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

(Together with the consolidated annual accounts and consolidated directors' report of Banco de Crédito Social Cooperativo, S.A. and entities forming Grupo Cajamar (Grupo Cooperativo Cajamar) for the year ended 31 December 2022)

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

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

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

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Banco de Crédito Social Cooperativo, S.A. (the "Bank") and its subsidiaries that, together with the Bank, form Grupo Cooperativo Cajamar (hereinafter the "Group"), which comprise the consolidated balance sheet at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of recognised income and expenses, consolidated statement of total changes in equity and consolidated cash flow statement for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2022 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.

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

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 35,828,633 thousand at 31 December 2022, while allowances and provisions recognised at that date for impairment total Euros 693,663 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 credit risk determined individually consider estimates of future business performance and the market value of collateral provided for credit transactions. In the case of allowances and provisions calculated collectively, expected losses are estimated using internal models that use large databases, different macroeconomic scenarios, parameters to estimate allowances and provisions, segmentation criteria and automated processes, which are complex in their design and implementation and require past and present information and future forecasts to be considered. The 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 mainly consisted of assessing the methodology applied to calculate expected losses, particularly as regards the methods and assumptions used to estimate exposure at default, probability of default and loss given default; and determining the future macroeconomic scenarios. We also assessed the mathematical accuracy of the calculations of expected losses and the reliability of the data used. To this end, we 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 appropriateness of the classification of the loans and advances to customers portfolio based on credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. • Assessing the relevant controls relating to the monitoring of transactions. • Evaluating whether the internal models for estimating both individual and collective allowances and provisions for credit risk, and for the management and valuation of collateral, are functioning correctly. • Assessing whether the aspects observed by the Internal Validation Unit in its periodic reviews and in the tests of the models used to estimate collective allowances and provisions for impairment have been taken into consideration.

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

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 conflict between Russia and Ukraine, the current levels of inflation, the energy crisis across Europe and central banks' present monetary policy, inter alia, have considerably changed the current geopolitical and macroeconomic backdrop, thus heightening uncertainty as to future developments and impacting on the economy and business activities where the Group operates. Calculating expected credit risk losses therefore entails greater uncertainty and requires a higher degree of judgement, primarily as regards estimating macroeconomic scenarios, and the Group has supplemented the estimates of expected losses obtained from its credit risk models with certain additional temporary adjustments. The consideration of this matter as a key audit matter is based both on the significance of the Group's loans and advances to customers portfolio, and thus of the related allowance and provision for impairment, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the subjectivity and complexity of calculating expected losses.	• Evaluating the integrity, accuracy and updating of the data used and of the control and management process in place. Our tests of detail on the estimated expected losses included the following: • With regard to the impairment of individually significant transactions, we evaluated the appropriateness of the discounted cash flow models used by the Group. We also selected a sample from the population of significant transactions and assessed the appropriateness of both the credit risk classification and the corresponding allowance and provision recognised. • With respect to the allowances and provisions for impairment estimated collectively, we evaluated the methodology used by the Group, assessing the integrity and accuracy of the input balances for the process and whether the calculation engine is functioning correctly by replicating the calculation process, taking into account the segmentation and assumptions used by the Group. • We evaluated the methods and assumptions used to estimate exposure at default, probability of default and loss given default. • We considered the macroeconomic scenario variables used by the Group in its internal models to estimate expected losses. • We evaluated the additional adjustments to the internal models used to estimate the expected losses recognised by the Group at 31 December 2022. Likewise, we analysed whether the disclosures in the notes to the consolidated annual accounts were prepared in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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

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 and disposal groups of assets classified as held for sale" and "Inventories" within "Other assets" on the consolidated balance sheet, is a significant estimate in the preparation of the Group's consolidated annual accounts for the year ended 31 December 2022. 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 valuation methodology and assumptions 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 pricing 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.

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 2022, the Group held deferred tax assets amounting to Euros 1,127,326 thousand, of which the recovery of Euros 506,676 thousand is not guaranteed through the monetisation mechanisms established in Royal Decree-Law 14/2013 and article 130 of the Spanish Corporate Income Tax Law, as their recovery is dependent on obtaining future taxable profits. The recognition of deferred tax assets entails a high level of judgement in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. The financial projections of future taxable profits have taken into consideration the impact of the current geopolitical and macroeconomic scenario. Due to the significance of the amount of deferred tax assets and the uncertainty associated with their recovery, we have considered this a key audit matter.	Our audit procedures mainly include the following: • Analysing and evaluating the control environment of the process for recognising and assessing the recoverability of deferred tax assets. • Assessing the arithmetical accuracy of management's calculations in the tax projections. • Evaluating, with the involvement of our valuation and tax specialists, the methodology and key assumptions considered by the Group to estimate the recovery period for deferred tax assets. We analysed the main economic, financial and tax assumptions used by the Group to estimate future taxable profits, performing a sensitivity analysis thereon. • Contrasting the forecast tax base used as the premise for recognising deferred tax assets in prior years with the Group's actual tax base. We analysed whether the disclosures in the notes to the consolidated annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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

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

Other Information: Consolidated Directors' Report

Other information solely comprises the 2022 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 2022, and that the content and presentation of the report are in accordance with applicable legislation.

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

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 the economic decisions of users taken on the basis of these consolidated annual accounts.

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

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

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

- 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 2023.

