled "Project Jaguar" (Note 1.7). In 2021 assets classified as the Group's inventories with a net book value of €225,027 thousand not included in the aforementioned transaction were also derecognised on being sold (2020: €125,994 thousand). Loans were granted to finance these sales totalling €133,509 thousand (€82,823 thousand in 2020). The average percentage financed relative to the sales price compared with the total amount of inventories sold at 31 December 2021 was 59.33% (65.74% at 31 December 2020).

The fair value of the inventories recorded in this heading at 31 December 2021 and 31 December 2020, matches the book value.

17. Education and Development Fund

The incorporation of Grupo Cooperativo Cajamar does not restrict responsibility for operating and managing the Education and Development Fund to the Parent's Board of Directors; this responsibility falls to the governing board of each entity forming part of the Group, as follows:

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

- To train and educate partners and employees of the Group on cooperative principles and values, and to raise awareness of cooperativism in social and rural environments and other cooperative action of a socio-cultural nature.

- To champion action relating to raising awareness of cooperativism, inter-cooperation and cooperative integration.

- To support cultural, professional and care activities at the local level or for the community in general, to contribute to enhancing the quality of life and social well-being.

- To participate in strategies and programmes that respond to the needs of social development, protection of the environment and economic development of the Group's areas of action.

At the individual level, each Credit Cooperative forming part of Grupo Cooperativo carries out their own activities financed by the Education and Development Fund; the most significant in 2021 and 2020 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 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 increasing 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 cultural 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 balances related to the Group's Education and Development Fund, at 31 December 2021 and 31 December 2020, break down as follows:

	Thousands of Euros	
	2021	**2020**
Application of the Education and Development Fund: (Note 12)		
Property, plant and equipment:	**2,129**	**2,186**
Cost	6,518	6,495
Accumulated depreciation	(4,389)	(4,309)
Other receivables	-	-
Total	**2,129**	**2,186**
Education and Development Fund:		
Appropriation:	**4,075**	**6,458**
Applied to property, plant and equipment	2,048	2,108
Applied to other investments	82	78
Expenses committed during the year	6,736	9,860
Current year maintenance expenses	(5,595)	(6,331)
Amount not committed	804	743
Other liabilities	**1,051**	**641**
Total	**5,126**	**7,099**

The budget for expenses and investments of the Education and Development Fund at 31 December 2021 amounted to €6,736 thousand (€9,860 thousand at 31 December 2020).

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 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Opening balance	**7,099**	**4,800**
Distribution of prior year surplus, Credit Cooperatives	1,353	3,812
Extraordinary appropriation	3,187	4,881
Maintenance expenses for the year	(5,595)	(6,331)
Other	(920)	(63)
Closing balance	**5,124**	**7,099**

18. Equity

Equity on the accompanying consolidated balance sheets at 31 December 2021 and 31 December 2020 breaks down as follows:

	Thousands of Euros	
	2021	2020
Capital	**1,059,028**	**1,059,028**
Paid up capital	1,059,028	1,059,028
Parent's reserves	**21,859**	**11,340**
Non-distributable reserves:	**11,490**	**9,748**
Legal reserve	11,490	9,748
Other reserves	**10,369**	**1,592**
Voluntary reserves	25,549	9,876
Other reserves	(15,180)	(8,284)
Parent's equity subject to solvency commitment	**1,080,887**	**1,070,368**
Equity of the Group's cooperative societies subject to solvency commitment	**3,463,497**	**3,265,286**
Equity of Cajamar Caja Rural subject to solvency commitment	**3,193,448**	**3,004,297**
Contributions to the share capital of Cajamar Caja Rural	3,060,694	2,879,581
Reserves of Cajamar Caja Rural	132,781	124,743
Mandatory reserve fund	22,351	19,984
Revaluation reserves	39,589	39,589
Voluntary reserve fund	60,712	55,042
Other reserves	10,129	10,128
Less: Treasury shares	(27)	(27)
Equity of the rest of the Group's cooperative societies subject to solvency commitment	**270,049**	**260,989**
Share capital contributions to the rest of the Group's cooperative societies	80,316	72,340
Reserves of the rest of the cooperative societies	189,761	188,677
Mandatory reserve fund	179,810	179,000
Revaluation reserves	5,806	5,805
Voluntary reserve fund	4,285	4,016
Other reserves	(140)	(144)
Less: Treasury shares	(28)	(28)
Reserves generated during the consolidation process	**(54,972)**	**(58,657)**
Other Consolidable Group Reserves	**(3,949)**	**(14,473)**
Reserves of entities accounted for using the equity method	**32,626**	**53,722**
Parent's shares (-)	**(977,349)**	**(977,349)**
Profit or loss attributable to the Parent	**62,625**	**23,760**
Dividends (-)	**(7,882)**	**-**
Dividends to Cajamar Caja Rural share capital	(7,723)	-
Dividends to the share capital of the rest of the Group's rural savings banks	(159)	-
Interim dividends (-)	**(617)**	**-**
Items that may be reclassified to profit or loss	**(12,079)**	**25,613**
Items that may not be reclassified to profit or loss	**(3,980)**	**(11,487)**
Changes in the fair value of equity instruments at fair value through other comprehensive income	2,504	(5,268)
Actuarial gains or losses on defined benefit pension plans	(6,484)	(6,219)
Total equity	**3,578,807**	**3,376,783**

The reconciliation of equity on the accompanying consolidated balance sheet with other items that may or may not be reclassified to profit or loss at 31 December 2021 and 31 December 2020, is as follows:

	Thousands of Euros 2021		
Equity	**3,594,866**	**3,594,866**	**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	**3,140,955**	**3,140,955**	**Total equity instruments**
		3,060,694	*Contributions to the share capital of Cajamar Caja Rural (Equity subject to solvency commitments)*
		(27)	*Less: Treasury shares of Cajamar Caja Rural (Equity subject to solvency commitments)*
		80,316	*Contributions to the share capital of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
		(28)	*Less: Treasury shares of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
Other equity	**-**	**-**	**Other equity**
Retained earnings	**249,225**	**249,225**	**Total other retained earnings (Reserves)**
		37,039	*Parent's reserves*
		83,063	*Mandatory, voluntary and other reserves at Cajamar Caja Rural (Equity subject to solvency commitments)*
		184,095	*Mandatory, voluntary and other reserves at the other cooperative societies (Equity subject to solvency commitments)*
		(54,972)	*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	**23,485**	**23,485**	**Total other reserves**
Reserves of entities accounted for using the equity method	-	*32,626*	*Reserves of entities accounted for using the equity method*
Other	-	*(9,141)*	*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	**62,626**	**62,626**	**Profit or loss attributable to the Parent**
(-) Interim dividends	**(8,499)**	**(8,499)**	**Total interim dividends**
		(7,723)	**Dividends to Cajamar Caja Rural share capital**
		(159)	*Dividends to the share capital of the rest of the Group's rural savings banks*
		(617)	*Interim dividends to the Parent*
Accumulated other comprehensive income	**(16,059)**	**(16,059)**	**Total accumulated other comprehensive income**
Items that will not be reclassified to profit or loss	**(3,980)**	**(3,980)**	**Items that may not be reclassified to profit or loss**
		(5,417)	*Actuarial gains or (-) losses on defined benefit pension plans of the Parent*
		(846)	*Actuarial gains or (-) losses on defined benefit pension plans of Cajamar Caja Rural*
		(221)	*Actuarial gains or (-) losses on defined benefit pension plans of the of the rest of the Group's cooperative societies*
		2,504	*Changes in the fair value of equity instruments at fair value through other comprehensive income*
Items that may be reclassified to profit or loss	**(12,079)**	**(12,079)**	**Items that may be reclassified to profit or loss**
		-	*Foreign currency translation*
		(14,349)	*Hedging derivatives. Cash flow hedges [effective portion]*
		(3,188)	*Changes in the fair value of debt instruments at fair value through other comprehensive income*
		5,458	*Share of other recognised income and expense of investments in joint ventures and associates*

	Thousands of Euros		
	2020		
Equity	**3,362,657**	**3,362,657**	**Breakdown:**
Capital	**1,059,028**	**1,059,028**	**Parent's capital**
Paid up capital	*1,059,028*	*1,059,028*	*Parent's issued capital*
Less: Uncalled capital	-	-	*Uncalled capital (-)*
Share premium	**-**	**-**	**Share premium**
Equity instruments issued other than capital	**2,951,866**	**2,951,866**	**Total equity instruments**
	-	*2,879,581*	*Contributions to the share capital of Cajamar Caja Rural (Equity subject to solvency commitments)*
	-	*(27)*	*Less: Treasury shares of Cajamar Caja Rural (Equity subject to solvency commitments)*
	-	*72,340*	*Contributions to the share capital of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
	-	*(28)*	*Less: Treasury shares of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
Other equity	**-**	**-**	**Other equity**
Retained earnings	**219,009**	**219,009**	**Total other retained earnings (Reserves)**
		19,624	*Parent's reserves*
		75,026	*Mandatory, voluntary and other reserves at Cajamar Caja Rural (Equity subject to solvency commitments)*
		183,016	*Mandatory, voluntary and other reserves at the other cooperative societies (Equity subject to solvency commitments)*
		(58,657)	*Reserves generated during the consolidation process*
Revaluation reserves	**45,394**	**45,394**	**Total revaluation reserves**
		39,589	*Revaluation reserves at Cajamar Caja Rural*
		5,805	*Revaluation reserves at the rest of the Group's cooperative societies*
Other reserves	**40,949**	**40,949**	**Total other reserves**
Reserves of entities accounted for using the equity method	-	*53,722*	*Reserves of entities accounted for using the equity method*
Other	-	*(12,773)*	*Other reserves*
(-) Treasury shares	**(977,349)**	**(977,349)**	**Shares in the Parent (-) (Shares in the Parent held by the Group)**
Profit or loss attributable to owners of the Parent	**23,760**	**23,760**	**Profit or loss attributable to the Parent**
(-) Interim dividends	**-**	**-**	**Total interim dividends**
		-	**Dividends to Cajamar Caja Rural share capital**
		-	*Dividends to the share capital of the rest of the Group's rural savings banks*
		-	*Interim dividends to the Parent*
Accumulated other comprehensive income	**14,125**	**14,125**	**Total accumulated other comprehensive income**
Items that will not be reclassified to profit or loss	**(11,487)**	**(11,487)**	**Items that may not be reclassified to profit or loss**
		(5,294)	*Actuarial gains or (-) losses on defined benefit pension plans of the Parent*
		(716)	*Actuarial gains or (-) losses on defined benefit pension plans of Cajamar Caja Rural*
		(209)	*Actuarial gains or (-) losses on defined benefit pension plans of the of the rest of the Group's cooperative societies*
		(5,268)	*Changes in the fair value of equity instruments at fair value through other comprehensive income*
Items that may be reclassified to profit or loss	**25,612**	**25,612**	**Items that may be reclassified to profit or loss**
		-	*Foreign currency translation*
		14,912	*Hedging derivatives. Cash flow hedges [effective portion]*
		3,710	*Changes in the fair value of debt instruments at fair value through other comprehensive income*
		-	*Hedging instruments [undesignated items]*
		-	*Non-current assets and disposal groups of assets classified as held for sale*
		6,990	*Share of other recognised income and expense of investments in joint ventures and associates*

18.1. Capital:

18.1.1. Parent's capital

At 31 December 2021 and 31 December 2020 the Parent's capital breaks down as follows, by shareholder contribution:

	Percentage ownership	
Shareholders that form part of Grupo Cooperativo Cajamar	**2021**	**2020**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	84.87%	84.87%
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	1.51%	1.51%
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	0.87%	0.87%
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	0.73%	0.73%
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	0.63%	0.63%
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	0.76%	0.76%
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	0.52%	0.52%
Caja Rural San Jaime de Alquerías del Niño Perdido, Sociedad Cooperativa de Crédito	0.39%	0.39%
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	0.34%	0.34%
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	0.30%	0.30%
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	0.25%	0.25%
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	0.23%	0.23%
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	0.23%	0.23%
Caja Rural de Villar, Sociedad Cooperativa de Crédito	0.21%	0.21%
Caja Rural San José de BCC, Sociedad Cooperativa de Crédito	0.15%	0.15%
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	0.11%	0.11%
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	0.09%	0.09%
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	0.10%	0.10%
Shareholders that do not form part of Grupo Cooperativo Cajamar		
Caja Rural de Almendralejo, Sociedad Cooperativa de Crédito	1.56%	1.56%
Eurocaja Rural, Sociedad Cooperativa de Crédito (*)	0.09%	0.09%
Caja Rural de Guissona, S. Coop. de Crédito	0.01%	0.01%
Caja Rural de Baena Ntra. Señora de Guadalupe, Sociedad Cooperativa de Crédito Andaluza	0.03%	0.03%
Caja Rural de Utrera, Sociedad Cooperativa Andaluza de Crédito	0.03%	0.03%
Caja Rural de Cañete de las Torres Ntra. Sra. del Campo, Sociedad Cooperativa Andaluza de Crédito	0.03%	0.03%
Caja Rural Ntra. Sra. del Rosario, Sociedad Cooperativa Andaluza de Crédito	0.03%	0.03%
Caja Rural Ntra. Madre del Sol, S. Coop. Andaluza de Crédito	0.03%	0.03%
Caja Rural San José de Almassora, S.Coop de Crédito	0.09%	0.09%
Caixa Rural de Benicarló, S.Coop de Crédito	0.09%	0.09%
Caixa Rural Vinaros, S. Coop. de Crédito	0.09%	0.09%
Caixa Rural Les Coves de Vinroma, S.Coop de Crédito	0.05%	0.05%
Team & Work 5000, SL	2.83%	2.83%
Crédito Agrícola SGPS, SA	0.47%	0.47%
Garunter Locales, SL	0.47%	0.47%
Pepal 2002, SL	0.14%	0.14%
Acor Sociedad Cooperativa General Agropecuaria	0.19%	0.19%
Gespater S.L	0.28%	0.28%
Publindal, S.L.	0.42%	0.42%
Surister del Arroyo, S.L.	0.19%	0.19%
Grupo Juramenta, S.L.	0.09%	0.09%
Repalmar, S.L.	0.09%	0.09%
Frutas de Guadalentin, S.L.	0.28%	0.28%
Other minority interests [Non-controlling interests]	0.10%	0.10%

(*) Formerly Caja Rural de Castilla - La Mancha

At 31 December 2021 the Parent's capital amounts to €1,059,028 thousand (€1,059,028 thousand at 31 December 2020), made up of 1,059,028 registered shares with a par value of €1 each (1,059,028 registered shares with a par value of €1 each at 31 December 2020). 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 shares held by Group entities in the Parent are recorded under "Treasury shares" in equity. At 31 December 2021 this totalled €977,349 thousand (€977,349 thousand at 31 December 2020), as follows:

	Thousands of Euros	
	2021	**2020**
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

Partners' contributions to the capital of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, amount to €3,060,667 thousand at 31 December 2021 (€2,879,554 thousand at 31 December 2020) 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 2021 the largest contribution equalled 0.16% of capital (0.17% at the end of 2020).

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 €80,288 thousand at 31 December 2021 (€72,312 thousand at 31 December 2020) and is recorded under "*Equity of the Group's cooperative societies subject to solvency commitment – Equity of the rest of the Group's cooperative societies subject to solvency commitment – Capital contributions to the rest of the Group's cooperative societies* ".

Details of and movements in the capital of Group Cooperative Societies during 2021 and 2020 are as follows:

2021

	Thousands of Euros									
Group entity	**Entity's share capital**	**Treasury shares**	**Opening balance**	**Number of contributions**	**Additions**	**Number of contributions**	**Disposals**	**Number of contributions**	**Treasury shares**	**Closing balance**
Cajamar Caja Rural, Sdad. Coop. de Crédito	2,879,581	(27)	2,879,554	47,205,803	381,885	6,260,403	(200,772)	(3,291,337)	-	3,060,667
Caixa Rural de Torrent, Coop. de Crédito Valenciana	13,553	-	13,553	225,470	1,628	27,077	(587)	(9,770)	-	14,593
Caixa Rural de Altea, Coop. de Crédito Valenciana	5,829	-	5,829	96,988	654	10,878	(385)	(6,399)	-	6,098
Caja Rural San José de Burriana, Sdad. Coop. de Crédito	4,485	-	4,485	74,626	472	7,858	(315)	(5,247)	-	4,642
Caja de Crédito de Petrel, Caja Rural, Coop. de Crédito Valenciana	3,445	-	3,445	57,321	407	6,767	(222)	(3,686)	-	3,630
Caja Rural Católico Agraria, Sdad. Coop. de Crédito	11,848	-	11,848	197,138	3,266	54,341	(449)	(7,472)	-	14,665
Caja Rural de Callosa d'en Sarriá, Sdad. Coop. de Crédito	7,308	-	7,308	121,597	1,192	19,827	(485)	(8,076)	-	8,014
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad. Coop. de Crédito	3,442	-	3,442	57,271	250	4,156	(120)	(1,989)	-	3,572
Caja Rural de Cheste, Sdad. Coop. de Crédito	1,884	-	1,884	31,343	197	3,279	(40)	(667)	-	2,041
Caja Rural San José de Nules, Sdad. Coop. de Crédito	5,376	-	5,376	89,451	1,020	16,966	(204)	(3,399)	-	6,191
Caja Rural de Alginet, Sdad. Coop. de Crédito	2,529	(28)	2,501	41,614	171	2,838	(47)	(784)	-	2,624
Caixa Rural de Turís, Coop. de Crédito Valenciana	1,642	-	1,642	24,837	263	3,981	(52)	(794)	-	1,853
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,258	-	3,258	54,210	257	4,269	(233)	(3,871)	-	3,282
Caja Rural de Villar, Sdad. Coop. de Crédito	3,891	-	3,891	64,742	904	15,044	(105)	(1,745)	-	4,690
Caja Rural San José de Vilavella, Sdad. Coop. de Crédito	923	-	923	15,358	117	1,942	(28)	(474)	-	1,011
Caja Rural San Roque de Almenara, Sdad. Coop. de Crédito	948	-	948	15,774	131	2,186	(49)	(808)	-	1,031
Caja Rural San Isidro de Vilafamés, Sdad. Coop. de Crédito	481	-	481	6,871	29	413	(8)	(115)	-	502
Caja Rural La Junquera de Chilches, Sdad. Coop. de Crédito	1,497	-	1,497	24,908	389	6,476	(39)	(645)	-	1,847
Total	**2,951,920**	**(55)**	**2,951,865**	**48,405,323**	**393,230**	**6,448,702**	**(204,140)**	**(3,347,278)**	**-**	**3,140,955**

(*) Includes the capital contributions of the merged entity Caja Rural Albalat dels Sorells, Sdad. Coop. of credit

2020

	Thousands of Euros									
Group entity	**Entity's share capital**	**Treasury shares**	**Opening balance**	**Number of contributions**	**Additions**	**Number of contributions**	**Disposals**	**Number of contributions**	**Treasury shares**	**Closing balance**
Cajamar Caja Rural, Sdad. Coop. de Crédito	2,799,750	(27)	2,799,723	45,897,090	309,832	5,079,214	(230,001)	(3,770,501)	-	2,879,554
Caixa Rural de Torrent, Coop. de Crédito Valenciana	12,845	-	12,845	213,684	1,540	25,627	(832)	(13,835)	-	13,553
Caixa Rural de Altea, Coop. de Crédito Valenciana	5,627	-	5,627	93,623	467	7,777	(265)	(4,407)	-	5,829
Caja Rural San José de Burriana, Sdad. Coop. de Crédito	3,626	-	3,626	60,334	1,032	17,179	(173)	(2,880)	-	4,485
Caja de Crédito de Petrel, Caja Rural, Coop. de Crédito Valenciana	3,244	-	3,244	53,981	419	6,976	(218)	(3,635)	-	3,445
Caja Rural Católico Agraria, Sdad. Coop. de Crédito	10,760	-	10,760	179,038	1,462	24,328	(374)	(6,230)	-	11,848
Caja Rural de Callosa d'en Sarriá, Sdad. Coop. de Crédito	7,027	-	7,027	116,924	790	13,151	(510)	(8,483)	-	7,308
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad. Coop. de Crédito	2,952	-	2,952	49,122	682	11,348	(193)	(3,204)	-	3,442
Caja Rural de Cheste, Sdad. Coop. de Crédito	1,803	-	1,803	29,993	118	1,968	(37)	(619)	-	1,884
Caja Rural San José de Nules, Sdad. Coop. de Crédito	5,090	-	5,090	84,692	418	6,953	(132)	(2,191)	-	5,376
Caja Rural de Alginet, Sdad. Coop. de Crédito	2,475	(28)	2,447	40,723	156	2,601	(103)	(1,708)	-	2,501
Caixa Rural de Turís, Coop. de Crédito Valenciana	1,452	-	1,452	21,967	227	3,429	(37)	(559)	-	1,642
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,141	-	3,141	52,263	351	5,843	(235)	(3,903)	-	3,258
Caja Rural de Villar, Sdad. Coop. de Crédito	3,103	-	3,103	51,635	901	14,989	(113)	(1,878)	-	3,891
Caja Rural San José de Vilavella, Sdad. Coop. de Crédito	856	-	856	14,243	82	1,369	(16)	(258)	-	923
Caja Rural San Roque de Almenara, Sdad. Coop. de Crédito	856	-	856	14,240	130	2,157	(37)	(618)	-	948
Caja Rural San Isidro de Vilafamés, Sdad. Coop. de Crédito	458	-	458	6,536	31	439	(7)	(101)	-	481
Caja Rural La Junquera de Chilches, Sdad. Coop. de Crédito	905	-	905	15,052	605	10,072	(13)	(219)	-	1,497
Total	**2,865,970**	**(55)**	**2,865,915**	**46,995,141**	**319,245**	**5,235,420**	**(233,294)**	**(3,825,229)**	**-**	**2,951,866**

(*) Includes the capital contributions of the merged entity Caja Rural Albalat dels Sorells, Sdad. Coop. of credit

At 31 December 2021 the Board of Directors of Grupo Cooperativo Cajamar classified €3,140,955 thousand (€2,951,866 thousand at 31 December 2020) 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 2021 and 31 December 2020 the capital of all the Group Credit Cooperatives, in accordance with their respective by-laws, is classified in full under equity in their financial statements.

18.1.4. Share premium

No amounts are recognised under this heading of the consolidated balance sheet at 31 December 2021 and 31 December 2020.

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 2021 and at 31 December 2020 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 2021 and at 31 December 2020 the Group has not issued any instruments with a potential dilutive effect.

	Thousands of Euros	
	2021	**2020**
Profit/(loss) attributable to the Parent, net	62,626	23,760
Weighted average number of shares	1,059,028	1,059,028
Basic earnings per share	**0.06**	**0.02**

	Thousands of Euros	
	2021	**2020**
Profit/(loss) attributable to the Parent, net	62,626	23,760
Corrections to results due to issuance of convertibles/options	-	-
Adjusted profit/(loss)	**62,626**	**23,760**
Weighted average number of shares	1,059,028	1,059,028
Corrections to weighted number of shares due to issuance of convertibles or options	-	-
Adjusted weighted average number of shares	**1,059,028**	**1,059,028**
Diluted earnings per share	**0.06**	**0.02**

18.1.6. Parent dividend distribution

The Parent may only pay out dividends against profits for the year or its unrestricted reserves if the relevant legal or by-law conditions have been met and equity is not less than capital or does not fall below capital due to the dividend payment. If there are prior-year losses that cause the Company's equity to be lower than the capital figure, profits must be used to offset those losses.

At 31 December 2021 and 31 December 2020, the Parent, in accordance with legal requirements, has sufficient funds to distribute dividends. Details of the liquidity position at the dividend payment date are as follows:

	Thousands of Euros
Supporting statement for the distribution of the interim dividend	**31/08/2021**
1) Profit for the period from 1 January	**14,960**
2) Less	1,496
a) Mandatory application to reserves	*1,496*
b) Allocated amount to Equity less than capital	-
3) Less interim dividend paid for the period	-
4) Maximum allocated amount (1-2-3)	13,464
Proposed interim dividend	**8,000**
Financial situation	
Cash	109,192
Deposits at central banks	47,695
Available cash balance	**156,887**
Available cash balance after dividend	**148,887**

The breakdown of the interim dividends paid out at year-end 2021 is as follows:

2021

	Dividend paid			
	% of nominal amount	Thousands of shares	Euros per share	Thousands of euros
Ordinary shares:				
Cajamar Caja Rural, S.C.C.	84.87%	898,842	0.008	6,789.93
Caixa Rural de Torrent, C.C.V.	1.51%	15,981	0.008	120.73
Caixa Rural de Altea, C.C.V.	0.87%	9,242	0.008	69.82
Caja Rural San José de Burriana, S.C.C.	0.73%	7,714	0.008	58.27
Caja de Crédito de Petrel Caja Rural, C.C.V.	0.63%	6,681	0.008	50.47
Caja Rural Católico Agraria, S.C.C.	0.76%	8,040	0.008	60.74
Caja Rural de Callosa d'en Sarriá, S.C.C.	0.52%	5,556	0.008	41.97
Caja Rural San Jaime de Alquerías del Niño Perdido, S.C.C.	0.39%	4,124	0.008	31.15
Caja Rural de Cheste, S.C.C.	0.34%	3,606	0.008	27.24
Caja Rural San José de Nules, S.C.C.	0.30%	3,155	0.008	23.83
Caja Rural de Alginet, S.C.C.	0.25%	2,676	0.008	20.21
Caixa Rural de Turís, C.C.V.	0.23%	2,413	0.008	18.23
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo, C.C.V.	0.23%	2,416	0.008	18.25
Caja Rural de Villar, S.C.C.	0.21%	2,257	0.008	17.05
Caja Rural San José de Vilavella, S.C.C.	0.15%	1,536	0.008	11.61
Caja Rural San Roque de Almenara, S.C.C.	0.11%	1,147	0.008	8.66
Caja Rural San Isidro de Vilafamés, S.C.C.	0.09%	948	0.008	7.16
Caja Rural La Junquera de Chilches, C.C.V.	0.10%	1,018	0.008	7.69
Caja Rural de Almendralejo, S.C.C.	1.56%	16,491	0.008	124.57
Eurocaja Rural, Sociedad Cooperativa de Crédito	0.09%	1,000	0.008	7.55
Caixa Rural La Vall San Isidro, C.C.V.	0.00%	9	0.008	0.07
Caja Rural San José de Almassora, S.C.C.	0.09%	1,000	0.008	7.55
Caixa Rural de Benicarló, S.C.C.	0.09%	1,000	0.008	7.55
Caixa Rural Vinaros, S.C.C.	0.09%	1,000	0.008	7.55
Caixa Rural Les Coves de Vinroma, S.C.C.	0.05%	500	0.008	3.78
Caja Rural de Baena Ntra. Señora de Guadalupe, S.C.C.A.	0.03%	300	0.008	2.27
Caja Rural de Utrera, S.C.C.A.	0.03%	300	0.008	2.27
Caja Rural Cañete de las Torres Ntra. Sra. del Campo, S.C.C.A.	0.03%	300	0.008	2.27
Caja Rural Ntra. Sra. del Rosario, S.C.C.A.	0.03%	300	0.008	2.27
Caja Rural Ntra. Madre del Sol, S.C.C.A.	0.03%	300	0.008	2.27
Caja Rural de Guissona, S.C.C.	0.01%	150	0.008	1.13
Team & Work 5000, S.L. (Grupo TREA)	2.83%	30,000	0.008	226.62
Crédito Agrícola, S.G.P.S., S.A.	0.47%	5,000	0.008	37.77
Garunter Locales, S.L.	0.47%	5,000	0.008	37.77
Pepal 2002, S.L.	0.14%	1,500	0.008	11.33
Acor Sociedad Cooperativa General Agropecuaria	0.19%	2,000	0.008	15.11
Gespater, S.L.	0.28%	3,000	0.008	22.66
Publindal, S.L.	0.42%	4,500	0.008	33.99
Surister del Arroyo, S.L.	0.19%	2,000	0.008	15.11
Grupo Juramenta, SL	0.09%	1,000	0.008	7.55
Rapalmar, SL	0.09%	1,000	0.008	7.55
Frutas del Guadalentín, SL	0.28%	3,000	0.008	22.66
Other minority interests [Non-controlling interests]	0.10%	1,028	0.008	7.77
Total dividends paid	**100.00%**	**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	-	-	-	-

The Group did not distribute an interim dividend against 2020 earnings, following the European Central Bank's recommendations to financial institutions, as their direct supervisor, that they do not pay out or assume any irrevocable commitments to pay out dividends against 2019 and 2020 results (Note 1.8).

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 2021 the Group's rural savings banks accrued €18,660 thousand of interest on capital contributions, €7,881 thousand of which was paid during the year. In accordance with the European Central Bank's recommendation, the Group's rural savings banks did not pay any interest on capital contributions during the year.

In addition, Members have delegated to Banco de Crédito Social Cooperativo, S.A. the power to determine the distribution of profit or application of loss, which will lay down the appropriation criteria within the legal and by-law limits. The Governing Boards of the Members put forward their proposals for the appropriation of results in compliance with the criteria in place. Before submitting the proposals to their general assemblies, they must obtain approval from the Parent.

18.2. Retained earnings and reserves

Details of the "Reserves" heading under "Equity" on the accompanying consolidated balance sheets at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Parent's reserves		
Legal and statutory reserve fund	11,490	9,748
Voluntary reserves	25,549	9,876
	37,039	**19,624**
Reserves of the Group's credit cooperatives		
Mandatory reserve fund	202,161	198,984
Voluntary reserve fund and other reserves	64,997	59,059
	267,158	**258,043**
Reserves generated during the consolidation process	**(54,972)**	**(58,658)**
Total retained earnings	**249,225**	**219,009**
Revaluation reserve, Royal Decree-Law 7/1996	180	180
Revaluation reserves generated by IFRS and Bank of Spain Circular 4/2004	45,215	45,215
Total revaluation reserves	**45,395**	**45,395**
Reserves or accumulated losses on investments in joint ventures and associates	32,626	53,722
Other reserves (Note 8.5.2)	(9,141)	(12,774)
Total other reserves	**23,485**	**40,948**
Total	**318,105**	**305,352**

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 it represents at least 20% of capital. Until the legal reserve exceeds the limit indicated, it may only be used to offset losses in the event that no other sufficient reserves are available.

At 31 December 2021 and 31 December 2020 the Parent recorded €11,490 thousand and €9,748 thousand, respectively, under 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 2021 and 31 December 2020, the Parent's voluntary reserves totalled €25,549 thousand and € 9,876 thousand, respectively.

18.2.*2. Reserves in Group Credit Cooperatives*

Reserves in the Group Credit Cooperatives at 31 December 2021 and 31 December 2020 break down as follows:

	Thousands of Euros									
	Mandatory		Voluntary		Revaluation		Other		Total reserves	
Group entity	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	22,351	19,984	60,712	55,042	39,589	39,589	10,129	10,128	132,781	124,743
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	38,396	38,158	845	702	-	-	(143)	(143)	39,098	38,717
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	24,554	24,467	241	241	-	-	-	-	24,795	24,708
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	18,922	18,851	208	208	1,762	1,762	-	-	20,892	20,821
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	17,511	17,487	368	368	-	-	54	54	17,933	17,909
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	12,072	11,996	-	-	2,611	2,611	112	109	14,795	14,716
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	11,137	11,075	1,700	1,700	-	-	-	-	12,837	12,775
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad Coop de Crédito	9,220	9,186	431	305	-	-	-	-	9,651	9,491
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	9,558	9,527	75	75	-	-	-	-	9,633	9,602
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	4,718	4,687	45	45	-	-	-	-	4,763	4,732
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	6,532	6,488	18	18	-	-	(30)	(30)	6,520	6,476
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	6,684	6,663	80	80	-	-	8	8	6,772	6,751
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,780	3,763	8	8	449	449	61	60	4,298	4,280
Caja Rural de Villar, Sociedad Cooperativa de Crédito	5,399	5,370	56	56	615	615	-	-	6,070	6,041
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	3,850	3,836	102	102	-	-	(202)	(202)	3,750	3,736
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	2,553	2,541	46	46	368	368	-	-	2,967	2,955
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	2,386	2,378	17	17	-	-	-	-	2,403	2,395
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	2,538	2,527	45	45	-	-	-	-	2,583	2,572
Total reserves	**202,161**	**198,984**	**64,997**	**59,058**	**45,394**	**45,394**	**9,989**	**9,984**	**322,541**	**313,420**

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 2021 and 2020 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 2021 and at 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Cajamar Vida, S.A. de Seguros y Reaseguros	21,500	43,993
Agrocolor S.L.	830	760
Balsa Insa, S.L.	(4,753)	(4,753)
Proyecta Ingenio S.L.	(10)	-
Parque Innovación y Tecnología de Almería, S.A.	(3,675)	(3,316)
Murcia Emprende	(981)	132
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	4,438	6,142
Biocolor S.L.	(98)	(46)
GCC Consumo EFC, S.A.	15,336	10,804
Rest of associated entities	40	6
Total	**32,626**	**53,722**

19. Solvency

The (EU) 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.

Furthermore, on 28 June 2021 Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019 ("CRR2") amending the CRR started to be applied, except in certain circumstances.

CRR2 introduces and replaces certain articles in the CRR, including article 92 stipulating the requirements on own 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 phase-in basis at 31 December 2021 and 31 December 2020 break down as follows:

	Thousands of Euros	
	2021	**2020**
Eligible own funds	**3,897,271**	**3,533,405**
CET1 Capital	**3,297,400**	**3,145,405**
Eligible CET1 instruments	3,705,612	3,531,590
Share capital	*3,222,634*	*3,033,545*
Reserves from profit or loss	*482,978*	*498,045*
Tax credits	(408,212)	(386,185)
TIER 2 Capital	**599,871**	**388,000**
Pillar I capital adequacy requirements	**1,985,107**	**1,824,981**
Credit risk	1,773,451	1,689,930
Operating risk	128,729	124,591
CVA	78,680	2,295
Securitisations	4,247	8,165
Capital adequacy ratio	**15.71%**	**15.49%**
CET1 ratio	**13.29%**	**13.79%**

The Group's phase-in Total Capital ratio was 15.71% at 31 December 2021 (31 December 2020: 15.49%) while the phase-in CET1 ratio was 13.29% (31 December 2020: 13.79%), above the supervisor's requirements at that date. On the other hand, the fully-loaded CET 1 ratio stood at 12.78% at 31 December 2021 (13.06% at 31 December 2020) and the fully-loaded Total Capital ratio stood at 15.20% (14.77% at 31 December 2020).

The improvement in the Total Capital ratio is primarily due to the placement of a new subordinated debt issue of €600 million, the increase in cooperative capital and earnings. These effects have been partially offset by the increase in RWAs deriving from the growth in loans and receivables and increase in counterparty risk requirements and CVA, and the adoption of the new standard approach (SA-CRR) introduced through CRR2.

The main significant event regarding capital instruments during the period was the Group's issuance of subordinated debt totalling €600 million maturing in 10.5 years. Since 30 June 2021 this new placement has been approved as qualifying as Tier 2 Capital, with a simultaneous €400-million reduction in pre-existing Tier 2 Capital, corresponding to the two subordinated debt issues by the Group in 2016 and 2017 (€100 million and €300 million, respectively). The €100-million issue was redeemed on the call date (3 November 2021), while the €300-million issue has been partially repurchased and will be fully redeemed on its call date (7 June 2022).

The Pillar I and Pillar II capital requirements and the capital conservation buffer for 2021 are the same as those set in 2021: 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 2021 GCC has surplus capital over and above the requirements in the SREP.

Moreover, Regulation 2017/2395 of the European Parliament and of the Council of 12 December 2017 introduced an amendment to the CRR allowing institutions to gradually mitigate between 2018 and 2022 the negative impact of increasing provisions under IFRS 9 on the CET1, which in the Group's case entails a 78 basis-point reduction in the fully-loaded CET1 ratio (Note 1.4). Also in response to Covid-19, Regulation (EU) 2020/873 (known as the "CRR quick fix") was enacted, amending certain aspects of this transitional provision and the extent of said treatment.

In this regard, the Group decided to apply this transitional rule and therefore the phase-in capital ratios are calculated taking into account this stipulated transitional treatment and subsequent amendments thereto.

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 14 July 2021 revising the minimum requirements for own funds and eligible liabilities (MREL) established by the Single Resolution Board for BCC – as the Group's Parent – to be met no later than 1 January 2022 (binding interim objective) and 1 January 2025.

The MREL was set at 19.53% (22.03% including the capital conservation buffer) of the total risk exposure amount (TREA) and 5.32% of the leverage ratio exposure (LRE), based on the financial and prudential information available at 31 December 2019. A binding interim objective has also been established to be met on or after 1 January 2022 of 14.03% (16.53%, plus the capital conservation buffer) of TREA and 5.32% of LRE.

A significant event relating to this over the period was the Group's placement of senior preferred debt of €500 million qualifying as MREL, which expires in 6.5 years and was in high demand. With this, at 31 December 2021 MREL stood at 18.24% as a percentage of TREA and 7.51% as a percentage of LRE. Both ratios are above the interim objective to be met on or after 1 January 2022: 16.53% of TREA and 5.32% 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	
	2021	**2020**
Own funds	**3,594,866**	**3,362,657**
Capital	1,059,028	1,059,028
Retained earnings, revaluation reserves and other reserves	318,104	305,352
Other capital instruments	3,140,955	2,951,866
(-) Treasury shares	(977,349)	(977,349)
Profit or loss attributable to the Parent	62,626	23,760
(-) Dividends and remuneration	(8,498)	-
Accumulated other comprehensive income	**(16,059)**	**14,126**
Total equity	**3,578,807**	**3,376,783**
(-) Adjustments to eligible results: Appropriation to the Education and Development Fund	(4,183)	(3,187)
(-) Exposures weighted at 1.250% with respect to securitisation funds	(2,079)	(8,180)
(-) Goodwill	-	(54,741)
(-) Defined benefit pension fund assets	(98)	(110)
(-) Intangible assets net of associated tax liabilities	(111,856)	(85,050)
(+) Eligible subordinated debt	599,871	388,000
(-) Deferred tax assets (DTAs)	(245,936)	(238,104)
(+) Temporary impact on reserves of application of IFRS 9	130,034	175,945
(+/-) CET 1 adjustments due to prudential filters	12,412	(17,951)
(-) Additional coverage	(45,830)	-
(-) Other CET1 deductions	(2,412)	-
(-) Dividends and expected remuneration	(11,459)	-
Total adjustments	**318,464**	**156,622**
Total own funds for capital adequacy purposes	**3,897,271**	**3,533,405**

Lastly, the fully-loaded leverage ratio stood at 5.26% at 31 December 2021 (5.41% at 31 December 2020), while the phased-in ratio was 5.47% (5.71% at 31 December 2020). 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 2021 and 31 December 2020 is as follows:

	Thousands of Euros	
	2021	2020
Cajamar Caja Rural, S.C.C	(10,474)	(5,724)
Banco de Crédito Social Cooperativo, S.A.	(17,194)	9,717
Cajamar Vida, S.A. de Seguros y Reaseguros	4,554	5,394
Cimenta2 Gestión e Inversiones, S.A.U	6,263	3,154
Cajamar Seguros Generales, S.A.	905	1,596
Murcia Emprende S.C.R. S.A.	7	-
Caja de Crédito de Petrel,Caja Rural, C.C.V.	(49)	(48)
Caixa Rural de Turís C.C.V.	(30)	(29)
Caja Rural de Alginet, S.C.C.V.	(17)	(15)
Caja Rural San Roque de Almenara, S.C.C.V.	(4)	(4)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	7	8
Caixa Rural Altea, S.C.C.V.	(27)	(28)
Caja Rural San Jose de Burriana, C.C.V.	30	140
Caixa Rural de Callosa de Sarria, C.C.V.	(4)	(12)
Caja Rural de Cheste, S.C.C.	(12)	(10)
Caja Rural San José de Nules, S.C.C.V.	1	3
Caja Rural de Torrent, S.C.C.	(74)	(68)
Caja Rural San Isidro de Vilafamés, C.C.V.	(4)	(4)
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	1	2
Caja Rural de Villar, C.C.V.	(6)	(5)
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	(18)	(2)
Caixa Rural Vila-Real, S.C.C.	87	61
Total	**(16,058)**	**14,126**

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 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Opening balance	**(11,487)**	**(2,274)**
Net changes in actuarial gains or (-) losses on defined benefit pension plans	(265)	(15)
Net changes in the fair value of equity instruments at fair value through other comprehensive income, net	7,773	(9,198)
Closing balance	**(3,979)**	**(11,487)**

The most significant variation in the heading "Changes in the fair value of equity instruments at fair value through other comprehensive income" in 2021 and in the year 2021 concern the €11,251 thousand reduction in the capital of Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) (Note 8.5.2).

20.2. Items that may be reclassified to profit or loss

The details of this heading on the accompanying consolidated balance sheets at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Opening balance	**25,613**	**23,773**
Net changes in foreign currency translation	-	143
Net changes in cash flow hedges	(29,261)	(58)
Net changes in debt instruments at fair value through other comprehensive income	(6,899)	443
Net changes in share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	(1,532)	1,312
Closing balance	**(12,079)**	**25,613**

21. Minority interests

No amounts are recognised under this heading of the consolidated balance sheet at 31 December 2021 and 31 December 2020.

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 2021 and 31 December 2020 grouped by counterparty are as follows, including the limits and outstanding amounts thereof:

	Thousands of Euros	
	2021	**2020**
Drawdowns on loan commitments	5,295,409	4,734,941
Forward forward deposits	-	-
	5,295,409	**4,734,941**

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 €3,644 thousand at 31 December 2021 (31 December 2020: €3,736 thousand) (Note 14.2).

The average interest rate offered on these commitments is 1.57% at 31 December 2021 (1.62% in 2020).

22.2. Financial guarantees given

The breakdown of financial guarantees given at 31 December 2021 and 31 December 2020, the nominal values of which are recorded in memorandum accounts, is set out below:

	Thousands of Euros	
	2021	**2020**
Financial guarantees given other than credit derivatives	**316,965**	**283,839**
Financial collateral	316,965	283,839
Irrevocable contingent letters of credit	-	-
Other financial guarantees	-	-
Credit derivatives	**-**	**-**
Total	**316,965**	**283,839**

A significant part of these amounts will mature without any payment obligation arising for the Group and therefore the sum of the balances relating to these commitments cannot be considered as an actual future need for financing or liquidity to be granted to third parties by the Group.

The income obtained from guarantee instruments are recorded under the heading "Fee and commission income – Financial guarantees given" on the consolidated statement of profit or loss and are calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. The commission yet to accrue at 31 December 2021 and 31 December 2020 totalled €17,874 thousand and €16,004 thousand, respectively.

The present value of future flows yet to be received for these contracts is €17,739 thousand at 31 December 2021 and €15,942 thousand at 31 December 2020.

The coverage for future payments associated with financial items is recognised in the account "Provisions for commitments and collateral given" on the liability side of the balance sheet, and as at 31 December 2021 and 31 December 2020 totalled €2,517 thousand and €3,486 thousand, respectively (Note 14.2).

22.3. Other commitments given

Details of other commitments given at 31 December 2021 and at 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Irrevocable documentary credits	37,593	15,593
Other non-financial guarantees	601,959	457,882
Securities subscribed pending disbursement	50	50
Other contingent commitments	243,378	79,446
Total	**882,980**	**552,971**

The coverage for future payments associated with financial items is recognised in the account "Provisions for commitments and collateral given – Other commitments given" on the liability side of the balance sheet and as at 31 December 2021 and 31 December 2020 totalled €1,441 thousand and €3,775 thousand, respectively (Note 14.2).