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, from 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 2023

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

Consolidated Annual Accounts and Consolidated Directors' Report

(Year 2022)

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 2022 and 2021

Assets

	Notes	Thousands of euros 2022	2021
Cash, cash balances at central banks and other on demand deposits	**7**	**3,512,778**	**4,978,130**
Financial assets held for trading	**8.2**	**2,057**	**1,131**
Derivatives		2,057	1,131
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**	**469,837**	**462,547**
Equity instruments		2,312	4,119
Debt securities		40,000	108,745
Loans and advances		427,525	349,683
Customers		427,525	349,683
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**	**1,658,702**	**570,206**
Equity instruments		137,494	131,254
Debt securities		1,521,208	438,952
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum: loaned or delivered as collateral with a sale or pledge right		*1,125,390*	-
Financial assets at amortised cost	**8.6**	**50,371,498**	**48,561,611**
Debt securities		13,974,672	14,599,303
Loans and advances		36,396,826	33,962,308
Central banks		-	-
Credit institutions		568,193	153,432
Customers		35,828,633	33,808,876
Memorandum: loaned or delivered as collateral with a sale or pledge right		*11,129,397*	*6,955,712*
Derivatives – Hedge accounting	**9**	**3,238,076**	**606,871**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Investments in joint ventures and associates	**11**	**83,980**	**106,383**
Joint ventures		-	-
Associates		83,980	106,383
Tangible assets	**12**	**895,277**	**959,451**
Property, plant and equipment		734,694	768,802
For own use		732,634	766,673
Assigned under operating lease		-	-
Assigned to social projects (savings banks and credit co-operatives)		2,060	2,129
Investment property		160,583	190,649
Of which: assigned under operating lease		-	-
Memorandum: acquired under finance lease		*28,419*	*32,525*
Intangible assets	**13**	**211,444**	**172,704**
Goodwill		1,511	-
Other intangible assets		209,933	172,704
Tax assets	**15**	**1,161,231**	**1,159,585**
Current tax assets		33,905	49,064
Deferred tax assets		1,127,326	1,110,521
Other assets	**16**	**594,796**	**779,791**
Insurance contracts linked to pensions		-	-
Inventories		486,297	673,633
Other assets		108,499	106,158
Non-current assets and disposal groups of assets classified as held for sale	**10**	**114,816**	**154,616**
TOTAL ASSETS		**62,314,492**	**58,513,026**

Liabilities

	Notes	Thousands of euros 2022	2021
Financial liabilities held for trading	**8.2**	**2,021**	**907**
Derivatives		2,021	907
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**	**57,696,253**	**54,246,746**
Deposits		51,931,427	50,842,845
Central banks		6,639,329	10,269,833
Credit institutions		2,138,765	840,295
Customers		43,153,333	39,732,717
Debt securities issued		2,053,191	2,389,123
Other financial liabilities		3,711,635	1,014,778
Memorandum: subordinated liabilities		*600,451*	*643,457*
Derivatives – Hedge accounting	**9**	**146,774**	**188,706**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Liabilities under insurance and reinsurance contracts		**-**	**-**
Provisions	**14**	**80,092**	**95,202**
Pensions and other post-employment defined benefit obligations		2,114	4,536
Other long-term employee benefits		626	1,140
Pending legal issues and tax litigation		-	-
Commitments and guarantees given		9,003	7,603
Other provisions		68,349	81,923
Tax liabilities	**15**	**76,363**	**75,062**
Current tax liabilities		28,189	24,712
Deferred tax liabilities		48,174	50,350
Capital repayable on demand		**-**	**-**
Other liabilities	**16**	**529,919**	**327,596**
Of which: assigned to social projects (savings banks and credit co-operatives)	***17***	*4,791*	*5,124*
Liabilities included in disposal groups of assets classified as held for sale		-	-
TOTAL LIABILITIES		**58,531,422**	**54,934,219**

Equity

	Notes	Thousands of euros 2022	2021
Equity	**18**	**3,852,887**	**3,594,866**
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**	**3,345,089**	**3,140,955**
Equity component of compound financial instruments		-	-
Other equity instruments issued		3,345,089	3,140,955
Other equity		**-**	**-**
Retained earnings	**18**	**288,784**	**249,225**
Revaluation reserves	**18**	**45,395**	**45,395**
Other reserves	**18**	**23,892**	**23,485**
Reserves of entities accounted for using the equity method		30,480	32,626
Other		(6,588)	(9,141)
(-) Treasury shares	**18**	**(977,349)**	**(977,349)**
Profit or loss attributable to owners of the Parent	**18**	**80,001**	**62,626**
(-) Interim dividends	**18**	**(11,953)**	**(8,499)**
Accumulated other comprehensive income	**20**	**(69,817)**	**(16,059)**
Items that will not be reclassified to profit or loss		**(3,071)**	**(3,980)**
Actuarial gains or (-) losses on defined benefit pension plans		(5,473)	(6,484)
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		2,402	2,504
Ineffectiveness of hedges of fair value of equity instruments at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income [hedged item]		-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income [hedging instrument]		-	-
Changes in the fair value of financial liabilities designated at fair value through profit or loss attributable to changes in credit risk		-	-
Items that may be reclassified to profit or loss		**(66,746)**	**(12,079)**
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges [effective portion]		(14,468)	(14,349)
Changes in the fair value of debt instruments at fair value through other comprehensive income		(36,833)	(3,188)
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		(15,445)	5,458
TOTAL EQUITY		**3,783,070**	**3,578,807**
TOTAL EQUITY AND LIABILITIES		**62,314,492**	**58,513,026**

Memorandum Accounts

		Thousands of euros	
	Notes	2022	2021
MEMORANDUM: OFF-BALANCE SHEET EXPOSURES			
Loan commitments given	**22**	5,030,077	5,295,409
Financial guarantees given	**22**	352,800	316,965
Other commitments given	**22**	2,299,383	882,981
TOTAL MEMORANDUM ACCOUNTS		**7,682,260**	**6,495,355**