The income obtained from guarantee instruments are recorded under the heading "Fee and commission income" on the consolidated statement of profit or loss, and are calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. The commission yet to accrue at 31 December 2021 totalled €35,219 thousand (€30,743 thousand at 31 December 2020).

The present value of future flows yet to be received for these contracts is €35,859 thousand at 31 December 2021 and €31,189 thousand at 31 December 2020.

23. Related party transactions

In the case of risk transactions involving related parties, the Group has developed procedures for the granting, authorisation and monitoring of this type of transactions using transparent criteria included in the *Credit Risk Control and Management Procedures and Policies Manual* (Note 6).

At 31 December 2021 and 31 December 2020 no significant transactions were carried out under non-market conditions with parties related to the Group. Balances generated as a result of transactions with related parties are as follows:

	Thousands of Euros									
	Outstanding balances (balance sheet)									
	Parent and entities with joint control or significant influence		Subsidiaries and other entities of the same group		Associates and joint ventures		Key management of the institution or its Parent		Other related parties	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Selected financial assets	-	-	-	-	**432,109**	**409,468**	**4,204**	**4,718**	**35,532**	**40,905**
Equity instruments	-	-	-	-	106,365	101,357	-	-	67	67
Debt securities	-	-	-	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	325,744	308,111	4,204	4,718	35,466	40,838
Of which: non-performing	-	-	-	-	-	*204*	-	-	-	-
Selected financial liabilities	-	-	-	-	**33,800**	**54,931**	**3,373**	**2,743**	**49,818**	**46,043**
Deposits	-	-	-	-	33,800	54,931	3,373	2,743	49,818	46,043
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Nominal amount of loan commitments, financial guarantees and other commitments given	-	-	-	-	**124,200**	**108,221**	**401**	**198**	**1,574**	**4,570**
Loan commitments, financial guarantees and other commitments received	-	-	-	-	-	-	-	-	-	-
Notional amount of derivatives	-	-	-	-	-	-	-	-	-	-
Accumulated impairment and accumulated changes in fair value due to credit risk for non-performing exposures	-	-	-	-	-	-	-	-	-	-
Provisions for off-balance sheet exposures	-	-	-	-	-	-	-	-	-	-
	Current period (profit or loss)									
Interest income	-	-	-	-	3,305	3,729	10	14	303	299
Interest expenses	-	-	-	-	12	29	4	2	10	5
Dividend income	-	-	-	-	-	-	-	-	-	-
Fee and commission income	-	-	-	-	46,426	40,959	2	2	31	42
Fee and commission expenses	-	-	-	-	2	7	-	-	-	-
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Gains or (-) losses on derecognition of non-financial assets	-	-	930	-	-	-	-	-	-	-
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 2021 and 31 December 2020 with parties related to the Group are as follows:

Outstanding balances	Thousands of Euros	
	Related parties	
	2021	2020
Credits:		
Amount	365,414	353,667
Interest rate	0,00% a 6,74%	0.00% to 7.23%
Collateral	Personal and Mortgage	Personal and mortgage
Remaining term	0 a 34 years	0 to 35 years
Deposits:		
Amount	86,991	103,717
Interest rate	0,0% a 1,10%	0.0% to 0.58%
Remaining term	0 a 24 months	0 to 24 months

24. Directors' remuneration

Remuneration, including all items, accrued to the Board directors and executives of the Group's Parent, Banco de Crédito Social Cooperativo, S.A., in 2021 and 2020 is analysed below:

	Thousands of Euros				
	2021				
	Fees-Premiums	Fixed compensation	Social Security expenses	Post-employment benefits	Other remuneration (*)
Board directors	1,732	1,460	45	2,356	94
Executives	-	2,053	140	179	167
Total	**1,732**	**3,513**	**185**	**2,535**	**261**
	2020				
	Fees-Premiums	Fixed compensation	Social Security expenses	Post-employment benefits	Other remuneration (*)
Board directors	1,705	1,412	51	86	76
Executives	-	2,063	132	151	155
Total	**1,705**	**3,476**	**183**	**237**	**231**

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

Directors' remuneration at 31 December 2021 includes the remuneration of nine directors included in the Bank of Spain's Register of Senior Officers (nine at 31 December 2020). Board members' remuneration at 31 December 2021 includes the remuneration of three executive board members (31 December 2020: three executive board members).

The heading "Post-employment benefits" records the payments relating to pension and life insurance premium obligations, regardless of whether or not they are directly attributed to the beneficiary, at 31 December 2021 and 31 December 2020.

Remuneration accrued to the members of the Group's Board of Directors for fees and attendance premiums at 31 December 2021 and 31 December 2020 is as follows:

	Thousands of Euros			
	2021		2020	
	Fees	Attendance fees	Fees	Attendance fees
D. Marta De Castro Aparicio	159	52	155	50
D. Juan Carlos Rico Mateo	59	23	59	21
D. Hilario Hernandez Marques	-	-	55	10
D. Amparo Ribera Mataix	-	-	63	21
D. Jose Antonio Garcia Perez	59	24	59	23
D. Bernabe Sanchez Minguet Martinez	59	35	59	36
D. Maria Teresa Vazquez Calo	62	26	62	29
D. Antonio Canton Gongora	137	42	137	41
D. Manuel Yebra Sola	80	35	80	36
D. Luis Rodriguez Gonzalez	157	41	157	38
D. Carlos Pedro De La Higuera Perez	-	-	25	8
D. Juan Bautista Mir Piqueras	117	14	117	12
D. Rafael Garcia Cruz	59	36	59	36
D. Antonio José Carranceja Lopez de Ochoa	142	44	107	37
D. Ana Nuñez Alvarez	132	25	74	14
D. Luis Francisco Fernandez-Revuelta Perez	59	26	20	8
D. Maria Lopez Fernandez	20	8	-	-
	1,301	**431**	**1,287**	**419**

At 31 December 2021 the Group had a public liability insurance policy for its directors; the premium paid to the insurance company totals €311 thousand.

25. Quantitative and qualitative information on the mortgage market and reporting transparency

In accordance with Royal Decree 716/2009, of 24 April 2009 (Note 1.4), implementing Act 2/1981, of 25 March 1981, the Group's Board of Directors declares that explicit procedures and policies are in place covering all the relevant aspects regarding the mortgage market and that those policies and procedures guarantee compliance with applicable legislation.

Aspects regulated by the general credit approval policies include:

- The criteria to consider that a risk is sufficiently guaranteed, depending on the type of guarantee.
- The maximum loan-to-values in relation to the value of the 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 attend the payment obligations of the Group.

25.1. Information on the mortgage market

The information regarding the special accounting recognition of the mortgage loans and credits issued by the Group as well as the financial instruments and other transactions related to the mortgage market is shown, in accordance with Act 2 /1981, of 25 March 1981, regulating the mortgage market, modified by Act 41/2007, of 7 December 2007, and in accordance with the information required by Royal Decree 716/2009, of 24 April 2009, implementing certain aspects of the mentioned act.

The nominal and discounted values of the mortgage loans and credits backing the issuance of mortgage covered bonds and securities at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	Nominal amount	
	2021	2020
1. Total loans	**18,873,912**	**19,149,957**
2. Participation mortgages issued	**771,324**	**948,198**
Of which: capitalised loans	*747,936*	*919,854*
3. Mortgage transfer certificates issued	**2,604,353**	**2,837,411**
Of which: capitalised loans	*2,602,669*	*2,835,450*
4. Mortgage loans securing financing received	**-**	**-**
5. Loans backing mortgage covered bond and securities (1 - 2 - 3 - 4)	**15,498,235**	**15,364,348**
Ineligible loans	3,989,931	3,946,639
Fulfils requirements to be eligible, except the threshold stipulated in article 5.1 of Royal Decree 716/2009	1,394,635	1,624,751
Other ineligible loans	2,595,296	2,321,888
Eligible loans	11,508,304	11,417,709
Loans backing mortgage covered bond issuances	-	-
Loans eligible for backing mortgage covered note issuances	11,508,304	11,417,709
Ineligible amounts	286,513	350,723
Eligible amounts	11,221,791	11,066,986
	Discounted value	
Memorandum		
Loans backing mortgage covered bond issuances	-	-

The nominal value of the available amounts (undrawn committed amounts), of the mortgage loans backing the issuance of mortgage covered bonds and securities, differentiating those which are potentially eligible, at 31 December 2021 and 31 December 2020, is as follows:

	Thousands of Euros	
	Available principals	
	2021	2020
Loans backing mortgage covered bonds and securities issuances	**272,454**	**258,912**
Potentially eligible	86,842	105,151
Ineligible	185,612	153,761

The nominal value of all the ineligible mortgage loans and credits that breach the limits established in Royal Decree 716/2009 (Article 5.1) but do, however, comply with all the other requirements to be eligible, indicated in Article 4 of the royal decree, amounts to €1,394,635 thousand at 31 December 2021 (€1,624,751 thousand at 31 December 2020).

The disclosures regarding the loans backing the issuance of mortgage covered bonds and securities, specifying those considered eligible, for the years ended 31 December 2021 and 31 December 2020, are as follows:

	Thousands of Euros			
	2021		2020	
	Loans backing mortgage bonds and securities issuances	Of which: eligible loans	Loans backing mortgage bonds and securities issuances	Of which: eligible loans
Total	**15,498,235**	**11,508,304**	**15,364,348**	**11,417,709**
Origin of the transactions				
Generated by the institution	14,130,810	10,297,929	13,877,152	10,111,510
Subrogated from other institutions	1,254,805	1,130,254	1,362,888	1,224,610
Other	112,620	80,121	124,308	81,589
Currency				
Euro	15,498,235	11,508,304	15,364,348	11,417,709
Other currencies	-	-	-	-
Payment status				
Not past-due	13,779,584	10,539,226	13,333,565	10,361,858
Other status	1,718,651	969,078	2,030,783	1,055,851
Average residual term				
Up to 10 years	2,877,245	2,268,888	3,043,970	2,334,405
From 10 to 20 years	6,898,186	5,207,188	7,033,077	5,266,782
From 20 to 30 years	5,432,848	3,971,061	4,900,690	3,658,989
Over 30 years	289,956	61,167	386,611	157,533
Interest rate				
Fixed interest rate	1,614,425	904,130	872,396	561,503
Floating interest rate	10,061,435	7,862,046	10,736,526	8,193,520
Mixed interest rate	3,822,375	2,742,128	3,755,426	2,662,686
Holders				
Legal persons and self-employed (business activities)	5,041,258	3,115,294	5,347,753	3,206,565
Of which: real estate construction and development (including land)	*535,229*	*259,860*	*706,726*	*296,881*
Other households	10,456,977	8,393,010	10,016,595	8,211,144
Type of collateral				
Completed buildings/assets	**13,548,800**	**10,276,951**	**13,293,282**	**10,149,236**
Housing	11,153,061	8,873,353	10,727,609	8,674,779
Of which: government-subsidised housing	*514,824*	*410,596*	*513,883*	*421,925*
Offices and commercial premises	815,418	569,146	945,761	629,427
Other buildings and constructions	1,580,321	834,452	1,619,912	845,030
Buildings/assets under construction	**453,506**	**303,092**	**445,725**	**311,427**
Housing	265,244	193,063	258,166	202,424
Of which: government-subsidised housing	*52*	*52*	*61*	*61*
Offices and commercial premises	19,385	17,009	21,701	17,232
Other buildings and constructions	168,877	93,020	165,858	91,771
Land	**1,495,929**	**928,261**	**1,625,341**	**957,046**
Consolidated urban land	126,998	52,180	169,050	71,967
Other land	1,368,931	876,081	1,456,291	885,079

The following table shows, for the years ended at 31 December 2021 and 31 December 2020, the relationship between the amount of the eligible mortgage loans and credits and the appraisal values comprising the last available valuation of the respective mortgaged properties (loan-to-value, LTV).

	Thousands of Euros					
	2021					
	Principal drawn down based on the amount of the latest appraisal available (loan to value)					
	LTV < = 40%	40%< LTV <= 60%	60%< LTV	60%< LTV <= 80%	LTV > 80%	TOTAL
Loans eligible for mortgage covered bond and security issuances						**11,508,304**
Housing	2,288,348	2,938,429		2,438,836	539,509	8,205,122
Other properties	1,511,865	1,252,227	539,090			3,303,182

	Miles de euros					
	2020					
	Principal drawn down based on the amount of the latest appraisal available (loan to value)					
	LTV < = 40%	40%< LTV <= 60%	60%< LTV	60%< LTV <= 80%	LTV > 80%	TOTAL
Loans eligible for mortgage covered bond and security issuances						**11,417,709**
Housing	2,137,373	2,838,528		2,189,299	627,366	7,792,566
Other properties	1,584,676	1,503,045	537,422			3,625,143

The movements in the mortgage portfolio backing the issuance of eligible and ineligible mortgage covered bonds and securities is as follows:

	Thousands of Euros	
	Eligible loans	**Ineligible loans**
Balance at 31 December 2019	**11,177,133**	**4,034,625**
Disposals during the period:	**1,449,003**	**1,489,693**
Outstanding principal collected in cash	1,157,373	333,519
Early cancellations	42,334	9,561
Subrogations by other institutions	34,467	49,083
Other disposals	214,829	1,097,530
Additions during the period:	**1,689,579**	**1,401,707**
Generated by the institution	517,805	1,055,811
Subrogations from other institutions	24,005	38,875
Other additions	1,147,769	307,021
Balance at 31 December 2020	**11,417,709**	**3,946,639**
Disposals during the period:	**1,512,876**	**1,526,902**
Outstanding principal collected in cash	1,298,961	366,546
Early cancellations	35,849	5,766
Subrogations by other institutions	32,265	61,007
Other disposals	145,801	1,093,583
Additions during the period:	**1,603,471**	**1,570,194**
Generated by the institution	642,684	1,304,818
Subrogations from other institutions	10,698	41,496
Other additions	950,089	223,880
Balance at 31 December 2021	**11,508,304**	**3,989,931**

The qualitative and quantitative information at 31 December 2021 and 31 December 2020 on the assets received in lieu of payment of debts, broken down by the purpose of the initially granted finance, is provided below:

	Thousands of Euros (*)					
	31 December 2021					
	Gross Debt	**Initial impairments (I)**	**Gross book value**	**subsequent impairments(II)**	**Sum impairments (I+II)**	**Net book value**
Real estate assets from financing provided to construction and real estate development companies	**1,428,740**	**(465,732)**	**963,008**	**(396,476)**	**(862,208)**	**566,532**
Completed buildings and other constructions	*350,313*	*(99,230)*	*251,083*	*(49,186)*	*(148,416)*	*201,897*
Housing	237,931	(68,469)	169,462	(26,158)	(94,627)	143,304
Other	112,382	(30,761)	81,621	(23,028)	(53,789)	58,593
Buildings and other constructions under construction	*186,064*	*(72,395)*	*113,669*	*(27,912)*	*(100,307)*	*85,757*
Housing	185,093	(72,215)	112,878	(27,628)	(99,843)	85,250
Other	971	(180)	791	(284)	(464)	507
Land	*892,363*	*(294,107)*	*598,256*	*(319,378)*	*(613,485)*	*278,878*
Consolidated urban land	408,913	(135,851)	273,062	(141,234)	(277,085)	131,828
Other land	483,450	(158,256)	325,194	(178,144)	(336,400)	147,050
Real estate assets from mortgage financing to acquire homes	**265,301**	**(90,004)**	**175,297**	**(43,608)**	**(133,612)**	**131,689**
Other foreclosed real estate assets or those received as payment in lieu of debt	**409,328**	**(134,106)**	**275,222**	**(51,384)**	**(185,490)**	**223,838**
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	-	-	**314**	**(252)**	**(252)**	**62**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	-	-	-	-

(*) Includes real estate investments with a gross debt of €235,168 thousand, accumulated impairment of €111,916 thousand and a net book value of €123,251 thousand

	Thousands of Euros (*)					
	31 December 2020					
	Gross Debt	Initial impairments (I)	Gross book value	subsequent impairments(II)	Sum impairments (I+II)	Net book value
Real estate assets from financing provided to construction and real estate development companies	**1,829,858**	**(591,297)**	**1,238,561**	**(398,686)**	**(989,983)**	**839,875**
Completed buildings and other constructions	*579,568*	*(158,047)*	*421,521*	*(66,712)*	*(224,759)*	*354,809*
Housing	415,938	(114,552)	301,386	(36,312)	(150,864)	265,074
Other	163,630	(43,495)	120,135	(30,400)	(73,895)	89,735
Buildings and other constructions under construction	*224,940*	*(89,022)*	*135,918*	*(30,296)*	*(119,318)*	*105,622*
Housing	223,991	(88,846)	135,145	(30,028)	(118,874)	105,117
Other	949	(176)	773	(268)	(444)	505
Land	*1,025,350*	*(344,228)*	*681,122*	*(301,678)*	*(645,906)*	*379,444*
Consolidated urban land	468,601	(155,625)	312,976	(137,704)	(293,329)	175,272
Other land	556,749	(188,603)	368,146	(163,974)	(352,577)	204,172
Real estate assets from mortgage financing to acquire homes	**509,086**	**(166,367)**	**342,719**	**(48,812)**	**(215,179)**	**293,907**
Other foreclosed real estate assets or those received as payment in lieu of debt	**604,890**	**(191,659)**	**413,231**	**(49,485)**	**(241,144)**	**363,746**
Foreclosed capital instruments or those received as payment in lieu of debt	-	-	-	-	-	-
Capital instruments in entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	**117**	**(4)**	**(4)**	**113**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	-	-	-	-

(*) Includes real estate investments with a gross debt of €340,824 thousand, accumulated impairment of €145,567 thousand and a net book value of €195,258 thousand.

At 31 December 2021 and 31 December 2020, the real estate assets treated as foreclosed assets for measurement purposes, excluding assets that are being operated or leased, as per articles 175 and 176 of Annex IX of Circular 4/2017, are as follows:

	Thousands of Euros					
	31 December 2021					
	Gross Debt	Initial impairments (I)	Gross book value	subsequent impairments(II)	Sum impairments (I+II)	Net book value
Real estate assets from financing provided to construction and real estate development companies	**1,308,772**	**(438,019)**	**870,753**	**(353,748)**	**(791,767)**	**517,005**
Completed buildings and other constructions	*335,350*	*(94,017)*	*241,333*	*(47,941)*	*(141,958)*	*193,392*
Housing	230,865	(66,638)	164,227	(25,463)	(92,101)	138,764
Other	104,485	(27,379)	77,106	(22,478)	(49,857)	54,628
Buildings and other constructions under construction	*164,398*	*(67,125)*	*97,273*	*(23,880)*	*(91,005)*	*73,393*
Housing	163,496	(66,957)	96,539	(23,622)	(90,579)	72,917
Other	902	(168)	734	(258)	(426)	476
Land	*809,024*	*(276,877)*	*532,147*	*(281,927)*	*(558,804)*	*250,220*
Consolidated urban land	339,851	(120,785)	219,066	(112,574)	(233,359)	106,492
Other land	469,173	(156,092)	313,081	(169,353)	(325,445)	143,728
Real estate assets from mortgage financing to acquire homes	**263,231**	**(89,276)**	**173,955**	**(43,587)**	**(132,863)**	**130,368**
Other foreclosed real estate assets or those received as payment in lieu of debt	**392,265**	**(128,551)**	**263,714**	**(50,370)**	**(178,921)**	**213,344**
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	-	-	**314**	**(252)**	**(252)**	**62**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	-	-	-	-

	Thousands of Euros					
	31 December 2020					
	Gross Debt	Initial impairments (I)	Gross book value	subsequent impairments(II)	Sum impairments (I+II)	Net book value
Real estate assets from financing provided to construction and real estate development companies	**1,688,426**	**(552,119)**	**1,136,307**	**(354,526)**	**(906,645)**	**781,781**
Completed buildings and other constructions	*556,406*	*(150,301)*	*406,105*	*(64,561)*	*(214,862)*	*341,544*
Housing	402,826	(111,527)	291,299	(34,696)	(146,223)	256,603
Other	153,580	(38,774)	114,806	(29,865)	(68,639)	84,941
Buildings and other constructions under construction	*194,202*	*(75,850)*	*118,352*	*(26,650)*	*(102,500)*	*91,702*
Housing	193,313	(75,685)	117,628	(26,408)	(102,093)	91,220
Other	889	(165)	724	(242)	(407)	482
Land	*937,818*	*(325,968)*	*611,850*	*(263,315)*	*(589,283)*	*348,535*
Consolidated urban land	397,599	(140,156)	257,443	(108,132)	(248,288)	149,311
Other land	540,219	(185,812)	354,407	(155,183)	(340,995)	199,224
Real estate assets from mortgage financing to acquire homes	**505,035**	**(165,085)**	**339,950**	**(48,669)**	**(213,754)**	**291,281**
Other foreclosed real estate assets or those received as payment in lieu of debt	**569,289**	**(181,665)**	**387,624**	**(46,381)**	**(228,046)**	**341,243**
Foreclosed capital instruments or those received as payment in lieu of debt	-	-	-	-	-	-
Capital instruments in entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	**117**	**(4)**	**(4)**	**113**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	-	-	-	-

The Group has policies and strategies in place to recover the liquidity of this kind of assets, which are detailed in Note 6 of these annual accounts.

At 31 December 2021 and 31 December 2020 there are no substitute assets subject to mortgage covered security issues.