Consolidated statements of profit or loss

	Notes	Thousands of euros 2022	2021
Interest income	26	844,777	763,357
Financial assets at fair value through other comprehensive income		5,763	3,984
Financial assets at amortised cost		877,827	685,318
Other interest income		(38,813)	74,055
(Interest expenses)	26	(141,899)	(90,943)
(Expenses on capital repayable on demand)	26	-	-
A) NET INTEREST INCOME		**702,878**	**672,414**
Dividend income	26	3,778	3,925
Profit/(loss) of entities accounted for using the equity method	26	47,193	44,474
Fee and commission income	26	313,950	268,534
(Fee and commission expenses)	26	(49,939)	(43,932)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	26	34,373	440,548
Financial assets at amortised cost		29,881	460,852
Other financial assets and liabilities		4,492	(20,304)
Gains or (-) losses on financial assets and liabilities held for trading, net	26	(108)	41
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	(108)	41
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	26	67,144	27,269
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	67,144	27,269
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	511	(1,289)
Exchange differences [gain or (-) loss], net	29	6,466	3,817
Other operating income	26	39,117	37,365
(Other operating expenses)	26	(91,215)	(82,430)
Of which: mandatory contributions assignedto social projects (savings banks and credit co-operatives)		*(4,151)*	*(2,213)*
Income from assets under insurance or reinsurance contracts		-	-
(Expenses from liabilities under insurance or reinsurance contracts)		-	-
B) GROSS INCOME OR LOSS		**1,074,148**	**1,370,736**
(Administrative expenses)	26	(531,837)	(525,996)
(Staff expenses)		(349,123)	(345,420)
(Other administrative expenses)		(182,714)	(180,576)
(Amortisation and depreciation)	26	(70,869)	(68,250)
(Provisions or (-) reversal of provisions)	26	(23,716)	(51,108)
Impairment of (-) reversal of impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes	26	(218,511)	(307,182)
Financial assets at fair value through other comprehensive income		1	21
Financial assets at amortised cost		(218,512)	(307,203)
Impairment or (-) reversal of impairment of investments in joint ventures and associates		-	-
Impairment or (-) reversal of impairment on non-financial assets	26	(104,806)	(221,576)
Tangible assets		(15,183)	(18,212)
Intangible assets		-	(54,741)
Other		(89,623)	(148,623)
Gains or (-) losses on derecognition of non-financial assets, net	26	(31,143)	(51,989)
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	(20,042)	(66,820)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**73,224**	**77,815**
Tax expense or (-) income related to profit from continuing operations	15	6,777	(15,189)
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**80,001**	**62,626**
Profit or (-) loss after tax from discontinued operations		-	-
E) PROFIT FOR THE PERIOD		**80,001**	**62,626**
Attributable to minority interests (non-controlling interests)		-	-
Attributable to the owners of the Parent		80,001	62,626

Earnings per share at 31 December 2022 and at 31 December 2021 were €0.08 and €0.06, respectively (Note 18.1.5).

Consolidated statements of recognised income and expenses

	Thousands of euros	
	2022	**2021**
Profit/(loss) for the period	**80,001**	**62,626**
Other comprehensive income	**(53,758)**	**(30,184)**
Items that will not be reclassified to profit or loss	**909**	**7,508**
Actuarial gains or (-) losses on defined benefit pension plans	1,417	(366)
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	841	12,198
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	(1,349)	(4,324)
Items that may be reclassified to profit or loss	**(54,667)**	**(37,692)**
Hedge of net investments in foreign operations [effective portion]	**-**	**-**
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	**-**	**-**
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	**(159)**	**(34,044)**
Valuation gains or (-) losses taken to equity	(159)	(34,044)
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments [not designated elements]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	**(45,692)**	**(10,459)**
Valuation gains or (-) losses taken to equity	(45,692)	(10,459)
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	**(27,871)**	**(2,043)**
Income tax relating to items that may be reclassified to profit or (-) loss	**19,055**	**8,854**
Total comprehensive income for the year	**26,243**	**32,442**

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

Thousands of euros

	Equity													
	Capital	**Share premium**	**Equity instruments issued other than capital**	**Other equity**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(-) Treasury shares**	**Profit or loss attributable to owners of the Parent**	**(-) Interim dividends**	**Accumulated other comprehensive income**	**Minority interests / Accumulated other comprehensive income**	**Minority interests / Other items**	**Total**
Opening balance at 31 December 2021	**1,059,028**	**-**	**3,140,955**	**-**	**249,225**	**45,395**	**23,485**	**(977,349)**	**62,626**	**(8,499)**	**(16,059)**	**-**	**-**	**3,578,807**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2022	**1,059,028**	**-**	**3,140,955**	**-**	**249,225**	**45,395**	**23,485**	**(977,349)**	**62,626**	**(8,499)**	**(16,059)**	**-**	**-**	**3,578,807**
Total comprehensive income for the year	**-**								**80,001**		**(53,758)**	**-**	**-**	**26,243**
Other changes in equity	**-**	**-**	**204,134**	**-**	**39,559**	**-**	**407**	**-**	**(62,626)**	**(3,454)**	**-**	**-**	**-**	**178,020**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	204,134	-	-	-	-	-	-	-	-	-	-	204,134
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	(11,396)	-	-	-	-	(11,953)	-	-	-	(23,349)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	54,127	-	-	-	(62,626)	8,499	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	(3,172)	-	407	-	-	-	-	-	-	(2,765)
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)	-	-	-	-	(4,183)	-	-	-	-	-	-	-	-	(4,183)
Closing balance at 31 December 2022	**1,059,028**	**-**	**3,345,089**	**-**	**288,784**	**45,395**	**23,892**	**(977,349)**	**80,001**	**(11,953)**	**(69,817)**	**-**	**-**	**3,783,070**

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	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 corrections of errors	-	-	-	-	126	-	-	-	-	-	-	-	-	126
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 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**

Consolidated cash flow statements

	Thousands of euros	
	2022	**2021**
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**(1,580,396)**	**1,809,083**
(+) Profit for the period	**80,001**	**62,626**
(+) Adjustments for determining cash flows from operating activities	**(1,458,448)**	**451,567**
Amortisation and depreciation	70,869	68,250
Other adjustments	(1,529,317)	383,317
(-) Net increase or (-) decrease in operating assets	**3,816,420**	**3,203,903**
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	7,289	24,558
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	1,122,244	(1,171,928)
Financial assets at amortised cost	2,793,001	4,556,584
Other operating assets	(106,113)	(205,311)
(+) Net increase or (-) decrease in operating liabilities	**3,619,721**	**4,532,842**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	3,460,574	4,623,853
Other operating liabilities	159,148	(91,011)
(+) Income tax (paid)/received	**(5,251)**	**(34,049)**
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(24,947)**	**42,218**
(-) Payments	**333,152**	**371,676**
Tangible assets	256,442	326,995
Intangible assets	53,772	43,613
Investments in joint ventures and associates	-	1,068
Non-current assets and liabilities classified as held for sale	22,938	-
Other payments related to investing activities	-	-
(+) Collections	**308,205**	**413,894**
Tangible assets	217,916	290,781
Intangible assets	-	-
Investments in joint ventures and associates	47,653	18,818
Non-current assets and liabilities classified as held for sale	42,636	104,295
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**139,991**	**433,086**
(-) Payments	**65,154**	**8,763**
Dividends	23,349	8,498
Subordinated liabilities	41,805	-
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	-	265
(+) Collections	**205,145**	**441,849**
Subordinated liabilities	-	252,760
Issuance of own equity instruments	204,134	189,089
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	1,011	-
D) EFFECT OF EXCHANGE RATES CHANGES	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(1,465,352)**	**2,284,387**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4,978,130**	**2,693,743**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,512,778**	**4,978,130**

Contents

1. Overview

1.1. Nature of the entity

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

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

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

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

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

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

Its current and prevailing By-laws are the result of the execution in a public deed of corporate resolutions on 16 September 2022 before the notary public of Almería, Ms. Marta Arrieta Navarro, under number 1,375 of her record, which was duly registered as Entry 333, Page M-573805, Section 8, Folio 137, Book 0, Volume 41,376 of the Madrid Companies Register on 28 September 2022.

The Bank, as Parent under the terms established in the aforementioned Regulatory Agreement of Grupo Cooperativo Cajamar, exercises all the powers delegated to it in the Group and issues mandatory instructions to all Members. It must also act, at all times, under the principles of independence, impartiality, professionalism and technical rigour.

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

At 31 December 2022, the Bank's capital amounted to €1,059,028 thousand, fully subscribed and paid by its 66 shareholders (€1,059,028 thousand at 31 December 2021).

Grupo Cooperativo Cajamar

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

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

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

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

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

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

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

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

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

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

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

The fundamental objectives of the Group are to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Membership of Grupo Cooperativo Cajamar, holding and transfer of shares

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

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

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

Powers delegated by Members to the Group Parent

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

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

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

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

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

Grupo Cooperativo Cajamar's Parent

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

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

Additionally, the Parent is responsible for the following:

- Drawing up and authorising for issue the consolidated annual accounts and directors' report of the Group as well as preparing the individual accounts for each Member, without prejudice to their having to be authorised for issue and approved by the competent governing bodies of each Member.

- Filing the Group's consolidated annual accounts and directors' report, and the auditor's report, with the relevant registries, as required by law.
- Complying with all the reporting obligations affecting all Group Members in accordance with 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 Agreement in force, all the consequences deriving from the implementation of the measures agreed on the date special powers are delegated.
- Appointing the auditors of the consolidated annual accounts.
- Accepting a credit cooperative as a new Group Member, as per the conditions established in Clause 4.2 of the Regulatory Agreement.
- Assuming the duties arising from relations with supervisors, such as preparing and submitting documentation and information relating to the Group or its Members, meeting the requirements and facilitating the inspection activities of the supervisor, and other requirements envisaged in applicable legislation.
- Representing the Group and each of its Members before the single European supervisor, the Bank of Spain and the Spanish National Securities Market Commission (CNMV), other supervisory authorities, competent resolution authorities, administrative authorities and any other related entities such as auditors or credit rating agencies.
- Defining the remuneration policy for company directors, senior managers and staff, applicable in the Members as a whole, as provided in applicable regulations and best corporate governance practices.
- Establishing common rules on expense authorisation for all Group entities and monitoring compliance therewith.
- Issuing the mandatory prior report on the appointment or dismissal of the general manager of a Group Member. If the report does not support said appointment, it must also be binding.
- Ensuring the implementation, fulfilment and continuous improvement of corporate governance standards in the Group in line with best practices.
- Exercising all the powers delegated by the Members.

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

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

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

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

The directors opted to apply the provision included in Article 43 of the Spanish Code of Commerce and file the consolidated annual accounts of the Group Parent (Banco de Crédito Social Cooperativo, SA). These consolidated annual accounts were authorised for issue on 2 March 2023. The consolidated annual accounts for 2021 were authorised for issue on 2 March 2022 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, arising from circumstances where one or several Members assume 100% of the burden that the Group as a whole should bear. For example, but not exhaustively: (i) tax-free dividends received by an entity as a result of holding an equity stake on behalf of the Group; (ii) non-deductible write-downs of equity stakes in holding companies; and (iii) the impacts on results with no tax effect of goodwill or negative goodwill generated in business combinations and any other impact with similar effects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix I to the accompanying consolidated annual accounts shows the pooling shares of each Member at 31 December 2022 and 31 December 2021.

At 31 December 2022, the Parent's pooling share is 30.31% (32.17% at the 2021 close).

Group liquidity commitment

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

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

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

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

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

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

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

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

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

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

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

Group solvency commitment

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

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

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

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

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

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

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

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

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

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

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

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

Mutual guarantee

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

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

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

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

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

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

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

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

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

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

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

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

1. For the allocation of losses by the Parent, the provisions of the mutualisation clause shall apply.

2. For loss absorption:

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

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

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

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

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

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

The individual balance sheets, statements of profit or loss, statements of recognised income and expenses, statements of changes in equity, and cash flow statements of Banco de Crédito Social Cooperativo, S.A. (hereinafter, "BCC"), as the Group's Parent, for the years ended 31 December 2022 and 2021, prepared in accordance with the accounting standards and policies and measurement standards established in applicable legislation (Note 2.5), are shown below.

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

	Thousands of euros	
	2022	2021
Cash, cash balances at central banks and other on demand deposits	**3,084,947**	**4,651,161**
Financial assets held for trading	**340,894**	**142,348**
Derivatives	340,894	142,348
Non-trading financial assets mandatorily at fair value through profit or loss	**15,972**	**17,829**
Equity instruments	2,312	4,119
Debt securities	13,660	13,710
Financial assets designated at fair value through profit or loss	**-**	**-**
Financial assets at fair value through other comprehensive income	**1,498,733**	**420,505**
Equity instruments	125,139	118,795
Debt securities	1,373,594	301,710
Memorandum: loaned or delivered as collateral with a sale or pledge right	*1,125,390*	-
Financial assets at amortised cost	**20,885,248**	**19,810,178**
Debt securities	11,758,549	12,324,691
Loans and advances	9,126,699	7,485,487
Credit institutions	689,236	334,057
Customers	8,437,463	7,151,430
Memorandum: loaned or delivered as collateral with a sale or pledge right	*11,129,397*	*6,955,712*
Derivatives – Hedge accounting	**3,041,122**	**576,869**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**118,445**	**121,337**
Subsidiaries	43,465	46,357
Associates	74,980	74,980
Tangible assets	**54,235**	**38,841**
Property, plant and equipment	54,235	38,841
For own use	54,235	38,841
Memorandum items: acquired under lease	*5,408*	*5,691*
Intangible assets	**202,986**	**165,801**
Other intangible assets	202,986	165,801
Tax assets	**90,214**	**73,131**
Current tax assets	3,396	10,750
Deferred tax assets	86,818	62,381
Other assets	**8,379**	**7,266**
Other assets	8,379	7,266
Non-current assets and disposal groups of assets classified as held for sale	**-**	**-**
TOTAL ASSETS	**29,341,175**	**26,025,266**