All of the mortgage security issues have been placed without a public offer. Their aggregate nominal value classified according to their residual maturity date at 31 December 2021 and 31 December 2020 is as follows:

	Thousands of Euros		Years	
	Nominal amount		Average residual term	
	2021	2020	2021	2020
Mortgage covered bonds issued	-	-		
Of which: recognised under liabilities	-	-		
Mortgage covered securities	**5,750,000**	**5,750,000**		
Of which: recognised under liabilities	*1,237,400*	*1,250,000*		
Debt securities. Other issuances	**5,750,000**	**5,750,000**		
Residual term up to one year	1,750,000	1,000,000		
Residual term > 1 year to 2 years	500,000	1,750,000		
Residual term > 2 years to 3 years	750,000	500,000		
Residual term > 3 years to 5 years	1,000,000	1,750,000		
Residual term > 5 year to 10 years	1,750,000	750,000		
Residual term > 10 years	-	-		
Participation mortgages issued	**747,936**	**919,854**	**24**	**23**
Issued through a public offering	-	-	-	-
Other issuances	747,936	919,854	24	23
Mortgage transfer certificates issued	**2,602,669**	**2,835,450**	**23**	**23**
Issued through a public offering	-	-	-	-
Other issuances	2,602,669	2,835,450	23	23

At 31 December 2021 and 31 December 2020 no mortgage covered bond issues existed.

25.2. Information regarding construction, property development and home purchase financing

The information required by the Bank of Spain, related to reporting transparency regarding construction, real estate and property purchase financing, as well as financing strategies and needs is provided hereon.

Details of the financing for real estate construction and development as well as the corresponding impairment allowances at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros					
	Gross amount		Excess above the value of collateral		Specific allowance	
	2021	2020	2021	2020	2021	2020
Financing for real estate construction and development (including land)(businesses in Spain)	**509,553**	**715,877**	**126,001**	**226,346**	**(126,131)**	**(172,920)**
Of which: Non-performing	*199,167*	*352,797*	*101,110*	*193,065*	*(120,189)*	*(167,838)*
Memorandum items:						
Assets in default	518,776	396,818				

	Thousands of Euros	
	2021	2020
Loans and advances to customers excluding Public Administrations (business in Spain) (book value)	32,102,429	31,200,511
Total assets (total businesses) (book value)	58,513,026	53,617,061
Impairment and provisions for performing exposures (total businesses)	(247,234)	(250,890)

The gross amount, without deducting impairment allowances, of the transactions classified according to the associated guarantees securing the finance at 31 December 2021 and 31 December 2020 breaks down as follows:

	Thousands of Euros	
	2021	2020
Not real estate mortgage secured	**10,277**	**12,536**
Real estate mortgage secured (broken down by type of asset received as collateral)	**499,276**	**703,341**
Completed buildings	*310,298*	*452,301*
Housing	214,141	325,827
Other	96,157	126,474
Buildings under construction	*61,218*	*34,079*
Housing	56,219	26,928
Other	4,999	7,151
Land	*127,760*	*216,961*
Consolidated urban land	65,976	81,434
Other land	61,784	135,527
Total	**509,553**	**715,877**

Details of retail loans for home purchases at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros			
	2021		2020	
	Gross book value	Of which: Non-performing	Gross book value	Of which: Non-performing
Lending for home purchases	**12,236,053**	**346,066**	**11,776,080**	**408,831**
Not real estate mortgage secured	25,864	1,263	32,464	907
Real estate mortgage secured	12,210,189	344,803	11,743,616	407,924

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros					
	2021					
	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	**3,012,979**	**3,673,696**	**3,664,305**	**1,269,104**	**590,105**	**12,210,189**
Of which: Non-performing	*21,071*	*29,588*	*79,329*	*62,142*	*152,673*	*344,803*

	Thousands of Euros					
	2020					
	Loan-to-value ratio based on the latest appraisal (a)					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80< LTV <= 100%	LTV> 100%	Total
Gross book value	**2,877,354**	**3,658,382**	**3,244,562**	**1,270,858**	**692,460**	**11,743,616**
Of which: Non-performing	*19,468*	*34,519*	*87,367*	*78,285*	*188,285*	*407,924*

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 2021 the Group had a coverage ratio for the retail and medium- and long-term loan portfolio of 116.86% (compared to 108.23% at 31 December 2020), while 126.54% (117.61% at year-end 2020) of funding needs are covered through stable funding sources.

In the first half of 2021, the Group issued subordinated debt qualifying as Tier 2 own funds of €600 thousand, which was fully placed on the wholesale market. It simultaneously repurchased the two outstanding placements of €100 million and €300 million, with a success rate of 83.7%. Against this backdrop, it exercised the option to cancel the outstanding balance of the €100-million issue included in the terms and conditions of the placement. It is planned that the option for the €300-million issue will be exercised in June 2022, pursuant to the terms and conditions thereof.

The Group placed several issues on the wholesale market in the second half of the year:

- Senior preferred debt issue with a nominal value of €500 million, placed in the 6.5NC5.5 format and fully placed on the market.

- IM BCC Cajamar Pymes 3 asset securitisation fund placement of €1,000 million, which has been fully retained and assigned to replenish collateral in the asset pledge facility with the Bank of Spain.

- €1,000-million placement of a mortgage covered security, which has also been fully retained for inclusion in the asset pledge facility with the Bank of Spain.

Mortgage covered securities totalling €500 million also expired in 2021, which have been retained.

In 2020 Grupo Cooperativo Cajamar completed two mortgage covered security placements of €1,000 million and €750 million, respectively, fully retained and assigned to replenish collateral in the asset pledge facility with the Bank of Spain.

On the other hand the Group holds liquid assets (eligible for financing transactions with the European Central Bank) with a nominal value of €21,664 million (31 December 2020: €19,711 million). It also has the capacity to issue collateralised financial instruments (mortgage and public sector covered securities) of €4,113 million (31 December 2020: €3,909 million).

Details of funding needs and strategies at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros			Thousands of Euros	
	2021	2020		2021	2020
Stable financing needs			**Stable sources of financing**		
Loans and advances to customers	30,160,633	28,714,947	Customers covered 100% by Deposit Guarantee Fund	24,197,317	22,617,503
Loans to Group and related entities	37,106	45,475	Customers not covered 100% by Deposit Guarantee Func	14,543,252	12,638,042
Securitised loans	4,083,449	4,130,795			
Specific funds	(122,629)	(137,997)			
Foreclosed assets	1,413,526	1,994,511			
Total loans and advances to customers	**35,572,085**	**34,747,731**	**Total retail customer deposits**	**38,740,569**	**35,255,545**
Participation mortgages	**106,383**	**101,357**			
			Mortgage covered bonds and notes	1,237,400	1,250,000
			Public sector covered notes	-	-
			Senior debt	500,000	-
			State-guaranteed issues	-	-
			Subordinated, preference and convertible issues	642,100	388,300
			Other medium and long-term financial instruments	-	115,101
			Securitisations sold to third parties	447,793	599,656
			Other financing maturing in more than one year	-	-
			Commercial paper	-	-
			Long-term wholesale financing	**2,827,293**	**2,353,057**
			Equity	**3,578,807**	**3,376,783**
Total financing needs	**35,678,468**	**34,849,088**	**Total stable sources of financing**	**45,146,669**	**40,985,385**

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

The maturities of wholesale debt at 31 December 2021 are as follows:

	Thousands of Euros			
	2022	2023	2024	>2024
Issuances:				
Mortgage covered bonds and notes(*)	750,000	487,400	-	-
Public sector covered notes	-	-	-	-
Senior debt	-	-	-	500,000
State-guaranteed issues	-	-	-	-
Subordinated, preference and convertible issues(*)	42,100	-	-	600,000
Securitisations sold to third parties(**)	25,018	25,565	21,417	375,792
Other medium and long-term financial instruments	-	-	-	-
Other financing maturing in more than one year	-	-	-	-
Commercial paper	-	-	-	-
Total wholesale issuance maturities	**817,118**	**512,965**	**21,417**	**1,475,792**

(*) 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 2020 are as follows:

	2021	2022	2023	>2023
Issuances:				
Mortgage covered bonds and notes(*)	-	750,000	500,000	-
Public sector covered notes	-	-	-	-
Senior debt	-	-	-	-
State-guaranteed issues	-	-	-	-
Subordinated, preference and convertible issues(*)	100,000	288,300	-	-
Securitisations sold to third parties(**)	43,474	40,966	35,028	480,189
Other medium and long-term financial instruments	115,100	-	-	-
Other financing maturing in more than one year	-	-	-	-
Commercial paper	-	-	-	-
Total wholesale issuance maturities	**258,574**	**1,079,266**	**535,028**	**480,189**

(*) Reported at the nominal value of the placement, less buy-backs.
(**) The maturities schedule of securitisations is prepared based on estimates of borrowers' repayments of securitised loans, and it is therefore subject to possible variations depending on these borrowers' actual repayments.

Liquid assets and the issuance capacity available at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	2020
Liquid assets		
Eligible assets (nominal amount)	21,664,375	19,711,049
Eligible assets (market value and ECB haircut)	19,930,333	19,475,359
Of which:		
debt with general governments	13,009,264	*12,779,060*
Pledged assets (market value and ECB haircut)	12,349,810	12,314,593
Unpledged assets (market value and ECB haircut)	7,580,522	7,160,766
Issuance capacity:		
Mortgage covered notes	3,227,445	3,103,589
Public sector covered notes	885,340	805,470
Available issues backed by the State government	-	-
Total issuance capacity	**4,112,785**	**3,909,059**

25.4. Disclosures regarding refinanced and restructured transactions

Pursuant to Annex IX of Bank of Spain Circular 4/2017, of 27 November 2017, on credit institutions' financial reporting rules, the Group has established classification criteria for the transactions catalogued as refinanced and/or restructured, such that those transactions will be classified as performing exposures under special monitoring during the probation period until all of the following requirements are met:

- It is highly likely that after an exhaustive review of its equity and financial position, the borrower will fulfil its obligations to the Group in due time and form, i.e. there is an adequate payment plan and new effective collateral is provided.
- At least two years have elapsed since the date the restructuring or refinancing transaction was formally concluded, or if later, since the date of reclassification from the category of non-performing exposures.
- The borrower has paid 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 at 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.

The Group will verify the following before reclassifying transactions from the non-performing category to performing exposures under special monitoring:

- That the debtor's equity and financial position has been redressed and that it is expected it will not experience further financial difficulties;
- That at least a year has elapsed since the refinancing or restructuring;
- That the debtor has fully repaid the accrued instalments of principal and interest, thereby reducing the renegotiated principal; and
- That the debtor has no transactions with amounts past due by more than 90 days on the date of reclassification to performing exposures under special monitoring.

The 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 2021 and 31 December 2020, 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:

31 December 2021	Thousands of Euros						
	TOTAL						
	Unsecured		Secured				
					Maximum amount of the secured that can be considered		
	Number of transactions	**Gross book value**	**Number of transactions**	**Gross book value**	**Real estate mortgage secured**	**Rest of secured loans**	**Accumulated impairment or losses in fair value due to credit risk**
Credit institutions	-	-	-	-	-	-	-
Public Administrations	4	1,696	1	1,411	988	-	(486)
Other financial corporations and self-employed (financial business activity)	27	464	11	815	745	-	(172)
Non-financial corporations and self-employed (non-financial business activity)	5,787	279,670	4,104	905,341	773,295	1,001	(327,712)
Of which: financing for real estate construction and development (including land)	*2*	*108*	*319*	*217,658*	*161,298*	*5*	*(109,191)*
Other households	6,042	44,734	6,320	565,950	512,429	104	(140,566)
Total	**11,860**	**326,564**	**10,436**	**1,473,517**	**1,287,457**	**1,105**	**(468,936)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

	of which: Non-Performing						
	Unsecured		Secured				
					Maximum amount of the secured that can be considered		
	Number of transactions	**Gross book value**	**Number of transactions**	**Gross book value**	**Real estate mortgage secured**	**Rest of secured loans**	**Accumulated impairment or losses in fair value due to credit risk**
Credit institutions	-	-	-	-	-	-	-
Public Administrations	2	486	-	-	-	-	(486)
Other financial corporations and self-employed (financial business activity)	6	43	4	205	135	-	(121)
Non-financial corporations and self-employed (non-financial business activity)	1,550	68,742	1,850	416,050	311,454	119	(286,260)
Of which: financing for real estate construction and development (including land)	*1*	*96*	*226*	*173,302*	*117,574*	*5*	*(106,116)*
Other households	1,991	15,353	2,613	247,640	209,248	7	(121,185)
Total	**3,549**	**84,624**	**4,467**	**663,895**	**520,837**	**126**	**(408,052)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

31 December 2020

	Thousands of Euros						
	TOTAL						
	Unsecured		Secured				
					Maximum amount of the secured that can be considered		
	Number of transactions	Gross book value	Number of transactions	Gross book value	Real estate mortgage secured	Rest of secured loans	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	6	1,736	1	1,508	1,031	-	-
Other financial corporations and self-employed (financial business activity)	8	78	8	496	391	-	(105)
Non-financial corporations and self-employed (non-financial business activity)	2,090	111,459	3,295	811,748	636,209	8,964	(291,389)
Of which: financing for real estate construction and development (including land)	*2*	*528*	*393*	*323,248*	*221,628*	*5*	*(139,182)*
Other households	5,586	46,475	6,271	568,183	496,952	134	(179,286)
Total	**7,690**	**159,748**	**9,575**	**1,381,935**	**1,134,583**	**9,098**	**(470,780)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

	of which: Non-Performing						
	Unsecured		Secured				
					Maximum amount of the secured that can be considered		
	Number of transactions	Gross book value	Number of transactions	Gross book value	Real estate mortgage secured	Rest of secured loans	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	4	486	-	-	-	-	-
Other financial corporations and self-employed (financial business activity)	4	39	4	291	217	-	(85)
Non-financial corporations and self-employed (non-financial business activity)	944	56,378	1,978	563,504	404,650	2,753	(270,121)
Of which: financing for real estate construction and development (including land)	*2*	*528*	*319*	*294,075*	*193,229*	*5*	*(137,328)*
Other households	2,335	21,104	3,569	344,336	287,168	51	(160,451)
Total	**3,287**	**78,007**	**5,551**	**908,131**	**692,035**	**2,804**	**(430,657)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

Details of transactions classified as non-performing, after being refinanced or restructured, at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Public Administrations	-	468
Financial intermediaries	-	-
Other legal persons and sole proprietors	27,615	35,709
Of which: Financing for construction and property development	*1,235*	*8,022*
Other natural persons	12,109	5,896
Total	**39,724**	**42,073**

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 2021 and 31 December 2020 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	
	2021	**2020**
Interest income		
Cash equivalents at credit institutions	160	55
Other loans and advances	530,996	530,687
Debt securities (Note 8.2.3) (Note 8.3.2) (Note 8.5.1) (Note 8.6.4)	154,272	91,427
Non-performing transactions	9,692	20,211
Hedging derivatives	(70,268)	12,944
Other assets:		
Yields on pension plan assets (Note 14.1)	606	860
Interest income on liabilities	133,618	44,272
Other	4,280	2,906
Total	**763,356**	**703,362**
Interest expense and similar charges		
Sight deposits at credit institutions	(2,797)	(2,048)
Other deposits	(20,503)	(26,905)
Debt securities issued (Note 8.7.4)	(18,560)	(22,702)
Subordinated liabilities (Note 8.7.4.2)	(34,542)	(31,695)
Other liabilities:		
Pension fund interest expense (Note 14.1)	(672)	(935)
Asset interest expenses	(11,678)	(5,090)
Financial costs of liabilities associated with operating lease	(1,424)	(1,790)
Other	(767)	(1,553)
Total	**(90,943)**	**(92,718)**

- **Dividend income**

The details of this heading on the consolidated statements of profit or loss at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Equity instruments (Note 8.5.2)	3,925	8,878
Total	**3,925**	**8,878**

- **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 2021 and 31 December 2020 is as follows:

	Thousands of Euros	
	2021	**2020**
Cajamar Vida, S.A. de Seguros y Reaseguros	34,784	28,337
Cajamar Seguros Generales, S.A.	2,662	2,410
Agrocolor S.L.	259	119
Parque de innovación y tecnológico de Almería	20	(355)
Murcia emprende, S.C.R., S.A.	(98)	(177)
Biocolor, S.L.	46	(51)
Proyecta Ingenio, S.L.	70	(10)
GCC Consumo EFC S.A	6,676	4,532
Giesmed Parking S.L.	99	34
Promontoria Jaguar, S.L	(44)	-
	44,474	**34,839**

- **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 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
Fee and commission income	**2021**	**2020**
Securities:	**1,199**	**1,400**
Transfer orders (Note 29)	1,199	1,400
Asset management	**26**	**-**
Custody [by type of customer]:	**1,098**	**1,027**
Other (Note 29)	1,098	1,027
Payment services	**152,913**	**152,468**
Current accounts	62,517	69,766
Credit cards	22,736	20,876
Debit cards and other card payments	45,236	39,416
Transfers and other payment orders	8,347	7,289
Other fee and commission income in relation to payment services	14,077	15,121
Customer resources distributed but not managed [by type of product] (Note 29):	**75,328**	**66,452**
Collective investment	30,699	27,241
Insurance products	44,629	39,211
Loan commitments given	**12,148**	**12,602**
Financial guarantees given	**10,444**	**10,626**
Loans granted	**1,104**	**1,995**
Foreign currency	**920**	**888**
Other fee and commission income	**13,354**	**12,158**
Total	**268,534**	**259,616**
Fee and commission expenses		
Securities	(6,951)	(8,698)
Clearing and settlement	-	-
Asset management	(54)	(66)
Custody	-	-
Payment services	(13,005)	(10,303)
Of which: Debit and credit cards and other cards	(12,950)	(10,249)
Loan administration activities	(27)	(24)
Loan commitments received	-	-
Financial guarantees received	(13,950)	(6,840)
Distribution of products by external providers	(3,142)	(2,451)
Other fee and commission expenses	(6,805)	(6,250)
Total	**(43,934)**	**(34,632)**

- **Gain and losses on assets and liabilities**

The details of this heading on the consolidated statements of profit or loss at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**440,548**	**136,933**
Financial assets at amortised cost	460,852	127,934
Financial assets at fair value through other comprehensive income	1,068	8,135
Financial liabilities at amortised cost	(21,372)	865
Gains or losses on financial assets and liabilities held for trading, net	**41**	**(963)**
Other gains or (-) losses	41	(963)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**27,269**	**79,573**
Other gains or (-) losses	27,269	79,573
Gains or losses from hedge accounting, net	**(1,289)**	**(1)**
Total	**466,569**	**215,542**

- **Other operating income**

The details of this heading on the consolidated statements of profit or loss at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	**2020**
Changes in fair value in tangible assets measured using the fair value model	-	-
Investment property (Note 12)	9,142	7,874
Operating leases that are not investment properties	-	-
Other:		
Sales and other revenue from non-financial services rendered	10,610	9,730
Insurance company indemnity	104	-
Other items:		
Other recurring income	*13,351*	*10,560*
Other non-recurring income	*2,322*	*7,302*
Other items	*1,834*	*432*
Income from insurance and reinsurance contracts issued	-	-
Total	**37,363**	**35,898**

- **Other operating expenses**

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

	Thousands of Euros	
	2021	**2020**
Mandatory contributions to social projects and funds (Note 17)	(2,213)	(1,353)
Investment property (Note 12)	(991)	(841)
Operating leases that are not investment properties	-	-
Contribution to the Deposit Guarantee Fund (Note 3.17)	(47,132)	(43,978)
Contribution to the Single Resolution Fund (Note 3.28)	(14,082)	(13,166)
Other:		
Change in inventories – Cost of sales	-	-
Change in inventories – Property overheads	-	-
Other items	(18,012)	(20,598)
Expenses from insurance and reinsurance contracts issued	-	-
Total	**(82,430)**	**(79,936)**

- **Staff expenses**

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

	Thousands of Euros	
	2021	2020
Salaries and bonuses to current personnel	(241,880)	(229,124)
Social Security payments	(75,763)	(76,155)
Appropriations to defined benefit plans (Note 14)	(2,246)	(2,111)
Appropriations to defined contribution plans (Note 14)	(11,337)	(12,931)
Severance indemnities	(1,097)	(805)
Training expenses	(366)	(424)
Share-based payments	-	-
Other staff expenses	(12,729)	(5,818)
Total	**(345,418)**	**(327,368)**

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	
	2021	2020	2021	2020
Average payroll				
Male	2,623	2,698	3,117	3,133
Female	2,760	2,821	3,127	3,120
Total	**5,383**	**5,519**	**6,244**	**6,253**

The average number of employees at the Group, broken down by professional category, is as follows:

	2021		2020	
	Male	Female	Male	Female
Executives	31	7	31	7
Department heads and graduates	2,325	1,698	2,249	1,530
Administrative officers	580	1,166	667	1,301
Administrative assistants	180	254	185	280
Sundry positions	1	2	1	2
Total	**3,117**	**3,127**	**3,133**	**3,120**

At 31 December 2021 and 31 December 2020 the number of employees at the Group, broken down by professional category, is as follows:

	2021		2020	
	Male	Female	Male	Female
Executives	30	6	31	7
Department heads and graduates	2,367	1,809	2,295	1,623
Administrative officers	530	1,057	605	1,224
Administrative assistants	176	251	176	246
Sundry positions	1	2	1	2
Total	**3,104**	**3,125**	**3,108**	**3,102**

The average number of individuals employed at 31 December 2021 and 31 December 2020 with disabilities equal to or over 33% impairment (or equivalent qualification), by professional category, is as follows:

	2021		2020	
	Male	Female	Male	Female
Executives	-	-	-	-
Department heads and graduates	30	22	28	23
Administrative officers	15	30	19	32
Administrative assistants	-	3	2	4
Sundry positions	-	-	-	-
Total	**45**	**55**	**49**	**59**

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 2021 and 31 December 2020:

	Thousands of Euros	
	2021	2020
Loans and advances	581	1,421
Other remuneration in kind	1,010	900
Total remuneration in kind	**1,591**	**2,322**

- **Other administrative expenses**

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

	Thousands of Euros	
	2021	2020
From property, fixtures and supplies	(26,479)	(27,655)
IT	(38,782)	(40,577)
Communications	(8,209)	(8,463)
Advertising	(5,071)	(5,582)
Court and attorney's fees	(1,543)	(1,191)
Technical reports	(9,956)	(8,887)
Surveillance and security carriage services	(5,623)	(5,529)
Insurance and self-insurance premiums	(1,969)	(1,973)
Governance and control bodies	(3,265)	(3,161)
Entertainment and travel expenses	(1,354)	(1,704)
Membership fees	(1,877)	(1,614)
Passing on of central service expenses to foreign branches	-	-
Subcontracted administrative services	(36,548)	(38,582)
Levies and other taxes:		
On properties	(3,244)	(3,310)
Other	(18,124)	(16,876)
Donations to foundations	-	-
Other expenses	(18,534)	(18,577)
Total	**(180,578)**	**(183,681)**

- **Amortisation and depreciation**

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

	Thousands of Euros	
	2021	**2020**
Property, plant and equipment		
For own use (Note 12)		
IT equipment and related fixtures	(13,752)	(12,120)
Furniture, vehicles and other fixtures	(22,410)	(21,070)
Buildings	(8,388)	(8,327)
Other tangible assets	(313)	(316)
Leased out under an operating lease		
Activated rights-of-use on lease agreements (Note 12)	(8,185)	(8,656)
Investment property (Note 12)		
Furniture, vehicles and other fixtures	(217)	(200)
Buildings	(4,631)	(4,237)
Other intangible assets	**(10,356)**	**(8,096)**
Total	**(68,252)**	**(63,022)**

- **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	
	2021	**2020**
Pensions and other post-employment defined benefit obligations (Note 14.1)	650	17
Other long-term employee benefits (Note 14.1)	49	(419)
Pending legal issues and tax litigation	28	-
Commitments and guarantees given	3,394	(3,667)
Loan commitments granted	92	(1,226)
Financial guarantees granted	969	(2,414)
Other commitments granted	2,334	(27)
Other contingent risks	2,334	(27)
Other provisions (Note 14.4)	(55,229)	(38,262)
Total	**(51,108)**	**(42,331)**

- **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	
	2021	**2020**
Financial assets not designated at fair value through profit or loss	**(307,182)**	**(314,195)**
Debt securities (Note 8.5.1) (Note 8.6.4)	59	(286)
Loans and advances (Note 8.6.3)	(307,241)	(313,909)
Investments in subsidiaries, joint ventures and associates (Note 11)	**-**	**-**
Total	**(307,182)**	**(314,195)**
Non-financial assets		
Property, plant and equipment	9	(698)
Investment property (Note 12)	(18,221)	(4,454)
Goodwill (Note 13)	(54,741)	(10,948)
Other (Note 16)	(148,623)	(51,162)
Total	**(221,576)**	**(67,262)**

- **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	
	2021	**2020**
Gains on disposals		
Property, plant and equipment (Note 12)	846	326
Investment property (Note 12)	2,403	2,282
Intangible assets (Note 13)	243	1,480
Other gains	10,890	5,950
Holdings	1,333	-
Total	**15,715**	**10,038**
Losses on disposals		
Property, plant and equipment (Note 12)	(920)	(1,232)
Investment property (Note 12)	(10,837)	(3,654)
Intangible assets (Note 13)	(6,687)	(171)
Other losses	(48,856)	(19,169)
Holdings	(404)	-
Total	**(67,704)**	**(24,226)**
Total gains or losses	**(51,989)**	**(14,188)**

- **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	
	2021	**2020**
Gains on disposals		
Property, plant and equipment	-	49
Investment property	66	231
Property, plant and equipment foreclosed	3,183	5,753
Total	**3,249**	**6,033**
Losses on disposals		
Property, plant and equipment	(337)	(11)
Investment property	(700)	(622)
Property, plant and equipment foreclosed	(15,234)	(12,084)
Total	**(16,271)**	**(12,717)**
Impairment losses on non-current assets held for sale (Note 10)	**(53,798)**	**(10,563)**
Total gains or losses	**(66,820)**	**(17,247)**

27. Segment information

- **Segmenting by lines of business**

The Group's core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Group segment and manage its operations through different business lines.

- **Geographical segmenting**

  The Group carries out its activities almost entirely in Spain and the type of customer is similar throughout Spain. Therefore the Group considers that there is a single geographical segment for the entire operation.

28. Information regarding the deferral of payments to suppliers

Final Provision Two of Act 31/2014, of 3 December 2014, amending the Spanish Corporate Enterprises Act to improve corporate governance, amends Additional Provision Three of Act 15/2010, of 5 July 2010, which amended Act 3/2004, of 29 December 2004, on measures to combat late payment in commercial transactions, specifically requiring the inclusion of the average supplier payment period in the notes to annual accounts. The provision authorises the Spanish Institute of Accountants and Auditors (ICAC) to stipulate, in a ruling, the adaptations necessary for companies to adequately apply the average supplier payment period calculation methodology. Accordingly, Article 1 of the ICAC Resolution of 26 January 2016 was issued to fulfil the mandate contained in Act 31/2014.

Said resolution repeals the immediately previous related ICAC Resolution of 29 December 2010, which derived from the former wording of Additional Provision Three of Act 15/2010, of 4 July 2010. The Resolution requests information on the average supplier payment period, specifying that the duty of information affects only commercial payment transactions and not creditors or suppliers in non-commercial transactions (e.g. fixed asset suppliers or finance lease creditors). Moreover, it provides the specific methodology for calculating the average supplier payment period and details the information to be reported.

For the purposes of adequately understanding the information set out herein, and in accordance with the provisions of applicable legislation, “suppliers” are understood to only be those suppliers of assets and services to the Group whose expense is primarily recognised in the heading “Other administrative expenses” on the consolidated statement of profit or loss. This note therefore does not include information regarding payments for financial transactions that constitute the corporate purpose of the Group or to asset suppliers that may exist which, in any case, have been made in accordance with the deadlines established in the relevant agreements and by current legislation.

The average supplier payment period must be calculated applying the criteria approved by the Ministry of Finance and Public Administrations, pursuant to Final Provision Two, subsection three of Organic Act 2/2012, of 27 April 2012, on budget stability and financial sustainability. According to the Sole Final Provision of the Resolution dated 29 January 2016, that resolution will be applicable to the annual accounts for the years starting on or after 1 January 2015.

Figures for total payments made, total payments pending, average period of payment to suppliers, ratio of transactions paid and ratio of transactions pending payment, with respect to the Group’s commercial transactions, at 31 December 2021 and 31 December 2020 are as follows:

	Days	
	2021	2020
Average period of payment to suppliers	28.29	28.16
Ratio of transactions paid	28.33	28.16
Ratio of transactions pending payment	16.09	21.10
	Thousands of Euros	
	2021	2020
Total payments made	513,364	540,736
Total payments pending	1,979	21

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:

2021	Customer funds (Thousands of Euros)	Fees and commission (Thousands of Euros)
Brokerage services (products marketed by the Group) (Note 26)		
Collective investment	4,409,670	30,699
Insurance products	1,513,761	44,629
Total	**5,923,431**	**75,328**
Deposit of securities owned by third parties (Note 26)		
Debt securities and equity instruments	1,177,177	2,297
Other financial instruments entrusted by third parties	7,238	-
Customer portfolios managed on a discretionary basis	18,269	26
Total	**1,202,684**	**2,323**

2020	Customer funds (Thousands of Euros)	Fees and commission (Thousands of Euros)
Brokerage services (products marketed by the Group) (Note 26)		
Collective investment	3,122,216	27,241
Insurance products	1,504,358	39,211
Total	**4,626,574**	**66,452**
Deposit of securities owned by third parties (Note 26)		
Debt securities and equity instruments	1,184,285	2,427
Other financial instruments entrusted by third parties	-	-
Customer portfolios managed on a discretionary basis	7,241	-
Total	**1,191,526**	**2,427**

Exchange risk

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

	2021 (Thousands of Euros)	2020 (Thousands of Euros)
Assets		
Cash, cash balances at central banks and other on demand deposits	13,358	70,312
Financial assets at amortised cost	63,834	20,362
Other assets	493	215
Total	**77,685**	**90,889**
Liabilities		
Financial liabilities at amortised cost	56,986	113,150
Total	**56,986**	**113,150**
Net Position	**20,699**	**(22,261)**

The net amount of exchange differences recognised on the consolidated statement of profit or loss totalled €3,817 thousand at 31 December 2021 (€1,530 thousand at 31 December 2020).

At 31 December 2021 and 31 December 2020 no amount was booked as "Exchange differences" under "Accumulated other comprehensive income" in "Equity".

Audit fees

The fees paid for the statutory audit and other services provided by the audit firm and others related to the Group at 31 December 2021 and 31 December 2020 are as follows:

2021	Thousands of Euros			
Entity	Audit fees	Audited-related fees	Other services	Total
KPMG	1,251	483	48	1,782

2020	Thousands of Euros			
Entity	Audit fees	Audited-related fees	Other services	Total
KPMG	1,058	141	154	1,353

The audit fees recognised under the "Audit fees" heading include those for: the audit of the individual 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.

Fees charged by other auditors at 31 December 2020 for audit and statutory audit and other audit-related services totalled €29 thousand.

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 2021; 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 2020).

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 under which a summary of the annual report explaining the development of its functions by the Customer Service Department should be included in the annual report.

In compliance with Act 44/2002, of 22 November 2002, on Measures to Reform the Financial System and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from other sales and operating areas, to attend to and resolve complaints and claims that may be filed by Group customers with respect to their interests and legally recognised rights.

All the Grupo Cooperativo Cajamar financial entities listed in Annex II of the Group's Customer Protection Regulation form part of the Customer Service Department. The regulation governs how the Customer Service Department operates and was approved by the Parent's Board of Directors. Members are all those comprising the Group at 31 December 2021.

Noteworthy is the number of proceedings initiated in 2021 amounting to 10,371, including 226 files with the Bank of Spain Institutions' Conduct Department and three 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)	96.0%
Caixa Rural Altea, S.C.C.V. (a)	0.6%
Caixa Rural de Callosa de Sarria, C.C.V. (a)	0.4%
Caixa Rural de Turís, C.C.V. (a)	0.0%
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)	0.4%
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	0.5%
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)	1.0%
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)	0.1%
Caja Rural San Jose de Burriana, C.C.V. (a)	0.3%
Caja Rural San José de Nules, S.C.C.V. (a)	0.1%
Caja Rural San Roque de Almenara, S.C.C.V. (a)	0.0%

Further to this summary, the main ways in which the claims were dealt with in 2021 were: 79% in favour of the entities; 10% in favour of the claimant; the Customer Service Department issued no decision on the claims filed in 10% 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	60.2%
Deposit transactions	15.8%
Other bank products	10.1%
Collection and payment services	3.4%
Insurance and pension funds	2.5%
Investment services	0.3%
Miscellaneous	7.8%

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

Reason	Percentage
Fees and commission	62.6%
Discrepancies in entries	14.7%
Interest	3.4%
Disagreements with the service ex post	5.6%
Other contractual clauses/documentation	3.8%
Disagreements with the service ex ante	1.6%
Data protection	1.0%
Accidents	0.2%
Miscellaneous	7.0%

The decision criteria used by the Customer Service Department to resolve complaints and claims have been taken, mainly, for the criteria established by the Service and the result of claims made to the bodies supervising financial services, based on judgements regarding good practices and uses, the legislation that governs the transparency of banking operations and customer protection, and any other that is applicable to reach a correct and reasoned conclusion.

Directors' duty of loyalty

In accordance with the provisions of Article 229 of the revised text of the Corporate Enterprises Act, as per the wording thereof stipulated in Act 31/2014, of 3 December 2014, amending the revised text of the Corporate Enterprises Act in order to improve corporate governance and enhance the transparency of public limited companies, the directors have reported to the Bank that during 2021, they and the persons related to them, as defined in Article 231 of the revised text of the Corporate Enterprises Act:

- Have not carried out transactions with the Group, not taking into account ordinary operations conducted under standard business conditions and of little relevance, being understood as those not requiring disclosure for the purposes of presenting fairly the equity, financial position and the results of the entity.

- Have not used the Group's name or invoked their status as directors to improperly influence the performance of private operations.

- Have not made use of corporate assets, including confidential company information for private purposes.

- Have not taken advantage of the Group's business opportunities.

- Have not obtained benefits or remuneration from parties other than the Group or its associates in the performance of their duties, excepting cases of mere courtesy.

- Have not performed activities on their own account or for others that involved effective competition, whether specific or potential, with the Group or which otherwise placed them in a situation of ongoing conflict with the Group's interests.

30. Subsequent events

Irrespective of the information set out above and in the accompanying consolidated annual accounts, from 31 December 2021 to 2 March 2022, the date on which the accompanying annual accounts are issued by the Group's Board of Directors, there were no significant events that must be disclosed in the notes to the accompanying consolidated annual accounts in order for them to fairly reflect the Group's equity, consolidated financial situation, consolidated results, changes in consolidated equity and consolidated cash flows.

Appendix I Breakdown of shareholdings at 31 December 2021

Details of Group entities whose balance sheets and statements of profit or loss are fully consolidated are as follows:

								Thousands of Euros						
				% shareholding						Equity				
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Group companies													
Cajamar Caja Rural, S.C.C. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Credit cooperative	62.38%	-	-	-	-	43,291,520	3,060,694	132,780	35,714	(7,723)	(10,474)
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Credit cooperative	0.63%	-	-	-	-	313,359	6,098	24,795	317	(10)	(27)
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Credit cooperative	0.43%	-	-	-	-	206,885	8,014	12,837	222	(18)	(4)
Caixa Rural de Turís, C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Credit cooperative	0.18%	-	-	-	-	62,556	1,853	6,772	91	(4)	(30)
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Credit cooperative	0.09%	-	-	-	-	70,153	1,011	3,750	46	1	(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%	-	-	-	-	138,702	3,282	4,298	77	(7)	(18)
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Mayor, 10. Villarreal. Castellón.	Credit cooperative	0.55%	-	-	-	-	469,919	14,665	14,795	316	(27)	87
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Credit cooperative	0.44%	-	-	-	-	231,527	3,630	17,932	223	(7)	(49)
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Credit cooperative	0.19%	-	-	-	-	109,502	2,652	6,520	101	(6)	(17)
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Credit cooperative	0.23%	-	-	-	-	137,090	2,041	9,633	120	(3)	(12)
Caja Rural de Torrent, S.C.C. (b)	Avda. Al Vedat, 3. Torrent. Valencia.	Credit cooperative	1.09%	-	-	-	-	653,535	14,593	39,098	586	(26)	(74)
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Credit cooperative	0.23%	-	-	-	-	94,864	4,690	6,070	115	(11)	(6)
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 6, Chilches. Castellón.	Credit cooperative	0.09%	-	-	-	-	36,646	1,848	2,583	48	(5)	(0)
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Vilafames. Castellón.	Credit cooperative	0.06%	-	-	-	-	31,841	502	2,404	30	(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%	-	-	-	-	115,907	3,573	9,652	139	(9)	7
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Credit cooperative	0.52%	-	-	-	-	240,431	4,642	20,892	270	(9)	30
Caja Rural San José de Nules, S.C.C.V. (a)	C/ Mayor, 66. Nules. Castellón.	Credit cooperative	0.21%	-	-	-	-	145,563	6,191	4,764	124	(13)	1
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Credit cooperative	0.08%	-	-	-	-	50,674	1,031	2,967	42	(2)	(4)
Alquileres Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	-	610	10,631	1,235	(435)	(407)	-	-
BCC Eurovía Informática, A.I.E. (a)	Avda. de la Innovación, 1 (PITA). Almería.	Rendering of technology services	-	99.00%	1.00%	-	3	647	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%	-	3	219	3	-	-	-	-
BCC Operaciones y Servicios Administrativos, S.L.U. (a)	Plaza 3 de abril, 2, Almería.	Operational, management and	-	-	100.00%	-	12	1,174	12	36	456	-	-
BCC Recursos Humanos y contact Center, S.L.U. (a)	Avda. de la Innovación, 1 (PITA). Almería.	HR advisory services and consulting	-	-	100.00%	-	41	550	4	116	148	-	-
Cajamar Mediación Operador de Banca Seguros Vinculado, S.L.U.	Plaza de Juan del Águila Molina, 5. Almería.	Insurance brokerage	-	-	100.00%	-	60	8,911	60	229	322	-	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	-	100.00%	-	1,639,241	3,666,134	60	1,640,949	(12,963)	10,876	(8,087)
Cimentados3, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	-	-	813,968	60	-	(129,424)	(2,208)	-
Cimenta Desarrollos Inmobiliarios, S.A.U.	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	-	42,329	55,956	60	(3)	(2,279)	44,550	-
Inmuebles Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	-	6,707	40,315	16,250	(8,144)	193	(1,398)	-
Sunaria Capital, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Holding company	-	100.00%	-	-	4,023	6,564	3,000	600	737	-	-
Plataforma Tierra, S.A.U.	Puerta Purchena, 10, Edificio de las Mariposas. Almería.	Innovation, digitization and development in	-	100.00%	-	-	-	1,934	60	-	(514)	-	-
							1,693,029	**51,007,677**	**3,161,818**	**1,955,890**	**(105,152)**	**43,942**	**(18,682)**

Details of associates accounted for using the equity method at 31 December 2021 are as follows:

				% shareholding					Equity				
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Associates													
Agrocolor, S.L.	Carretera de Ronda, 11-bj. Almería.	Agro-food quality certification	-	-	32.37%	-	18	4,151	390	2,126	903	-	93
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Integrated pest control	-	-	22.19%	-	377	1,711	1,920	13	(10)	(220)	-
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	-	6,604	123,740	9,015	8,298	5,324	(4,561)	1,809
Cajamar Vida, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	-	33,732	850,004	9,015	36,193	69,568	(63,963)	9,107
GCC Consumo Establecimiento Financiero de Crédito, S.A. (e)	Paseo de los Melancólicos, 14. Madrid.	Specialised credit institution (EFC)	-	49.00%	-	-	34,643	760,796	70,294	15,974	13,624	406	-
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Property sales.	-	-	20.00%	-	1,259	7,393	3	104	496	6,290	-
Habitat Utiel, S.L.	C/ Pascual y Genil, 17. Valencia	Real estate development	-	-	25.00%	-	2	383	6	-	-	(3)	-
Murcia emprende S.C.R., S.A. (e)	C/ Alfaro, 1. Murcia.	Venture capital	-	-	22.06%	-	457	2,001	2,557	3	(297)	(352)	34
Parque Científico- Tecnológico de Almería, S.A. (e)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	Management of commercial premises	-	-	30.11%	-	8,260	43,762	31,066	(613)	67	(11,595)	8,508
Promociones Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Real estate development	-	-	24.50%	-	-	3,262	12	130	(4)	(7)	-
Proyecta Ingenio, S.L.	C/ Jesus Durbán Remón, 2, 1º. Almería.	Agriculture procedure and quality advisory se	-	-	24.90%	-	15	858	60	61	132	49	-
Renovables la Unió, S.C.P.	C/ Mar,22. Valencia.	New technologies	-	-	40.00%	-	84	210	210	-	-	-	-
Promontoria Jaguar, S.A.	C/ Serrano, 26. Madrid	Activities of holding companies	-	-	20.00%	-	8,210	109,103	60	-	(219)	40,992	-
							93,662	**1,907,373**	**124,608**	**62,290**	**89,584**	**(32,964)**	**19,551**

(a) Company audited by KPMG Auditores, S.L.
(b) Company audited by Auren Auditores SP, S.L.P.
(c) Company audited by Ernst & Young, S.L.
(d) Company audited by Mazars Auditores S.L.P.
(e) Company audited by Deloitte Auditores, S.L.