	Thousands of euros	
	2022	**2021**
Financial liabilities held for trading	**340,896**	**142,242**
Derivatives	340,896	142,242
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	**27,812,630**	**24,546,896**
Deposits	22,891,256	22,779,616
Central banks	6,639,329	10,269,833
Credit institutions	13,703,119	11,965,126
Customers	2,548,808	544,657
Debt securities issued	1,613,656	1,142,177
Other financial liabilities	3,307,718	625,103
Memorandum: subordinated liabilities	*600,451*	*643,457*
Derivatives – Hedge accounting	-	**76,509**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Provisions	**95,193**	**149,307**
Pensions and other post-employment defined benefit obligations	312	2,101
Commitments and guarantees given	7,919	8,049
Other provisions	86,962	139,157
Tax liabilities	**6,894**	**6,288**
Current tax liabilities	2,905	2,281
Deferred tax liabilities	3,989	4,007
Capital repayable on demand	-	-
Other liabilities	**25,355**	**24,347**
Liabilities included in disposal groups of assets classified as held for sale	-	-
TOTAL LIABILITIES	**28,280,968**	**24,945,589**

	Thousands of euros	
	2022	**2021**
Equity	**1,089,519**	**1,091,577**
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	**39,729**	**37,039**
Revaluation reserves	-	-
Other reserves	**(12,645)**	**(15,180)**
(-) Treasury shares	-	-
Profit/(loss) for the period	**13,997**	**18,690**
(-) Interim dividends	**(10,590)**	**(8,000)**
Accumulated other comprehensive income	**(29,312)**	**(11,900)**
Items that will not be reclassified to profit or loss	**(11,934)**	**(12,053)**
Actuarial gains or (-) losses on defined benefit pension plans	(4,814)	(5,417)
Changes in the fair value of equity instruments at fair value through other comprehensive income	(7,120)	(6,636)
Items that may be reclassified to profit or loss	**(17,378)**	**153**
Changes in the fair value of debt instruments at fair value through other comprehensive income	(17,378)	153
TOTAL EQUITY	**1,060,207**	**1,079,677**
TOTAL EQUITY AND LIABILITIES	**29,341,175**	**26,025,266**

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

	Thousands of euros	
	2022	2021
Interest income	321,506	281,977
Financial assets at fair value through other comprehensive income	792	-
Financial assets at amortised cost	329,375	214,730
Other interest income	(8,661)	67,247
(Interest expenses)	(158,910)	(42,868)
A) NET INTEREST INCOME	**162,596**	**239,109**
Dividend income	52,456	49,803
Fee and commission income	16,732	11,573
(Fee and commission expenses)	(17,527)	(14,761)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1,018	383,880
Financial assets at amortised cost	638	404,708
Other financial assets and liabilities	380	(20,828)
Gains or (-) losses on financial assets and liabilities held for trading, net	(105)	78
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	408	(4,807)
Gains or (-) losses from hedge accounting, net	509	(1,230)
Exchange differences [gain or (-) loss], net	113	117
Other operating income	198,221	177,059
(Other operating expenses)	(71,879)	(453,265)
B) GROSS INCOME OR LOSS	**342,542**	**387,556**
(Administrative expenses)	(186,982)	(172,192)
(Staff expenses)	(67,705)	(66,329)
(Other administrative expenses)	(119,277)	(105,863)
(Amortisation and depreciation)	(22,752)	(17,888)
(Provisions or (-) reversal of provisions)	50,364	7,761
Impairment of (-) reversal of impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes	(16,680)	8,445
Financial assets at amortised cost	(16,680)	8,445
Impairment or (-) reversal of impairment of investments in joint ventures and associates	(134,514)	(142,339)
Gains or (-) losses on derecognition of non-financial assets, net	(5)	(6,444)
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**31,973**	**64,899**
Tax expense or (-) income related to profit from continuing operations	(17,976)	(46,209)
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**13,997**	**18,690**
Profit or (-) loss after tax from discontinued operations	-	-
E) PROFIT FOR THE PERIOD	**13,997**	**18,690**

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

	Thousands of euros	
	2022	**2021**
Profit/(loss) for the period	**13,997**	**18,690**
Other comprehensive income	**(17,412)**	**2,429**
Items that will not be reclassified to profit or loss	**119**	**6,872**
Actuarial gains or (-) losses on defined benefit pension plans	861	(176)
Changes in the fair value of equity instruments at fair value through other comprehensive income	489	11,163
Income tax relating to items that will not be reclassified	(1,232)	(4,115)
Items that may be reclassified to profit or loss	**(17,532)**	**(4,443)**
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	-	-
Cash flow hedges [effective portion]	-	-
Hedging instruments [not designated elements]	-	-
Debt instruments at fair value through other comprehensive income	**(25,044)**	**(6,347)**
Valuation gains or (-) losses taken to equity	(25,044)	(6,347)
Non-current assets and disposal groups held for sale	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	**7,513**	**1,904**
Total comprehensive income for the year	**(3,415)**	**21,119**

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 2021	1,059,028	-	-	-	37,039	-	(15,180)	-	18,690	(8,000)	(11,900)	1,079,677
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2022	1,059,028	-	-	-	37,039	-	(15,180)	-	18,690	(8,000)	(11,900)	1,079,677
Total comprehensive income for the year									13,997	-	(17,412)	(3,415)
Other changes in equity	-	-	-	-	2,690	-	2,535	-	(18,690)	(2,590)	-	(16,055)
Issuance of ordinary shares	-	-			-	-	-					-
Issuance of preference shares	-	-	-		-	-	-					-
Issuance of other equity instruments			-		-	-	-					-
Exercise or expiration of other equity instruments issued			-		-	-	-					-
Conversion of debt to equity	-	-	-	-	-		-	-				-
Capital reduction	-	-	-		-	-	-	-	-			-
Dividends (or remuneration to shareholders)	-	-	-	-	(8,000)	-	-	-		(10,590)		(18,590)
Purchase of treasury shares					-	-	-	-				-
Sale or cancellation of treasury shares					-	-	-	-				-
Reclassification of financial instruments from equity to liability	-	-	-	-								-
Reclassification of financial instruments from liability to equity	-	-	-	-								-
Transfers among components of equity			-	-	10,690	-	-		(18,690)	8,000	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share-based payments	-	-	-	-			-	-			-	-
Other increase or (-) decrease in equity			-	-	-	-	2,535	-	-	-	-	2,535
Of which: discretionary contributions to social projects and funds (savings banks and credit co-operatives only)					-		-					-
Closing balance at 31 December 2022	1,059,028	-	-	-	39,729	-	(12,645)	-	13,997	(10,590)	(29,312)	1,060,207

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

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

	Thousands of euros	
	2022	2021
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**(1,299,466)**	**4,444,016**
(+) Profit for the period	**13,997**	**18,690**
(+) Adjustments for determining cash flows from operating activities	**(1,584,213)**	**(17,161)**
Amortisation and depreciation	22,752	17,888
Other adjustments	(1,606,965)	(35,049)
(-) Net increase or (-) decrease in operating assets	**2,955,811**	**1,716,422**
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	(1,857)	(11,250)
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	1,096,245	(1,183,938)
Financial assets at amortised cost	1,866,889	2,906,447
Other operating assets	(5,466)	5,163
(+) Net increase or (-) decrease in operating liabilities	**3,267,744**	**6,208,946**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	3,270,895	6,214,572
Other operating liabilities	(3,151)	(5,626)
(+) Income tax (paid)/received	(41,183)	(50,037)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(206,957)**	**(203,108)**
(-) Payments	**206,957**	**203,108**
Tangible assets	22,843	19,408
Intangible assets	52,492	43,640
Investments in subsidiaries, joint ventures and associates	131,622	140,060
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
(+) Collections	-	-
Tangible assets	-	-
Intangible assets	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(59,791)**	**244,637**
(-) Payments	**60,395**	**8,123**
Dividends	18,590	8,000
Subordinated liabilities	41,805	-
Cancellation of own equity instruments	-	-
Purchase of own equity instruments	-	-
Other payments related to financing activities	-	123
(+) Collections	**604**	**252,760**
Subordinated liabilities	-	252,760
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	604	-
D) EFFECT OF EXCHANGE RATES CHANGES	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(1,566,214)**	**4,485,545**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4,651,161**	**165,616**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,084,947**	**4,651,161**

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 2022 and 31 December 2021, prepared in accordance with the accounting standards laid down in the IFRS and Bank of Spain Circular 4/2017.

1.2. Corporate purpose

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

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

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

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

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

1.3. Registered address

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

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

1.4. Legal matters

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

- Maintaining a minimum percentage of resources on deposit at the national central bank of a country participating in the European Monetary Union to cover the minimum reserve ratio, which was established at 1% of qualifying liabilities at 31 December 2022 (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 recast text Corporate Enterprises Act.
- Royal Decree 716/2009, of 24 April 2009, implementing certain aspects of Act 2/1981, of 25 March 1981, regulating the mortgage market and other financial and mortgage system rules.
- Royal Decree-Law 2/2012, of 3 February 2012, on the strengthening of the financial system.
- Act 8/2012, of 30 October 2012, on the strengthening of the financial system and selling of real estate assets of the financial system.
- Royal Decree 84/2015, of 13 February 2015, implementing Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions.
- Royal Decree 1012/2015, of 6 November 2015, implementing Act 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment firms, which amended Royal Decree 2606/1996, of 20 December 1996, on deposit guarantee funds for credit institutions.
- Royal Decree-Law 11/2017, of 23 June 2017, on urgent financial measures.
- Act 10/2014, of 26 June 2014, on the organisation, supervision and solvency of credit institutions (published in Spanish Official State Gazette (BOE) 156 on 27 June 2014).
- Act 27/2014, of 27 November 2014, on corporate income tax (Spanish Official State Gazette (BOE) 288 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) 293 of 4 December 2014).
- Act 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment firms.
- Act 11/2018, of 28 December 2018, amending the Spanish Code of Commerce, the recast text of the Corporate Enterprises Act approved by Royal Decree-Law 1/2010, of 2 July 2010, and Audit Act 22/2015, of 20 July 2015, on non-financial and diversity disclosures.
- European Parliament and Council Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012.

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

- 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, 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.

- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

- 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.

- 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 recast text of the 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.

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

- Act 18/2022, of 28 September 2022, on the creation and growth of businesses.

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

- Act 38/2022, of 27 December 2022, establishing windfall levies on energy and on credit institutions and specialised lending institutions, introducing a temporary solidarity tax on large fortunes, and amending certain tax laws.

  The aforementioned Act establishes the criteria that entities or Groups must meet to be subject to this levy in 2023 and 2024:

  - Credit institutions and specialised lending institutions operating in Spain whose aggregate income from interest and fee and commission income relating to 2019, calculated in accordance with the applicable accounting standards, were equal to or higher than €800 million.

  - When credit institutions and specialised lending institutions form a consolidated group for corporate income tax purposes, the institution that is the representative of said tax group must pay the windfall levy, in accordance with the applicable tax legislation, calculating the aggregate income from interest and fee and commission income for said group.

- When credit institutions and specialised lending institutions form a commercial group and must file corporate income tax returns in Spanish common territory and in the Basque Country or Navarra, either individually or on a consolidated basis, the aggregate income from interest and fee and commission income must be calculated taking into account those institutions and groups that have filed in common territory and those that have filed in the Basque Country or Navarra. The institution that filed tax returns in accordance with Act 27/2014, of 27 November 2014, on corporate income tax, or that which, per section 2 of article 56 of said Act, is the representative of the tax group that files in accordance with said legislation, is responsible for paying the entire windfall levy.