Appendix I Breakdown of shareholdings at 31 December 2020

Details of Group entities whose balance sheets and statements of profit or loss are fully consolidated are as follows:

							Thousands of Euros						
				% shareholding					Equity				
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Group companies													
Cajamar Caja Rural, S.C.C. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Credit cooperative	61.85%	-	-	-	-	40,313,975	2,879,581	124,744	10,653	-	(5,724)
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Credit cooperative	0.64%	-	-	-	-	309,374	5,830	24,708	156	-	(28)
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Credit cooperative	0.44%	-	-	-	-	169,229	7,308	12,775	111	-	(12)
Caixa Rural de Turís, C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Credit cooperative	0.18%	-	-	-	-	57,975	1,642	6,751	39	-	(29)
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Credit cooperative	0.09%	-	-	-	-	65,577	923	3,736	24	-	2
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	Credit cooperative	0.15%	-	-	-	-	126,284	3,258	4,280	30	-	(2)
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Mayor, 10. Villarreal. Castellón.	Credit cooperative	0.54%	-	-	-	-	411,459	11,847	14,716	137	-	61
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Credit cooperative	0.44%	-	-	-	-	223,078	3,445	17,908	109	-	(48)
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Credit cooperative	0.19%	-	-	-	-	100,875	2,529	6,476	79	-	(15)
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Credit cooperative	0.24%	-	-	-	-	127,294	1,884	9,603	55	-	(10)
Caja Rural de Torrent, S.C.C. (b)	Avda. Al Vedat, 3. Torrent. Valencia.	Credit cooperative	1.09%	-	-	-	-	599,912	13,554	38,718	428	-	(68)
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Credit cooperative	0.21%	-	-	-	-	86,172	3,891	6,041	52	-	(5)
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 6, Chilches. Castellón.	Credit cooperative	0.08%	-	-	-	-	32,572	1,497	2,572	19	-	0
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Vilafames. Castellón.	Credit cooperative	0.06%	-	-	-	-	29,836	482	2,395	15	-	(4)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Credit cooperative	0.25%	-	-	-	-	116,255	3,441	9,491	62	-	8
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Credit cooperative	0.51%	-	-	-	-	234,052	4,485	20,821	128	-	140
Caja Rural San José de Nules, S.C.C.V. (a)	C/ Mayor, 66. Nules. Castellón.	Credit cooperative	0.20%	-	-	-	-	132,281	5,376	4,732	56	-	3
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Credit cooperative	0.08%	-	-	-	-	42,578	948	2,955	22	-	(4)
Alquileres Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	610	23,639	1,235	(545)	110	-	-
BCC Eurovía Informática, A.I.E. (a)	Avda. de la Innovación, 1 (PITA). Almería.	Rendering of technology services	-	99.00%	1.00%	100.00%	3	633	3	-	-	-	-
BCC Gestión Integral de Infraestructuras, A.I.E. (a)	Avenida Nuestra Señora de Montserrat, número 11, Almería.	Rendering of general services	-	98.00%	2.00%	100.00%	3	226	3	-	-	-	-
BCC Operaciones y Servicios Administrativos, S.L.U. (a)	Plaza 3 de abril, 2, Almería.	Operational, management and	-	-	100.00%	100.00%	12	806	12	36	200	-	-
BCC Recursos Humanos y contact Center, S.L.U. (a)	Avda. de la Innovación, 1 (PITA). Almería.	HR advisory services and consulting	-	-	100.00%	100.00%	41	494	4	116	107	-	-
Cajamar Mediación Operador de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance brokerage	-	-	100.00%	100.00%	60	10,873	60	229	210	-	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	-	100.00%	100.00%	1,657,565	2,772,189	60	1,588,229	58,400	10,876	14,108
Cimentados3, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	-	876,738	60	-	(63,728)	(78,480)	-
Cimenta Desarrollos Inmobiliarios, S.A.U.	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	44,608	53,159	60	(3)	(62)	44,613	-
Inmuebles Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	6,707	48,586	16,250	(8,144)	(1,377)	(21)	-
Sunaria Capital, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Holding company	-	100.00%	-	100.00%	4,023	5,775	3,000	600	527	-	-
							1,713,632	**46,971,898**	**2,972,668**	**1,893,940**	**6,562**	**(23,012)**	**8,373**

Details of associates accounted for using the equity method at 31 December 2020 are as follows:

				% shareholding					Equity				
Company	**Domicile**	**Business**	**% mutualisation**	**Direct**	**Indirect**	**Total**	**Net book value**	**Assets**	**Capital**	**Reserves**	**Profit/(loss)**	**Other items**	**Other equity**
Associates													
Agrocolor, S.L.	Carretera de Ronda, 11-bj. Almería.	Agro-food quality certification	-	-	32.37%	32.37%	18	4,281	390	1,823	407	-	96
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Integrated pest control	-	-	22.19%	22.19%	329	1,495	1,920	13	(6)	(443)	-
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	49.99%	6,604	108,103	9,015	8,029	4,820	(4,021)	3,193
Cajamar Vida, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.99%	-	49.99%	33,732	931,309	9,015	33,354	56,674	(47,059)	10,788
GCC Consumo Establecimiento Financiero de Crédito, S.A. (d)	Paseo de los Melancólicos, 14. Madrid.	Specialised credit institution (EFC)	-	49.00%	-	49.00%	34,643	733,529	70,294	22,049	9,248	406	-
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Property sales.	-	-	20.00%	20.00%	1,803	9,732	3	36	169	9,014	-
Habitat Utiel, S.L.	C/ Pascual y Genil, 17. Valencia	Real estate development	-	-	25.00%	25.00%	2	383	6	-	-	(3)	-
Murcia emprende S.C.R., S.A. (e)	C/ Alfaro, 1. Murcia.	Venture capital	-	-	22.06%	22.06%	530	2,398	2,557	-	(206)	3	-
Parque Científico- Tecnológico de Almería, S.A. (e)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	Management of commercial premises	-	-	30.13%	30.13%	8,370	47,145	31,040	(612)	(1,177)	(10,418)	8,958
Promociones Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Real estate development	-	-	24.50%	24.50%	-	3,262	12	130	(4)	(7)	-
Proyecta Ingenio, S.L.	C/ Jesus Durbán Remón, 2, 1º. Almería.	Agriculture procedure and quality advisory	-	-	24.90%	24.90%	5	527	60	61	(101)	-	-
Renovables la Unió, S.C.P.	C/ Mar,22. Valencia.	New technologies	-	-	40.00%	40.00%	84	210	210	-	-	-	-
							86,120	**1,842,375**	**124,522**	**64,884**	**69,823**	**(52,526)**	**23,034**

(a) Company audited by KPMG Auditores, S.L.
(b) Company audited by Auren Auditores SP, S.L.P.
(c) Company audited by Ernst & Young, S.L.
(d) Company audited by Mazars Auditores S.L.P.
(e) Company audited by Deloitte Auditores, S.L.

Appendix II Details of branches by geographical area

Province		Nº branch offices 2021	Nº branch offices 2020
ANDALUCIA		238	247
	Almería	106	109
	Cádiz	9	9
	Córdoba	8	8
	Granada	19	20
	Huelva	5	5
	Jaén	7	7
	Málaga	74	80
	Sevilla	10	9
ARAGÓN		5	5
	Huesca	2	2
	Zaragoza	3	3
ASTURIAS		3	3
BALEARES		21	22
CANARIAS		45	49
	Las Palmas	31	34
	Santa Cruz de Tenerife	14	15
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		61	62
	Avila	4	4
	Burgos	3	3
	León	10	10
	Palencia	10	11
	Salamanca	2	2
	Segovia	2	2
	Soria	1	1
	Valladolid	26	26
	Zamora	3	3
CATALUÑA		34	37
	Barcelona	25	28
	Gerona	3	3
	Lérida	1	1
	Tarragona	5	5
COMUNIDAD VALENCIANA		280	290
	Alicante	71	75
	Castellón	52	54
	Valencia	157	161
EXTREMADURA		4	4
	Badajoz	3	3
	Cáceres	1	1
GALICIA		6	5
	A Coruña	3	3
	Ourense	1	1
	Pontevedra	1	-
	Lugo	1	1
LA RIOJA		2	2
MADRID		35	36
MURCIA		115	124
NAVARRA		4	4
PAIS VASCO		1	1
	Álava	1	1
CEUTA		1	1
MELILLA		1	1
		873	**910**

Appendix III Details of financial agents by geographical area

1. **List of authorised persons in accordance with section 1** of Bank of Spain Circular 4/2010, of 30 July 2010, for credit institutions and agreements concluded for the habitual rendering of financial services:

Province	Name	Scope of action	Date of power-of-attorney
ALICANTE			
	ALBERTO SANCHEZ SANCHEZ	HONDON DE LAS NIEVES Y LA ROMANA	19/12/2019
	MARCELINO PEDRO ERN AGUD	SELLA/RELLEU/TORREMANZANAS	28/12/2016
	ESTER CONCA FLOR	BENEIXAMA	01/09/2021
	JUAN EMILIO CANTUS MAFE	EL VERGER	17/11/2021
	RUBEN LEAL MIRETE	BIAR	30/01/2020
ALMERIA			
	AGUSTIN MUNOZ EXPOSITO	ILLAR/HUECIJA/ALICUN/TERQUE	04/03/2013
	DANIEL PEREZ BENITEZ	VELEZ-BLANCO	04/03/2013
	JOSE ANTONIO DIAZ SANCHEZ	OHANES/PADULES/ISTINCION	14/06/2021
	CORINA VEGA VIAS	GUAZAMARA	04/03/2019
	GABRIEL FRANCISCO RUBIO MARTINEZ	BEDAR/TABERNO	20/01/2016
	GREGORIO TORRENTE MARTINEZ	MARIA	28/09/2016
	ANTONIO JAVIER BELMONTE GOMEZ	GERGAL/NACIMIENTO	28/07/2021
	JOSE ANTONIO BENITEZ ROMERO	ORIA	28/12/2016
	JOSE ANTONIO ESPINOSA TORRES	CABO DE GATA, PUEBLO BLANCO-NIJAR	28/12/2016
	JOSE ANTONIO GODOY GARCIA	ALCOLEA/FONDON/PATERNA DEL RIO/BAYARCAL	28/12/2016
	MARIA CRISTINA LALINDE LLANO	LA ALFOQUIA/ALMANZORA	07/03/2017
	MIGUEL MANAS CABEZAS	ULEILA DEL CAMPO/1008.1 AGENCIA ITINERANTE	03/08/2017
	MACARENA GIL SORIA	ABRUCENA	28/07/2021
	ROQUE MIRAS NAVARRO	FINES	16/01/2018
	DOMINGO JESUS GUILLEN GARCIA	CHIRIVEL	06/04/2018
	ANTONIA MOLINA ARTERO	PROVINCIA DE ALMERIA	17/11/2021
	JOSE LUIS EGEA VENTEO	ALBOLODUY/FELIX/RIOJA	12/06/2018
AVILA			
	DIANA GONZALEZ LOZANO	AVILA Y VALLADOLID	09/10/2019
	JENNIFER ALONSO NINO	SAN PEDRO DEL ARROYO	25/09/2018
	SONIA GARCIA RODRIGUEZ	LAS NAVAS DEL MARQUES	16/06/2019
CANARIAS			
	MEDERI THAIS SANTANA NEGRIN	LA GOMERA	16/12/2020
CASTELLON			
	CARLOS RODRIGO BALMES	CATI/SALSADELLA	28/09/2016
	FRANCISCO JOSE LOPEZ SANFELIU	MONTANEJOS	21/04/2021
	DAVID GARCIA GIL	VISTABELLA/LA POBLA DE TORNESA	28/12/2016
	FERNANDO TRAVER SALES	ELS IBARSOS/SERRA DE ENGARCERAN	28/12/2016
	GUSTAVO GALLEN PRADES	VILLAHERMOSA DEL RIO/FIGUEROLES	29/01/2019
	JAVIER MESTRE CERVERA	FORCALL	04/12/2018
	JOAQUIN VICENTE MIRALLES MIRALLES	TALES	14/09/2017
	MARCO ANTONIO FABREGAT EDO	CINCTORRES	12/07/2017
	MONICA MIGUEL PORCAR	USERAS/COSTUR	28/12/2016
	ROSA ANA IBANEZ BARREDA	BENLLOCH/CULLA	28/12/2016
	YOLANDA MATEO PEREZ	SONEJA Y VIVER	30/01/2020
	CONSUELO FABREGAT FERRER	CANET LO ROIG/ROSELL	28/12/2016
	ANGEL GOMEZ MARQUES	LA LLOSA	17/11/2021
	EDUARDO ENRIQUE GUZMAN MARTI	PROVINCIA CASTELLON	30/09/2020
CUENCA			
	DANIEL LLORIA MARTINEZ	ALIAGUILLA/TALAYUELAS	28/09/2016
MALAGA			
	FRANCISCO JAVIER MUNOZ ARLANDI	ISTAN/BENAHAVIS	23/05/2019
	ISABEL BERLANGA MONTERO	CASARABONELA	30/01/2020
	JOAQUIN JOSE ATENCIA LOPEZ	VILLANUEVA DE LA TAPIA	28/06/2018
	JOSE ANTONIO MATEOS COZAR	CORTES DE LA FRONTERA	30/01/2020
	JOSE SANCHEZ MENDEZ	EL BURGO	19/12/2019
	LORENZO MARIN TORRES	RIOGORDO/TOTALAN	03/08/2017
	RAQUEL BERBEL CAPILLA	ALCAUCIN/EL BORGE/IZNATE	04/03/2013
	FRANCISCO JAVIER ROMERO BARROSO	VILLANUEVA DEL TRABUCO	17/11/2021
	INES MEDIAVILLA LOPEZ	CANETE LA REAL	17/11/2021
	YOLANDA BEJAR LUQUE	COMARES/ALFARNATE	28/12/2016
	ALFONSO VERA MORA	SIERRA YEGUAS	18/09/2020
MURCIA			
	ALFONSO MANUEL TERUEL GARCIA	LOS NIETOS	20/08/2019
	DIEGO VALERA PUCHE	ALJUCER	04/12/2018
	ENRIQUE GARCIA SANCHEZ	LOS GARRES	04/12/2018
	FRANCISCO TOMAS MIRA PEREZ	GUADALUPE	30/01/2020
	GONZALO SEIQUER GIL	COBATILLAS	30/01/2020
	ANTONIO LOPEZ VIVANCOS	SANTO ANGEL	28/10/2021
	JOAQUIN ALFONSO ALMAIDA BERNAL	SANTO ANGEL	04/12/2018
	JOSE IGNACIO ORTIZ VICENTE	TORRE ALTA	19/05/2020
	JOSE VICENTE HUERTAS MINGUEZ	ALGEZARES	04/12/2018
	FRANCISCO MIGUEL MARTINEZ CAMPILLO	ISLA PLANA	28/07/2021
	MIGUEL ANGEL GIMENEZ PEREZ	ZARCILLA DE RAMOS	23/05/2019
	PEDRO GASPAR NICOLAS CASES	LOS DOLORES	17/01/2019
	JUAN TOMAS CAMPOS IBANEZ	ARCHIVEL	28/10/2021
	PEDRO JOSE VIDAL GARCIA	LA ALCAINA	04/12/2018
	SALVADOR MANUEL CAMPILLO NAVARRO	ALUMBRES	19/05/2020
	MAXIMILIANO MARTINEZ CANO	CASILLAS	17/11/2021
	FRANCISCO ORCAJADA CASTILLO	LA ALGAIDA	17/11/2021
	CAROLINA GARCIA MARTINEZ	EL PARETON	17/11/2021
	PEDRO ANTONIO PEREZ FERNANDEZ	PROVINCIA MURCIA	30/01/2020
	JUAN MUNOZ CLEMENTE	MIRANDA	25/11/2020
PALENCIA			
	CESAR CASAS MARTINEZ	DUENAS	19/12/2020
	FRANCISCO JOSE GARCIA DIEZ	CERVERA DE PISUERGA	28/12/2016
	MIGUEL PEREZ RODRIGUEZ	HERRERA DE PISUERGA/OSORNO	04/12/2018
	PILAR GUTIERREZ FRANCO	BALTANAS	19/12/2019
VALENCIA			
	ALBERTO RUANA COTINO	LA POBLA DE FARNALS	25/09/2018
	ALFONSO JIMENEZ LOPEZ	SERRA/MARINES	05/10/2017
	CARLOS VIDAL MICO	CASTELLO DE RAUGAT	19/05/2020
	DELMUNDO MILA RODRIGUEZ CRIADO	CAMPORROBLES	04/12/2018
	DIEGO AGUADO SORIA	CATADAU	19/05/2020
	ENRIQUE TORMO ORTS	ANTELLA	17/01/2019
	FRANCISCO MEDINA ORTAL	EL PERELLO	25/02/2020
	JESUS VICENTE RODENAS CARRETERO	CAUDETE DE LAS FUENTES/SIETE AGUAS	28/12/2016
	JOSE ANGEL MOMPO ARELLANO	ALFFARRASI/BELGIDA	27/02/2019
	JOSE ANTONIO BLASCO ROVIRA	ALFARP	12/03/2020
	JOSE ANTONIO SANZ MARTINEZ	VALENCIA	01/08/2018
	JOSE ENRIQUE PLANCHADELL HERRERO	FAVARA/LLAURI LA FONT	06/04/2018
	JOSEP ANTONI GARCIA MIRAGALL	VOLANTE	25/02/2020
	JUSTO MANUEL RUIZ MEGIAS	VILLAGORDO DEL CABRIEL/CUEVAS DE UTIEL	03/08/2017
	MANUEL GASCON CALVO	ESTIVELLA	27/08/2020
	ELENA BLASCO CALATAYUD	MACASTRE/ALBORACHE	05/10/2017
	MARIA JOSE MOROS PEREZ	ALCUBLAS/LOSA DEL OBISPO	06/04/2018
	MARIA VICENTA SANMARTIN GIL	BOLBAITE	19/12/2019
	MIGUEL TOMAS SALOM CANAS	ALCANTERA DEL XUQUER	04/12/2018
	NESTOR NAVARRO PERELLO	YATOVA/CARPESA	20/08/2019
	NICOLAS CARRION GARCIA	REAL COOP-LLAURADORS	27/02/2019
	PASCUAL CARRATALA MINGUEZ	SUMACARCER/GAVARDA	19/05/2017
	DANIEL CLEMENTE ALBALAT	CHELVA/TITAGUAS	01/09/2021
	RAFAEL BENAVENT COLOMA	EL PALMAR-CAUDETE	19/05/2017
	ROBERTO DALIA CIRUJEDA	FONTANARS/ALFAFARA	18/04/2017
	ROSA MARIA PALAU GARCIA	Bicorp	04/12/2018
	VICENTE LUIS PARRA MARTINEZ	JARAFUEL	28/09/2016
	CARMEN FERRANDO SISTERNES	RIOLA	16/12/2020
	VICENTE JUAN MOLLA PEREZ	CHELLA	04/12/2018
	ANTONIO AVENDANO CABALLERO	MONTESA	18/09/2020

Province	Name	Scope of action	Date of power-of-attorney
VALLADOLID			
	ALBERTO RODRIGUEZ LOPEZ	SERRADA	19/05/2017
	ALEJANDRO PUERTAS DEL OLMO	CAMPASERO	04/12/2018
	ANDRES HERNANDEZ MAESTRO	COGECES DEL MONTE	04/12/2018
	ANTONIO RODRIGUEZ FERRIO	MOJADOS	04/12/2018
	CESAR HERGUEDAS RECIO	Pedrajas	25/09/2018
	CRISTOBAL MARTIN HURTADO	ALAEJOS	07/03/2017
	EDUARDO PARDO GARCIA	AGENCIAS DT NORTE	12/06/2018
	JORGE GANAN FERNANDEZ	ALDEAMAYOR/PUENTEDUERO	28/12/2016
	NOEMI RODRIGUEZ ALLENDE	CARPIO	28/12/2016
	PEDRO REDONDO-SANCHEZ-AVILA	VILLANUBLA/FUENSALDANA	28/12/2016
	RAUL CALZADA ALVAREZ	BOECILLO	18/04/2017
	KARINA DIAZ DURO	CERVERA DE PISUERGA	13/06/2019
	JESUS ANGEL QUIJADA LERONES	BALTANAS	18/11/2020

2. **List of persons authorised to recruit customers or promote and market transactions and services in accordance with section 2** of Bank of Spain Circular 4/2010, of 30 July 2010, for credit institutions and agreements concluded for the habitual rendering of financial services:

At the end of 2021 the Group did not maintain agreements with persons authorised to recruit customers or to promote and market operations and services.

Appendix IV Details on the fundamentals of the Group's financial entities at 31 December 2021

	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	43,291,520	40,080,528	3,210,992	383,414	998,827	198,903	59,974	35,714
Caja Rural de Torrent, S.C.C.	653,535	599,358	54,177	4,242	13,600	2,166	685	586
Caixa Rural Vila-Real, S.C.C.	469,919	440,082	29,837	2,615	10,455	1,359	342	316
Caixa Rural Altea, S.C.C.V.	313,359	282,186	31,174	3,209	7,485	843	401	317
Caja Rural San Jose de Burriana, C.C.V.	240,431	214,606	25,824	1,470	4,114	423	331	270
Caja Rural San José de Nules, S.C.C.V.	145,563	134,496	11,067	1,438	4,028	507	132	124
Caixa Rural de Callosa de Sarria, C.C.V.	206,885	185,835	21,050	2,790	5,424	406	270	222
Caja de Crédito de Petrel, Caja Rural, C.C.V.	231,527	209,797	21,730	1,387	4,158	636	278	223
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	138,702	131,070	7,632	1,462	3,015	250	95	77
Caja Rural de Cheste, S.C.C.	137,090	125,311	11,779	1,021	2,322	273	149	120
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	115,907	102,546	13,361	829	2,588	198	169	139
Caja Rural de Alginet, S.C.C.V.	109,502	100,250	9,251	707	2,543	371	119	101
Caja Rural de Villar, C.C.V.	94,864	84,006	10,858	646	1,388	138	138	115
Caixa Rural de Turís, C.C.V.	62,556	53,873	8,682	509	1,178	165	111	91
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	70,153	65,346	4,807	236	1,561	91	60	46
Caja Rural San Roque de Almenara, S.C.C.V.	50,674	46,640	4,035	381	978	103	51	42
Caja Rural San Isidro de Vilafamés, C.C.V.	31,841	28,911	2,930	35	461	37	37	30
Caja Rural la Junquera de Chilches, C.C.V.	36,646	32,172	4,474	296	683	100	56	48

Appendix IV Details on the fundamentals of the Group's financial entities at 31 December 2020

	Thousands of Euros							
Group companies	Assets	Liabilities	Equity	Net interest income	Gross income	Operating profit/(loss)	Profit/(loss) before tax	Profit/(loss) for the period
Cajamar Caja Rural, S.C.C	40,313,975	37,304,721	3,009,254	417,312	746,980	(11,931)	23,487	10,653
Caja Rural de Torrent, S.C.C.	599,912	547,280	52,632	5,084	10,499	716	548	428
Caixa Rural Vila-Real, S.C.C.	411,459	384,697	26,762	3,216	9,518	414	177	137
Caixa Rural Altea, S.C.C.V.	309,374	278,708	30,666	3,385	9,255	306	215	156
Caja Rural San Jose de Burriana, C.C.V.	234,052	208,477	25,575	1,599	3,550	233	170	128
Caja Rural San José de Nules, S.C.C.V.	132,281	122,114	10,167	1,536	3,090	157	67	56
Caixa Rural de Callosa de Sarria, C.C.V.	169,229	149,048	20,181	2,712	4,691	247	144	111
Caja de Crédito de Petrel, Caja Rural, C.C.V.	223,078	201,663	21,415	1,641	3,306	263	146	109
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	126,284	118,718	7,565	1,643	3,674	115	44	30
Caja Rural de Cheste, S.C.C.	127,294	115,762	11,531	1,073	1,659	80	80	55
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	116,255	103,253	13,002	1,316	1,338	87	83	62
Caja Rural de Alginet, S.C.C.V.	100,875	91,806	9,069	856	2,212	101	103	79
Caja Rural de Villar, C.C.V.	86,172	76,193	9,979	652	1,304	75	70	52
Caixa Rural de Turís, C.C.V.	57,975	49,573	8,402	559	973	65	48	39
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	65,577	60,891	4,686	354	684	30	31	24
Caja Rural San Roque de Almenara, S.C.C.V.	42,578	38,657	3,921	433	664	56	27	22
Caja Rural San Isidro de Vilafamés, C.C.V.	29,836	26,948	2,888	77	397	19	19	15
Caja Rural la Junquera de Chilches, C.C.V.	32,572	28,483	4,089	346	588	32	25	19

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

Annual Banking Report

(Year 2021)

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 2021 describes the Entity's nature, corporate purpose and registered office. The most relevant aspects of that information are set out below:

<u>a.1) Nature of the entity:</u>

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

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

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

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

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

At 31 December 2021, 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 law which provides for the formation of so-called cooperative groups understood, for the purposes thereof as *"the group formed by several cooperative societies, of whatever class, and the parent of the group that exercises powers or issues mandatory instructions for the grouped cooperatives such that there is decision-making unit within such powers"*.