The nature of the new levy is as follows:

- It is considered to be a mandatory, non-tax levy of a public nature and is treated as an asset charge as indicated in the guidelines established by the Constitutional Court based on rulings 62/2015, of 13 April 2015, 167/2016, of 6 October 2016, and 63/2019, of 9 May 2019.

- The new charge is not deductible for corporate income tax purposes and it cannot be transferred to customers. A breach of this restriction will be classed as a serious infringement.

- The amount payable is 4.8% of the sum of net interest income and net fee and commission income and expenses reported by the taxpayer or, if applicable, the consolidated tax group to which it belongs.

The Group's Directors do not consider that the Group or any of its constituent entities are subject to this levy.

- Bank of Spain Circular 3/2008, of 22 May 2008, and subsequent amendments, regarding the calculation and control of minimum own funds 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 of the European Parliament and of the Council, 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 financial 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 reporting rules and financial statement formats, Circular 1/2013, of 24 May 2013, on the Risk Information Office, and Circular 5/2012, of 27 June 2012, for credit Institutions and payment service providers, on transparency in banking services and responsibility in the granting of loans.

- Bank of Spain Circular 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 financial reporting rules and financial statement formats, the preamble to which indicates that the content of the International Financial Reporting Standards adopted by the European Union has been respected.
- Bank of Spain Circular 1/2018, of 31 January 2018, amending circular 5/2016, of 27 May 2016, on the method for calculating members' contributions to the Deposit Guarantee Fund for Credit Institutions, in proportion to their risk profile; and Circular 8/2015, of 18 December 2015, addressed to 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 said Fund.
- Bank of Spain Circular 2/2018, of 21 December 2018, amending Circular 4/2017, of 27 November 2017, on credit institutions' public and confidential financial reporting rules and financial statement formats, and Circular 1/2013, of 24 May 2013, on the Risk Information Office.
- Bank of Spain Circular 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.
- Bank of Spain Circular 4/2019, of 26 November 2019, on specialised lending institutions' public and confidential financial reporting rules and financial statement formats.
- Bank of Spain Circular 6/2021, of 22 December 2021, amending Bank of Spain Circular 4/2017, of 27 November 2017, on credit institutions' public and confidential financial reporting rules and financial statement formats, and Bank of Spain Circular 4/2019, of 26 November 2019, on specialised lending institutions' public and confidential financial reporting rules and formats. The 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 (IFRS-EU) 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 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 templates and instructions for preparing confidential returns, known 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 9 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 debt.

In short, the modifications described in the paragraphs above ensure the convergence of Spanish accounting standards for financial institutions with the IFRS-EU, subject to the stipulations of the Spanish Code of Commerce, and are aligned with and avoid overlaps with the aforementioned European guidelines and standards.

- Bank of Spain Circular 1/2022, of 24 January 2022, addressed to specialised lending institutions, on liquidity, prudential standards and disclosure obligations, amending Circular 1/2009, of 18 December 2009, for credit institutions and other supervised institutions, on disclosures on the capital structure and non-voting equity units of credit institutions, and on their branches, and the senior managers of supervised entities, and 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 (Spanish Official State Gazette (BOE) of 3 February 2022).

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

- Bank of Spain Circular 3/2022, of 30 March 2022, amending 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 2/2014, of 31 January 2014, for credit institutions, on the exercise of a range of regulatory options contained in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012; and Bank of Spain Circular 5/2012, of 27 June 2012 for credit institutions and payment services providers, on transparency in banking services and responsible lending.

The amendments incorporated in the aforementioned Circular 3/2022, of 30 March 2022 include:

- The need to exercise in Circular 2/2016 the powers granted to the Bank of Spain under Act 10/2014, of 26 June 2014, and Royal Decree 84/2015, of 13 February 2015, mandating it to do so by means of issuing circulars. The amendments to Circular 2/2016, of 2 February 2016, affect standards in its nine chapters, adding an additional provision, eliminating two transitional provisions, amending three annexes and eliminating one.

- The second standard updates Circular 2/2014, of 31 January 2014, amending certain aspects referring to the exercise of national discretionary powers and options (OND) by the Bank of Spain as the competent authority.

- The third standard updates Bank of Spain Circular 5/2012, of 27 June 2012, for credit institutions and payment services providers, on transparency in banking services and responsible lending, exercising the statutory powers established in Final Provision Three of Order 2899/2011.

This Circular enforces compliance with the principles of necessity, effectiveness, proportionality, legal security and efficiency established in Article 129 of Act 39/2015, of 1 October 2015, on the common administrative procedure of public administrations, in the sense of fulfilling its aims without imposing unnecessary or additional burdens, regulating its essential aspects coherently with other legislation.

The Group's 2022 consolidated annual accounts were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), and taking into consideration Bank of Spain Circular 4/2017, of 27 November 2017, on credit institutions' public and confidential financial reporting rules and financial statement formats, and subsequent amendments thereto. The circular and the amendments thereto adapt and implement the IFRS-EU for the sector comprising Spanish credit institutions. The Group's consolidated annual accounts were prepared in accordance with all applicable mandatory accounting principles and standards and measurement bases to give, in all respects, a true and fair view of the consolidated equity and financial position of the Group at 31 December 2022 and of its consolidated results and cash flows during the financial year then ended.

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

a) *Standards and interpretations issued by the International Accounting Standards Board (IASB) that came into force in 2022*

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 2022 but have not had a material impact on the Group:

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

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

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

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

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

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

- **Amendments to IAS 16**

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

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

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

b) *Standards and interpretations issued by the International Accounting Standards Board (IASB) that will come into force in 2023*

At the date of authorisation for issue of the accompanying consolidated annual accounts, 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 condensed consolidated interim financial statements or because they had yet to be adopted by the European Union:

- **IFRS 17: Insurance contracts**

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

  Commission Regulation (EU) 2022/1491 of 8 September 2022 amending Regulation (EC) No 1126/2008 as regards International Financial Reporting Standard 17. This replaces IFRS 4 and sets out the recognition, measurement, presentation and disclosure requirements for insurance contracts to ensure that an entity provides users with relevant and reliable information on the effect of such contracts on the financial statements.