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

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

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

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

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

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

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

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

In addition and pursuant to the Regulatory Agreement, Banco de Crédito Social Cooperativo, S.A. is responsible for monitoring the solvency and liquidity of the Group and all Members, and for agreeing any support measures to be adopted in order to help any Member. In such an event, Banco de Crédito Social Cooperativo, S.A.'s Board of Directors would issue binding instructions aimed at ensuring the solvency and liquidity of the Group and the Members, if so required by the Bank of Spain or the single European supervisor in accordance with prevailing legislation.

The entities belonging to Grupo Cooperativo Cajamar – as members – as well as their dates of incorporation approved by their general assemblies and the dates they were authorised to join the Group by the Bank of Spain Executive Committee are detailed as follows:

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

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:

- Carry out operations of all kinds related to securities and documentary credit, notwithstanding the provisions of legislation governing securities markets and collective investment.
- Carry out credit and surety operations, for both lending and funding purposes, of any class, on its own behalf or for third parties.

- Acquire or transfer for its own account or on commission, shares, bonds and other public or private, national or foreign securities, banknotes and coins of all countries and make public offerings for the acquisition and sale of securities.
- Receive and place on deposit or in administration, cash, securities and all kinds of shares. The Bank shall not be deemed to be authorised to draw down 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 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 2021 provides details of branches by geographical location.

b) Turnover

At 31 December 2021 Grupo Cooperativo Cajamar's turnover amounted to €1,370.74 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 2021.

At 31 December 2021, the net return on the Group's assets was 0.11%, understood as the ratio of net profit after tax (€62.63 million) to total assets (€58,513.03 million).

c) Number of full-time employees

At 31 December 2021 there were 6,214 full-time employees all working within Spanish national territory.

d) Gross profit before taxes

At 31 December 2021, the Group recorded a gross profit before taxes of €77.82 million.

e) Corporate income tax

A tax expense of €15.19 million was recorded by the Group at 31 December 2021. Thus, the Group obtains a net profit after tax and the expense arising from mandatory contributions to the Cooperative Development Fund of €62.63 million.

f) Grants and public aid received

At 31 December 2021 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)

Directors' report

(Year 2021)

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

Macroeconomic environment

- The ramifications of the pandemic in the first quarter of the year led to a 0.7% fall in **GDP** in volume terms, exacerbated by the third wave. Subsequently, there was a 1.2% quarter-on-quarter (QoQ) change in the second quarter, a 2.6% change in the third and a 2.0% change in the fourth, according to flash quarterly National Accounts figures.

- The year-on-year (YoY) change stands at 5.2% compared to 3.4% in the previous quarter. The contribution of domestic demand to YoY GDP growth is 3.6 points, 1.1 points higher than in the third quarter with household final consumption expenditure up 2.4% and gross capital formation 9.6% higher. Export demand on the other hand contributed 1.7 points, eight-tenths more than in the previous quarter when exports of goods and services rose by 15.8% and imports by 11.1%.

- In volume terms, according to the flash figures, the Spanish economy started growing again – at a rate of 5% – following the slump a year before (-10.8%).

- The economic outlook depends to a large extent on the success of the vaccination programme and efficacy of vaccines, which will enable a return to normal in the different sectors. If this happens, GDP could continue to climb throughout 2022. Buoyant domestic demand will be crucial to this, while the volume of exports will also play a part.

- The YoY change in the **CPI** increased to 6.5% – a point above the November figure and the highest since May 1992. The rising price of electricity, food and non-alcoholic beverages, and hotels, cafes and restaurants compared to the falls last year are behind this increase. The harmonised price index, on the other hand, ended the year at 6.6% compared to -0.6% the year before and 5.0% in the eurozone.

- **Social security registrations** climbed by 776,478 to an all-time high of 19.8 million, rebounding from the major decrease a year earlier, especially regarding the number of people registered in the general regime (up 743,989), while the number registered as self-employed individuals climbed by 63,297.

- After the significant spike in 2020, the number of **unemployed** decreased further than at any time in the historical series, with a fall of 20.1% to 3,105,905, bringing a return to pre-pandemic levels. Every sector has seen a fall, especially the services sector with 532,670 fewer people out of work, thanks to the gradual lifting of restrictions despite being in the middle of a new wave of cases. The number of people on furlough also dropped to a low of 123 thousand at month-end, compared to 756 thousand at the end of the previous year.

- The **unemployment rate** is down 2.8 percentage points (pp) to 13.3% – the lowest since September 2008, comfortably offsetting the increase in 2020, with the services sector recovering well after being hardest hit by the restrictions. Despite the positive trend, the unemployment rate is still well above that of the leading economies on the continent.

- The **12M Euribor** remained stable in 2021 at the level posted at year-end 2020, standing at -0.50% in December. The **3M Euribor** dropped slightly during the year to a record low of -0.58% at the reporting close.

- The **ECB** has left the reference rate at 0%, although there is considerable uncertainty about the monetary policy it will adopt in light of the price rises that are well above the target inflation rate of 2%. This desire to alleviate inflationary pressures is shared by most economies around the world, with the **Fed** indicating it will hike interest rates in 2022 to cool inflation.

- The **US dollar** remained strong throughout 2021, ending the year at 1.13 against the Euro versus 1.22 at the end of December a year before. In contrast, the Euro ended the year at the lowest level in a year and a half. Furthermore, analysts believe the start of a normalisation of monetary policy will only serve to strengthen the dollar further in the coming months, with the Fed being the first of the central banks to announce a withdrawal of stimuli.

- The **Ibex-35** closed the year up 7.9% at 8,713.8 points, having fluctuated during the year due to the different stages of the life cycle of the virus, the latest variant of which (Omicron) has led to an explosion in cases albeit accompanied by less severe symptoms. The index breached the barrier of 9,000 points in May and October and while it ended the year significantly up, the better performance of its European counterparts has overshadowed these results. Meanwhile, the US indexes the Dow Jones, S&P500 and Nasdaq saw an end to their streak of all-time highs midway through the year, and there was a correction at year end.

- The **NPL ratio of other resident sectors** fell for yet another year to 4.29% in November 2021 compared to 4.51% in December 2020. Lending fell slightly (-0.19%) while non-performing loans decreased by 4.70%, resulting in a YoY improvement.

- The **bank** regained close to €19,000 million of market cap following the 2020 debacle, although its value on the stock market is still below that at the end of 2019. In general, the outlook has brightened given events during the year, specifically the quality of lending, enabling banks to reverse part of the allowances set aside in the previous year and thereby improving their bottomline and stock market value.

- The economy picked up notably during the year, although not fully in some sectors that are still suffering the consequences of the pandemic. The lessening of public health concerns and increased movement of people will further fuel private-sector consumption and tourist service exports. It is also forecast that investments will pick up in the months ahead, driven by more stable raw materials prices, a normalisation of production chains, the deployment of European NextGenerationEU (NGEU) funding and an expansionary monetary policy.

- The bank has posted decent mortgage lending figures, above all, and default rates remain low, which will be crucial next year. The pandemic is still a worry and the greatest risk for the economy; however, it appears it is having a smaller impact each wave which will help buoy the economy.

Business performance

- After such a challenging year across the world as 2020 was because of the unprecedented health crisis, 2021 brought with it the first green shoots of economic recovery and uptick in commercial and real estate activities as restrictions were relaxed, albeit intermittently as new waves of the virus and new variants appeared. It has therefore not been possible to achieve the level of growth forecast by all social agents.

- Despite initial doubts, overall, 2021 has been a very satisfactory year for Grupo Cooperativo Cajamar as it has achieved its intended objectives aimed at paring back non-performing assets, increasing coverage for the loan book and bolstering the Group's solvency, thanks to an increase in revenue.

- All these factors and improved on- and off-balance sheet KPIs have reinforced our position as leaders in Spanish cooperativism.

- Echoing previous years, although somewhat quelled by the increase in household consumption and business activity, the 16.6% growth in demand deposits has driven up **on-balance sheet retail funds** to €38,740 million – 9.9% higher YoY. This decent result has driven down the **LTD** to an historical low of 85.7%, after a 4.2 pp decrease in the last 12 months, while expanding the **business gap** to €5,696 million.

- More vibrant stock markets have encouraged customers to divert their savings to products offering higher returns, boosting sales of pension plans, equities and investment funds, with sales of the latter up 41.2% YoY. Consequently, **off-balance sheet funds** totalled €6,405 million, which is 26.7% higher YoY, compared to a YoY change of 4.2% in the previous year still heavily affected by the outbreak of Covid-19. As a whole, **customer funds under management** grew by €4,834 million (12.0%) over the year.

- On the other hand, the Group continues to provide advice and finance to its core segments, especially the agri-food sector, households and all viable entrepreneurial activity that helps drive economic development and growth in the communities in which it operates. It has gradually built up a balanced loan book and posted a YoY increase in **performing loans and advances to customers** of 5.3%.

- Turning to non-performing assets, new milestones were reached during the year: first, a greater reduction than a year before in **non-performing loans** of around 21.0% and second, a new reduction in the **NPL ratio** to 3.60% from 4.77% at year-end 2020.

- Another notable point is the sales drive in the year leading to a 38.7% decrease in the stock of **foreclosed assets** to €799 million through sales to individuals and sell-offs of loan books.

- As well as achieving default rates that are on a par with the sector, the Group has earmarked a significant chunk of its revenue to push up the **NPL coverage ratio** to a high of 71.3% (up 12.4 pp YoY) and the **foreclosed assets coverage ratio** to over 57.2%.

- Successful asset and liability management has resulted in the Group enjoying a comfortable liquidity position, with an LCR of 206.0% and an NSFR of 138.1%. Two issues were successfully placed on the market in 2021: one in May involving €600 million of subordinated debt and another in September of €500 million of senior preferred debt. There was also an increased take-up of the ECB's auctions to benefit from the new funding conditions through TLTRO-3.

- On 6 July 2021 S&P ratified Grupo Cajamar's credit rating of 'BB' for long-term debt and 'B' for short-term debt, with a stable outlook. On 25 May 2021, the ratings agency DBRS granted Grupo Cajamar a credit rating of 'BB (High)' for long-term debt and 'R-3' for short-term debt, with a negative outlook.

Branches and staff

- At the 2021 close, the Group had a network of 873 **branches** (37 fewer than the previous year) manned by an average workforce of 5,383 employees across all group credit institutions.

- Furthermore, as well as expanding its operations into the province of Pontevedra, reflecting its cooperative nature and its commitment to the social economy, the Group has six mobile units, which deliver services to 42 towns and villages in scantly populated areas in the province of Almeria and the autonomous community of Valencia, as well as 157 agencies serving villages at risk of financial exclusion.

- The Group retained its *Great Place to Work* certification, with its workforce reporting that it is an excellent place to work. It was also handed the *Top Employer 2021* certificate, ranking it among the top companies to work for in Spain thanks to its people-centred approach, actions to attract and retain talent, and efforts to ensure a decent work-life balance for its employees, among others.

Capital

- The **Group's capital** increased by 6.2% YoY to €3,223 million, thanks to the faith placed in its by its 1,559,101 cooperative **members** – 99,565 more than 12 months earlier.

Risk management

- Note 6 of the Risk Management Policies and Objectives Report, which forms part of the financial statements, provides a detailed analysis of the situation at the end of the year and how the different types of risk (credit, market, liquidity, interest rate, operational and currency) to which the Bank is exposed have been managed in 2021.

Results

- Turning to results, the Group has continued its efforts from the previous year with the overriding aim, given the current climate, to clean up its balance sheet, channelling a larger amount of revenue (30.3% more YoY) to improve its efficiency, bolster its coverage for credit risk and non-performing assets, and generate an adequate profit to increase the Group's own funds.

- A more dynamic economy and higher sales than in the previous year have had an impact on both the bottomline of the traditional banking arm, where the Group managed to increase its **net interest income** by 10.1% (3.5 % in 2020) and generate a similar sum of **fees and commissions** as in the prior year following the negative impact of Covid-19 in 2020, and **the results Group investees**.

- Against this backdrop, the Group continues to grow its customer base and garner their loyalty by providing personalised advice on products and services sold, resulting in a significant increase in fees and commissions on payment services, and insurance, pension plan and mutual fund sales. This growth has been further stimulated by the mobility of the population, the fall in unemployment and rise in consumption and greater confidence among savers in light of the long-awaited economic recovery and the waning health crisis.

- Revenue growth has involved €467 million of **gain and losses on financial assets and liabilities**, primarily from the extraordinary sale of the fixed-income portfolio, pushing up **gross income** to €1,371 million versus €1,052 million a year before. This has resulted in a higher return on average total assets of 2.44%.

- The Group has become a more **efficient** institution, with its cost-to-income ratio climbing by 11.2 pp to 43.35%, thanks to a 3.5% increase in operating expenses – far less than the 30.3% rise in gross revenue. Tight controls over other administrative expenses and the streamlining of the commercial network has led to a further reduction in operating expenses as a percentage of average total assets during the year.

- Following on from the previous year, €51 million has been set aside as **provisions** plus €529 million of allowances for **impairment losses on financial and non-financial assets** with a view to minimising future insolvency risk, which is one of the main objectives of the Group.

- Like the rest of the financial sector, the Group has posted higher **profits** in 2021 of €62.6 million, safeguarding the interests of members and customers, and enabling it to contribute to the community and the promotion of sustainable development through contributions to the Education and Development Fund. It has also restarted dividend payouts after the European Central Bank, as direct supervisor, revised its recommendation in September 2021 that impeded the distribution of dividends against 2019 and 2020 earnings.

Solvency

- **Eligible own funds** amounted to €3,897 million at 31 December 2021, which is 10.3% higher YoY thanks to the increase in Tier 1 Capital and the subordinated debt issue placed during the year.

- The decent level of own funds has pushed up the phased-in **capital adequacy ratio** to 15.71% (15.20% fully loaded), easily surpassing the requirement of 13.0% established in the supervisory review evaluation process (SREP), even in the midst of the Covid-19 pandemic.

- **CET1** is €1,210 million above the requirement of 8.41% imposed by the supervisor for the year, standing at 13.29% (12.78% fully loaded), which underlines the high quality of the Group's own funds.

- Following the Group's placement of €500 million of senior preferred debt eligible for MREL purposes, MREL as a percentage of TREA is 18.24% (7.51% relative to LRE) – above the interim objective to be reached by 1 January 2022 of 16.53% relative to TREA (5.32% as a percentage of LRE).

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

Having successfully completed the bank's **digital transformation** in response to a changing world, efforts have continued in the same vein to further improve the remote channels and customer service, boost the efficiency of the new working methods put in place, and innovate to find applications for new technologies in the services we provide our customers.

New remote banking services

There has been a focus in 2021 on increasing the possibilities of contracting new remote banking services and expanding those provided through the "Grupo Cajamar" mobile app.

- **"Grupo Cajamar" app. Bizum**, the sector solution for easily and securely transferring money from mobile to mobile has been rolled out and is well established in society:
    - Complete overhaul of the service to further cut payment transfer times and a new design that improves the user experience.
    - Introduction of C2eR payments. Grupo Cajamar app users can pay for their online purchases using Bizum, while Cajamar's business customers can now offer buyers Bizum as a payment method on their e-commerce sites.

- **New "My Finances" service.** Service for managing personal finances, fully redesigned to make it more user-friendly, streamlined and intuitive, with new functionalities including:
    - New algorithm for classifying incomings and outgoings with categories that are more appropriate to daily life.
    - Option of automatically aggregating transactions and balances from accounts with other banks.
    - Peer comparison. A graph comparing your spending with other people who have a similar financial profile.
    - Cash flow forecast. Estimates of money that will be available in demand accounts in the future based on past behaviour.
- **Online insurance space.** Online Banking has created a specific space for insurance products (risk insurance, pension plans and savings insurance) offering a suite of 30 functionalities with new ones progressively being added in the future.
- **Applying for products online,** including a new mortgage loan simulator and application on the website.
- **Rollout of Symfony and Angular on the web.** This has resulted in having a web engine and being able to develop a content management system in a language that enables us to produce dynamic content with logic so that the website appearance can change depending on the time and user accessing it.
- **Improvements to the website.** The websites of the foundations and Openbanking have also been migrated from static websites to dynamic websites.
- **ATMs.** New functions include: document signing, a different card application process and the option of updating contact telephone number.
- **Online banking.**
    - Electronic Office (online service for customers who do not have online banking log-in details): Account document access and improved password management.
    - New reverse factoring module in the online remittance service.

Innovation

Key projects completed include:

- **Tierra.** A marketplace for the farming world has been developed by Cajamar in partnership with IBM. This project aims to digitalise the agri-food sector by creating a website where members of the sector can find tools to innovate, improve and find partners and suppliers who will help them tackle the challenges faced by the sector.
- **Chatbot.** Working with IBM, a chatbot service has been created to automatically reply to the most common enquiries. The chabot has been developed based on IBM's IA Watson service and is the first step towards an end-to-end assistant.
- **Concept testing.** To identify in a hands-on way possible applications for new concepts. These are the basis for subsequent projects to develop new services or enhance internal circuits.

- **ATM augmented reality:** this proof of concept (PoC) aims to make it easier for people who are not customers and often do not understand Spanish to pay the taxes with codes 301 and 790 by scanning a QR code with their mobile and following the payment instructions.

- **Microsoft PowerAutomate platform:** the aims of this PoC were to validate the use of an automation tool to streamline the process of creating the risk dossiers that are evaluated by analysts.

- **Microsoft PowerBI platform.** The main objectives of this are:

  - Self-service where customers can create their own models and reports
  - Licensing roadmap to determine which is the most beneficial option.
  - Capability to respond to a large volume of users and data.
  - Integration with other tools and data sources.
  - Securing of items and associated data in a report.
  - Management of the development life cycle in a report.
  - Multi-device visualisation.
  - Interaction and navigability in the report and to other reports.

- **Iberpay Smartmoney blockchain:** Across Spain, the 17 leading financial institutions have launched the sector initiative Smart Money in partnership with Iberpay. The goal is to experiment with and test the features and potential of the various options to prepare the ground for the ECB's eventual decision on issuing a digital euro, as well as evaluating the different technological design and functionality alternatives.

- **BFM with Cuéntica:** This Banking Financial Management (BFM) solution is the result of the FintechLand partnership with Innsomnia. The winning challenge was to test a BFM solution and Cuéntica was the chosen company.

- **Namirial:** an alternative offered by Serban to Cecabank's SFD due to the legal dispute that broke their relationship.

Digital fraud prevention

- **Automation of digital security processes for users.** Generation of protocols and processes to enhance user experience concerning digital security, to facilitate contact in the event of possible fraudulent operations and automation of unfreezing processes.

- **Boosting awareness of and training on digital security.** Incentivise through training and publications of basic digital security measures and recommendations both internally and externally.

- **Artificial intelligence project to tackle external fraud.** Participation in a project and putting it into production with a view to creating a workflow for predicting and stopping fraud before it happens using artificial intelligence.

- **Personalisation of transaction limits in digital banking.** Creation of several processes to personalise transaction limits in online banking to set the right limits based on user usage, always with a view to ensuring digital security.

Remote digital management and support

- **Digital control panels.**

- **Self-service model project.** Final year of the self-service project, with all the proposed objectives being achieved.

- **Efficiency and service quality plan for the Group's Contact Center.**

- **Digital Transformation Support (DT)**, establishment of this group expert in DT with the knowledge to provide any support needed in relation to the various remote banking products and alternative channels. Digital product and service catalogue being prepared.

- **Contact Center:** new tasks performed to provide a better service to customers such as cancellation of tax payments and transfers, unfreezing of payment service transactions, etc.

- **Process of eliminating FirmaSMS**

Digital culture and awareness-raising

- **Internal and external digital events:** Such as the monthly rounds of external short courses entitled Switch On-Off" and the Jóven:es series of talks on different issues; the internal DT cycle of "Cosicas Digitales" (Digital Bits and Bobs) courses; and the co-hosting of The Game Changer LAB, Bfast on sustainability and the Agenda 2030.

- **Digital school:** End of basic level and start of intermediate level.

- **Modern selling – digital sales.** New project structure with teams and coaches, an external consultancy firm for sales workflow and 12 training events.

Open banking

- With regard to PSD2, development of alternatives to FirmaMóvil, complying with reinforced authentication (SCA) for online card payments. The new methods have been Out Of Band Banca Electrónica + OTP and Redsys Reto OTP PIN to cover all usage cases where FirmaMóvil cannot be used.

- Preparation of the infrastructure to act as a third-party provider.

- Start of work to develop a proprietary account aggregator.

- Analysis of providers of bank account portability service and launch of validation process for contracting of services.

Marketing Policy

New marketing tools and technological systems were developed in 2021 to nurture customer loyalty, including:

- **Internal "Voz del Cliente" (Customer Voice) programme:** to increase monitoring of customer satisfaction generated by our managers and branches, and round out the raft of tools and initiatives already in place to enhance the customer experience.

- **New solutions** for our customers such as leasing of capital goods.

- **Improvements to existing financing solutions** aimed at speeding up approval times through the use of pre-approved consumer loans for our retail customers and business finance for our agri-food sector customers.

- **Expansion of our sustainable offering**, through agreements with EDP and Iberdrola to manage and finance renewable energy self-consumption projects (installation of solar panels).

- **Launch of personal banking pilot**: pilot project with the key aim of maximising the quality of service provided to customers with managed funds of over €100,000 who are not Private Banking customers, through the use of multi-branch managers.

- **Launch of discretionary management service**: pilot and subsequent launch of the first phase of the mutual fund model discretionary portfolio management service. Work is under way to execute a second phase of the service in 2022, covering the model discretionary portfolio management service for Private Banking.

- **Control groups:** Project to be able to objectively measure the effectiveness of marketing campaigns. The control group enables the natural behaviour of customers to be measured, i.e. what happens without marketing.

- **Channel usage scoring:** This provides a measure of the extent of customer touch points through the various communication channels in the bank. It also shows when it is the best time to connect with customers through these channels (days and times) based on their past usage. This enables us to focus and optimise our communication strategy at an individual customer level, maximising not only contact through their preferred channel but also the ideal moment to contact them.

- **Planning (semi-automation of campaigns):** This entails planning the automatic delivery of messages in a series of marketing campaigns launched with a certain frequency during the year. It combines cloud marketing and the Multichannel Manager and is programmable by the Image and Advertising and Business Analysis teams.

Average payment period to suppliers

Note 28 to the annual accounts provides information regarding the deferral of payments to suppliers.

Treasury share acquisitions

Grupo Cooperativo Cajamar holds a total of 977,349 thousand treasury shares; this figure has not changed during 2021.

Subsequent events

Irrespective of the information set out above and in this report, from 31 December 2021 to 2 March 2022, the date on which the accompanying annual accounts were authorised for issue by the Group's Board of Directors, there were no significant events that must be disclosed in the notes to the accompanying annual accounts in order for them to fairly reflect the Group's equity, financial situation, results, changes in equity and cash flows.

Outlook for the Group

Given the macroeconomic backdrop described above, with the economy expected to continue its steady recovery, Grupo Cooperativo Cajamar has set the following goals:

- Strengthen its position as the leading credit institution in Spain's cooperative arena and the agri-food sector and a key agent of economic development and social progress in the areas in which it operates.
- Increase its solvency.
- Ramp up its commercial efforts to progressively pare back its non-performing asset balance.
- Achieve sustained and solvent growth in total volume of funds under management.
- Steadily improving its productivity, profitability and recurring efficiency by being at the vanguard of the digital and technological transformation.
- Exhaustively control administrative expenses.
- Retain a comfortable liquidity position by efficiently managing its assets and liabilities.

Alternative performance measures glossary

Grupo Cooperativo Cajamar uses in its directors' reports, quarterly results presentations published on its website, issue prospectuses, presentations to investors and internally in its business monitoring reports, business indicators as per the applicable accounting standards (IFRS), although it also uses additional, unaudited measures commonly used in the banking sector (Alternative Performance Measures or APMs), as indicators about the business and the economic-financial position of the Group, which allows for comparison with other entities.

These measures (APMs) are calculated in accordance with the European Securities and Markets Authority Guidelines (ESMA/2015/1415es, of 5 October 2015), to facilitate the reporting transparency for the protection of investors in the European Union. The APMs used by the Group and their definitions are given below:

(IN ALPHABETICAL ORDER)

	Measure	Definition and method of calculation
1	Foreclosed assets	Amount of foreclosed real estate assets, excluding real estate investments (gross).
2	Non-performing loans	Doubtful loans and advances to customers.
3	Average total assets (ATMs)	Average of the end-of-quarter figures since the previous December, inclusive.

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

	Measure	Definition and method of calculation
4	Group's capital	Capital + Equity instruments issued other than capital - Treasury shares.
5	Debt securities from customers	Portfolio of senior debt securities of big enterprises.
6	Gross loans and advances to customers	Outstanding balance of loans and advances to customers (general government, other financial corporations, non-financial corporations and households) - Money market transactions + Credit risk hedges.
7	Performing loans to customers	Gross loans and advances to customers less non-performing loans and advances to customers.
8	Gains or (-) losses on financial assets and liabilities	Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net + Gains or (-) losses on financial assets and liabilities held for trading, net + Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net + Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net + Gains or (-) losses from hedge accounting, net
9	Business gap	Difference between the numerator and the denominator of the Loan to deposits ratio
10	Operating expenses	Staff expenses + Other administrative expenses + depreciation.
11	Gross loans	Gross loans and advances to customers + Money market transactions + Debt securities of customers.
12	Impairment losses on financial assets	Impairment losses or (-) reversal of impairment losses and gains or (-) losses from modification of cash flows of financial assets not measured at fair value through profit or loss.
13	Impairment losses on non-financial assets	Impairment or (-) reversal of impairment on financial assets + Impairment or (-) reversal of impairment on investments in joint ventures and associates.
14	Cost-income ratio (%)	Operating expenses / Gross income
15	Loan to deposits ratio (%)	Net loans and advances to customers/ (customer deposits + net securitisations issued + intermediary loans and advances + other on-balance-sheet customer funds)
16	Off-balance sheet funds	Mutual funds, pension plans, savings insurance and fixed-income and equities held by customers.
17	Customer funds under management	Customers' on-balance-sheet funds + Off-balance-sheet funds.
18	On-balance sheet retail funds	Demand accounts, time deposits and other funds (e.g. customer repos, retail promissory notes, etc.).
19	Partners	Owners of at least one contribution to the capital of the credit cooperatives forming part of Grupo Cooperativo Cajamar (natural persons and legal entities).
20	Foreclosed assets coverage ratio	Foreclosed assets coverage / Foreclosed assets.
21	NPL coverage ratio (%)	Provisions for loans and advances to customers / Non-performing loans.
22	NPL ratio (%)	(Non-performing loans + Non-performing contingent exposures) / (Gross loans and advances to customers + Contingent liabilities).

Sustainability Report – Statement of Non-Financial Information

In compliance with Law 11/2018 of 28 December on Non-Financial Information and Diversity – amending the Commercial Code, the recast Capital Companies Act approved by Legislative Royal Decree 1/2010 of 2 July and Law 22/2015 of 20 July on Auditing – the Cajamar Cooperative Group has prepared, in a report separate from this Consolidated Group Management Report, a statement of non-financial information, which contains the non-financial information referred to in the aforementioned regulations. Said statement of non-financial information is part of this management report and is available on the Grupo Cooperativo Cajamar website in the section on Corporate Information - Sustainability, under the heading "Grupo Cooperativo Cajamar Sustainability Report".

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO FINANCIAL REPORTING (ICFRS)

1. Control environment of the entity

1.1. Bodies and/or functions responsible for ICFRS

BCC's Board of Directors and Senior Management are aware of the importance of ensuring that shareholders and investors receive reliable and transparent financial information published in the market. Therefore, they are fully involved in developing the system of internal control over financial reporting (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.

BCC's Audit Committee is responsible for verifying that the ICFRS is fit for purpose. Its remit includes:

- Supervising the effectiveness of the internal control function, the internal audit function and risk management; as well as discussing with the external auditors the significant weaknesses found during audits. Particularly, with respect to the information and internal control systems:
    - Verifying the adequacy and integrity of the internal control systems.
    - Being familiar with and supervising the preparation and completeness of financial information relating to the Company and Group; reviewing compliance with legislative requirements and the proper application of accounting standards.
    - Regularly reviewing internal control and risk management systems, so that the main risks are identified, managed and adequately reported.
- Supervising the process of preparing and presenting regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

BCC's Senior Management is charged with designing and implementing the ICFRS through BCC's General Control Division; implementing the necessary measures to ensure it is fit for purpose.

1.2. Departments in charge of design and maintenance of the ICFRS

BCC's Board of Directors, through the Chief Executive Officer, is responsible for designing the organisational structure in order to assign functions and resources as efficiently as possible. The General Control Division is responsible for ensuring that the organisational structure meets the requirements for a ICFRS that is fit for purpose, and for directing the process of using the financial information, guaranteeing that it is correctly disclosed to the markets.

The operating procedure manuals with their corresponding tasks, which are available to all Group employees through the Bank's intranet, specify the organisational structure, defining the management units and areas and the people responsible for them.

The financial information is prepared by the Accounting and Tax Control Division, which is responsible for setting criteria and policies in accordance with applicable laws and regulations in each case, which is responsible for generating financial information and reports. This BCC unit is responsible for the Bank's financial information and for the Group's accounting consolidation process, with clearly defined functions and responsibilities in two different areas, separating the preparation and reporting of financial information (Financial Reporting area) from control (Accounting area). Specifically, among other things their mission is to:

- Define the accounting criteria of BCC and the Group, as well as the internal chart of accounts, ensuring they are always up-to-date and in line with accounting requirements and regulatory changes.
- Supervise the preparation of the reports issued to the market, ensuring the integrity, consistency and appropriateness of the information they contain by developing and maintaining the Internal Control over Financial Reporting System (ICFRS).
- Analyse the content and impact of new accounting regulations, preparing any interpretative reports that may be required by the units that are required to prepare information in compliance with those regulations.
- Define and put in place the necessary controls to ensure that both the automated processes and the units with operational functions comply with the agreed accounting criteria.
- Coordinate the update and validation process applied to the ICFRS, in collaboration with the people directly responsible for the areas involved.
- Control the accuracy, reliability and coherence of financial information with respect to the defined accounting policies, issuing the reports necessary to allow a correct interpretation.
- Oversee the reporting of financial information within legally stipulated deadlines, performing the final review of information to be published before it is sent to the relevant bodies for approval and publication in the market or submission to supervisory bodies.

The Technology Division is also involved in the Group's the Internal Control over Financial Reporting System, performing functions designed to:

- Guarantee the security and efficiency of the financial information storage systems and the applications used to generate and edit the information.
- Formalise agreements to outsource the above-mentioned systems and application, overseeing compliance with agreed service levels.

Ensure that there is documentation describing the systems, applications and processes involved in the generation and edition of financial information and that it is sufficient for the performance of the audit and control functions.

The Group also has a Code of Conduct approved by the BCC's Board of Directors containing a compendium of ethical principles and values intended to guide the conduct of employees, managers and members of the Group's governing body. In particular, there is a specific section on financial information and recording operations.

The Code covers aspects such as professional conduct which must be guided by legality, loyalty and good faith, personal dignity, non-discrimination, confidentiality, integrity, transparency, objectivity, responsibility, efficiency, quality, professionalism, security and environmental protection.

This document is available on the Bank's website and intranet. The General Control Division is responsible for updating it, publishing it and making it available to the people affected by it, as well as promoting and coordinating the necessary training activities in collaboration with the General Human Resources Division.

It is also the responsibility of the General Control Division along with the General Internal Audit Division to enforce compliance with the Code, handle cases of non-compliance and propose pertinent corrective measures and penalties to the Control Committee.

Additionally, the Group offers a means for employees to confidentially report violations of the Code of Conduct as well as financial and accounting irregularities or irregular or fraudulent activities of any kind with the organisation. This allows employees to report financial and accounting irregularities to BCC's Audit Committee.

Reports are submitted through an email mailbox that is accessible to all Group employees. Internal Audit is responsible for processing the reports received and is under the obligation to guarantee the confidentiality of the information.

The General Human Resources Division is responsible for:

- Determining and verifying that the resource structure is sufficient for effective implementation of the ICFR.
- Defining the training plan for staff involved in the functions of generation and control of financial information.
- Directing and executing the training contained in the defined plan.

The Group has a Financial Education School which is committed to the organisation's social responsibility and the professional development of its employees with a view to reinforcing their financial education and guaranteeing that they are qualified to advise customers.

There is also an Annual Training Plan that contains the courses to be offered to the branch network and Central Services. Specifically, there are certain mandatory internal training courses that cover the following topics: market abuse, anti-money laundering, personal data protection, insurance law, MiFID, occupational risk prevention, crime risk prevention, cybersecurity and cyber risk awareness, conflicts of interest and equal opportunities. The courses are offered by Central Services personnel. In addition to the above courses classified as mandatory, employees involved in the preparation of financial information may receive special accounting-financial training at the request of their area managers.

Special training is offered to the employees in charge of generating the Bank's financial information. In 2021, the courses offered and number of attendees comprised a basic course on the ICFRS, completed by 67 people.

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, which takes into account: (i) Transaction volume and quantitative significance, (ii) Process automation and systems integration, (iii) Transaction standardisation, (iv) Susceptibility to fraud and/or error, (v) Complexity of applicable transactions, calculations and rules, (vi) Need to use estimates and/or projections and application of judgement, and (vii) Risks of loss or of generating contingent liabilities. This tool, the "Financial Information Risk Map", supports a process comprising the following phases:

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 all of the objectives of financial reporting contained in the Internal Control over Financial Reporting in Listed Companies issued by the CNMV into account (existence and occurrence, completeness, measurement, presentation, disclosure and comparability, rights and obligations).

The criteria for all types of risk to be identified that are included in the design of the tool are both quantitative and qualitative. Apart from considering the identification of fraud and error risk affecting published financial information, the tool also takes into account the effects of other types of risks, such as operational, technological, financial, legal, reputational or environmental risks.

The process of identification of material areas and relevant processes is carried out at least annually, using the most recent financial statements. Risk assessments are also conducted when circumstances arise that had not been identified previously and that reveal possible errors in the financial information or when there are significant operational changes that could give rise to new risks, including situations involving modifications to the Group's structure such as changes in the consolidated companies or business lines or other relevant events.

The Group has a procedure in place for updating and validating the scope of consolidation that is carried out by BCC's Investees Unit. This involves requesting from each investee the information needed to enable BCC's Investees Unit to fill out the corresponding forms to determine the consolidation scope and process.

As explained above, the process to identify material and/or relevant areas of the Group's financial information to identify the risks associated with them takes into account the types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

Additionally, the Group has implemented another tool for reviewing and supervising financial reporting, which ensures that certain controls are applied to ensure that disclosures are reliable and transparent. This process is supported by various qualitative and quantitative considerations that are taken into account in assessing or determining the relative importance of each financial statement to be disclosed, so as to decide on the frequency of review. This review policy will generally cover the following aspects:

a) Whether the preparation criteria are consistent with applicable laws and regulations (technical and accounting standards).
b) Analyse and justify any correlations that have arisen and remain after the statement has been filed.
c) Timely and proper publication.
d) Study of any significant deviations between filing periods.
e) Analysis of repetitions in disclosure.
f) Assess the impact of any accounting-inventory differences in the statement.
g) Inventory the variables used in preparing the statement and define controls to ensure data quality.

In particular, define any additional controls that may be required at any given 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 Division is responsible for applying the financial information review and disclosure policies, following the procedures described earlier.

Internal Audit supports BCC's Audit Committee in its tasks. In particular, Internal Audit's plan of work includes a review of the existing risk map in preparing the financial information to check that all relevant risks are correctly identified.

BCC's 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 Physical 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 Division is responsible for verifying the integrity and accuracy of the information included in the various statements filed with the Bank of Spain.

- The process for issuing material judgements, estimates, valuations and projections in respect of goodwill, the useful lives of tangible and intangible assets, the value of certain financial assets, impairment losses on tangible and intangible assets, the value of foreclosed assets, the fair value of loans and receivables, provisions and contingent liabilities are reviewed and monitored by BBC's Accounting and Tax Division.

Critical estimates, projections, judgements, accounting policies and assumptions are those that are subject to complexity or uncertainty, or that depend on decisions taken outside and inside the financial function and that have a significant impact on the figures and information presented in the financial report and in the Group's other periodic public information, such that modifications also cause relevant changes to the information reported.

The Group has an action plan for generating formal, standardised documentation for the areas and processes identified as relevant within the Group and which includes processes such as the year-end close and consolidation process, and making relevant judgements, estimates and forecasts, among others.

The Group has a review and authorisation procedure in place for the financial information reported to the markets, the frequency of which is determined by law and which is prepared by the Financial Reporting area under the supervision of the Accounting area, both under the auspices of BBC's Accounting and Tax Division.
BCC's Audit Committee is also involved in the review process, reporting its conclusions on the financial information to BCC's Board of Directors. This is based on the external auditor's review and the different reviews conducted by Internal Audit to evaluate the adequacy of the different controls on the generation of financial information. Ultimately, the General Assembly is responsible for approved the Governing Board's performance each year along with the balance sheet, statement of profit or loss and the application of any funds available for distribution.

The description of the ICFRS is reviewed not only by BCC's Accounting and Tax Division but also by BCC's governing bodies mentioned above as part of the information reported to the markets periodically.

3.2. Internal control policies and procedures for IT systems giving support to key processes regarding the preparation and publication of financial information

BCC's Technology Division is responsible for supporting and maintaining the operations, communications and data management systems. One of its main functions is to examine the systems and standards that make it possible to guarantee the correct level of data and program protection and recovery, ensuring compliance with regulations and the legally required security measures. BCC's Cyber Resilience 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 BCC's Regulatory Compliance Division is responsible for informing the affected departments of changes to the regulations as they occur. Its Accounting and Tax Division is responsible for establishing and interpreting the Group's accounting policies.

In any event, the accounting policies are updated whenever there is a regulatory development that requires them to be reviewed, and whenever there is a new decision that could impact them, but only in those cases where there is a certain amount of flexibility.

To perform this function the divisional director remains abreast at all times of legislative developments concerning prevailing accounting policies through the circulars and communiqués issued by the corresponding sector association, and technical reports and bulletins issued by experts in the field, and by reviewing the regulatory changes published in Spain's Official State Gazette (BOE), or by the Spanish Institute of Accounting and Auditing (ICAC), the Bank of Spain and the CNMV on a daily basis. Regulatory changes are studied and analysed to determine their impact on the Group, and external experts are consulted as needed. Such changes are reported to staff and any action required is proposed.

BCC's Accounting and Tax 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 Division, which forms part of BCC's General Control Division.

As a necessary supplement to this manual and as the accounting function is decentralised, BCC's Accounting and Tax Division prepares, safeguards and updates an inventory of Accounting Delegations containing a file for one, including the following details, among other information:

- Identity of the delegate body;
- Accounting events delegated;
- Accounts affected, including reasons for debits and credits;
- IT transactions that support the entry, if any; and
- Reconciliation and control procedures applied.

The delegate bodies must in turn prepare Operating Manuals containing detailed descriptions of the procedures employed in the course of their work.

The Group's subsidiaries draft their own accounting procedures and policies in a decentralised manner; however, they must necessarily meet the requirements of the standards and guidelines issued by BCC's Accounting and Tax Division, which oversees them.

It should be noted that the subsidiaries prepare their own financial information based on format previously agreed with the Parent so that the format of the financial statements is as homogeneous as possible, which in turn facilitates the preparation of the Group's consolidated information. Because of this, they must comply with the accounting standards and principles issued by BCC's Accounting and Tax Division.

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 BCC's Accounting and Tax Division.

BCC's Financial Reporting area is responsible for aggregating, standardising and reporting the information using common systems and applications. The Financial Information Control Office, which reports to the Accounting Control Area, is responsible for reviewing the information.

BCC's Financial Reporting area is responsible for ensuring the quality of the information to be incorporated and incorporated into both the SIRBE application for the preparation of the individual financial information of Group entities and the "Cognos Controller" application to perform the automatic consolidation processes. Moreover, the information of investees is loaded in the Investee Management System (AMS), while BCC's Financial Reporting area is in charge of importing that information and dumping it in the aforesaid Cognos Controller application.

5. Supervision of the functioning of the ICFRS

BCC's Audit Committee draws on the support of BCC's Internal Audit team in its work to supervise the internal control system and 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 BCC's General Internal Audit Division, which reports to BCC's Audit Committee

BCC's General Internal Audit Division prepares an annual audit plan which is approved by BCC's Audit Committee. The audit plan is prepared with the objective of reviewing the Bank's critical risks.

The audit plan includes the revision of key areas of the financial statements as well as key controls of these areas. The general controls of reporting systems are also reviewed.

BCC's General Internal Audit Division periodically presents to the BCC Audit Committee the results of its verification and validation work along with the associated action plans. The procedure is the same for the work performed by the external auditors or any other independent expert.

The minutes of the BCC Audit Committee meetings contain evidence of the Committee's supervisory function, in terms of planning (approval of annual operating plan, appointment of people responsible for executing the plan, among other things) and the review of the results obtained.

If weaknesses or other areas for improvement are detected during the audit reviews, an action plan is proposed and agreed with the areas involved, defining the people responsible and the time scheduled for its implantation. Internal Audit also tracks compliance with these actions plans.

In December 2019, BCC's Audit Committee approved the 2020-2022 Three-year Audit Plan. Regarding supervision of the ICFRS, this plan includes audits of the Group's relevant areas and processes during the three years of the plan.

The evaluation performed in 2021 included a review of the Group's accounting consolidation process and a review of 60 ICFRS controls, 40 of which were considered critical. It was confirmed that they function correctly.

BCC's Audit Committee meets with the external auditors no less than five or six times a year to present the most important results of their work.

It is the responsibility of BCC's Audit Committee, in accordance with the Audit Committee Rules, (Art. 6.1), to discuss with the external auditor all audit-related issues and any other communications foreseen in auditing laws and the Technical Auditing Standards. It will also act as a liaison between the external auditor and the Governing Board.

The cited regulation also states that BCC's Audit Committee may be aided by independent experts as needed (Article 19).

Article 13 of the BCC Audit Committee Rules specifies that the committee will meet on an ordinary basis every two months or, otherwise, at least six times a year. In each of these sessions, the General Internal Audit Division will present the conclusions of its work, informing the Committee of any weaknesses detected as well as the action plans proposed by the different areas to address these weaknesses.

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."

The Group has rules to prevent market abuse and equal treatment of shareholders and partners who are in the same position.

Additionally, the Group has a policy for the communication of economic-financial, non-financial and corporate information that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

However, this policy does not provide details of the channels for communicating and sharing information, contacting and engaging with shareholders and it is not published online.

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 the reports stipulated in point b), although none of them are published on its website before each general shareholders' meeting. 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 general meetings 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 exercise their vote by electronic means, as explained beforehand.

Recommendation 15

"Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that."

A large majority of BCC's Board (79%) are proprietary and independent directors, while executive directors only make up 21%.

At 31 December 2021, female directors constituted 29% of the Board, although achieving a 40% share is subject to filling a number of vacancies on BCC's 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 BCC's 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.