  The Group has carried out an analysis of the aforementioned standard, concluding that the financial institutions forming Grupo Cooperativo Cajamar, and its subsidiaries whose activity is not insurance, either do not currently market products that may be defined as insurance contracts or they meet the requirements for exemption in accordance with the new IFRS 17. In addition, accounting for the impact of the standard using the equity method in subsidiaries that are insurance companies has no material effect on the Group’s consolidated financial statements.

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

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

- **Amendments to IAS 1**

  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 amendments and clarifications regarding what should be considered a change in accounting estimate.

- **Amendments to IAS 12 regarding deferred tax assets and liabilities arising from a single transaction**

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

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

- **Amendments to IAS 8 regarding the definition of accounting estimates**

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

At 31 December 2022 the following standards and interpretations that could be applicable to the Group had been published by the IASB and/or the IFRS Interpretations Committee but were not yet in force, either because their effective date is after the date of the consolidated annual accounts or because they have not yet been approved by the European Union. The Group evaluated the impact of their application and has decided not to execute the option of early application, where this is available, due to the immateriality thereof.

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

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

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

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

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

The following standards, amendments to IFRS or interpretations of IFRS (IFRIC) adopted by the European Union that are of mandatory application took effect in 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) No 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 as regards 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 prevent unnecessary discontinuations of hedging relationships as a consequence of the replacement of the interest rate benchmark.

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

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

1.5. Contracts in force between Group entities

At 31 December 2022 Banco de Crédito Social Cooperativo, S.A. (“BCC”) was party to a number of contracts with Group entities signed during the year, as described below:

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

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

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

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

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

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

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

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

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

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

- Trademark sub-licence contract: (i) between BCC and the entities that comprise Grupo Cooperativo (with the exception of Cajamar) and (ii) the purpose of which is the granting, by BCC in favour of the rest of the entities, of an exclusive sub-licence 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&i 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 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, for all Grupo Cooperativo Cajamar institutions; 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 control of non-performing assets; and remuneration deriving from the non-financial agency agreement with GCC Consumo.

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

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

- Contract for the provision of insurance marketing services:

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

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

1.6. Other service-level agreements and management contracts

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

  At the end of 2022 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 specialised lending institution. It is entered in the Bank of Spain Register of Entities as GCC Consumo, Establecimiento Financiero de Crédito, S.A. The Group's Parent contributed 49% of its initial capital and Banco Cetelem, S.A. the remaining 51%.

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

  On 6 November 2015, Banco de Crédito Social Cooperativo, S.A., in its capacity as Parent of Grupo Cooperativo Cajamar, and Trea Asset Management S.G.I.I.C., S.A. entered into an exclusive 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 the first quarter of 2022 the Group signed the fourth novation of its banking insurance agreement with Generali, affirming their continued mutual interest in the alliance, with options to terminate in 2035, and introducing adjustments to the cash flows and calculations thereof, thereby rebalancing the agreement between the parties. In said agreement, a part of the variable price was established, referred to as the extraordinary accrued variable price, in the amount of €140 million. This was recognised applying a reasonable accounting interpretation of IFRS 15, supported by reports prepared by external experts, booking €118 million under "Non-trading financial assets mandatorily at fair value through profit or loss". The application of the standard to this specific agreement involves some technical complexities, allowing for various interpretations. Consequently, although the estimates were made on the basis of the best information available on the circumstances analysed at 31 March 2022, subsequent events, including a perceivable change in the general macroeconomic and geopolitical climate, with growing uncertainty, high inflation and notable concern regarding the economic outlook in the light of Russia's invasion of Ukraine, have required this amount to be revised downward, recognising the effects of the change in estimate prospectively in the consolidated statement of profit or loss in the financial year, in accordance with IAS 8. As a result of said re-estimation and the consolidation of rights prior to the novation, finally €18.63 million euros were recognised in the consolidated statement of profit or loss under "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net" and €2.7 million under net interest income as the financial component of the operation (Note 8.3.3).

- In the second half of 2022, in the framework of its strategy for managing assets of an irregular nature, the Group sold a number of loan books containing collection rights from debtors of various types, origin, ageing and amounts, and with varying terms and guarantees (mortgage and non-mortgage). As a result of these sales the assignees acquired full ownership of the assigned loans, enabling the Group to derecognise a gross amount of €112.25 million classified as non-performing loans and €987.81 million classified as write-offs, giving rise to a gain after expenses of €21.58 million recognised under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net – Financial assets at amortised cost" in the consolidated statement of profit or loss. The Group also recognised a total of €8.3 million in respect of provisions to cover future legal expenses related to debt recovery processes (Notes 8.6.2 and 8.6.6).

After the cut-off date and until the signing of the various assignment agreements, following the foreclosure of some of the loans as a result of the debtors' failure to comply with the obligations established in said loans, certain Foreclosed Properties were also added to the portfolio. The gross balance of the financial assets that gave rise to the transfer of these foreclosed assets amounted to €6.2 million. The transfer price of the foreclosed assets was €1.5 million.

- In 2021, 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%). New asset transfers to said company were effected in 2022 as established in the original agreement.
- In line with its commitment to sustainable development, in September the Group made its first debt issue based on ESG criteria, specifically a socially-responsible senior preferred debt issue amounting to €500 million. The Group also issued mortgage bonds totalling €1,000 million expiring on 17 May 2032 (Note 8.7.4.1).
- One-off operations in 2021 are described in the consolidated annual accounts for that year.

1.8. Impact of the economic and social climate and management thereof

In response to the pandemic and Covid-19, which started in 2020, 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 deadline for applying for, and the 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.

Royal Decree-Law 3/2021 extended the deadline for applying for legal moratoria to until 30 March 2021, i.e. 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 suspending evictions for individuals at risk.

The invasion of Ukraine by Russia has also provoked significant instability and volatility in world markets, together with higher inflation (contributing to further increases in the prices of energy, oil and other commodities, with a knock-on effect on supply chains). Against this backdrop of higher commodity prices and additional restrictions affecting global supply chains, inflation is currently above 5.7%.

The main central banks are expected to continue focusing on rising inflation and stay with their plans to withdraw monetary stimuli. In the United States, in March the Federal Reserve initiated its monetary policy rate normalisation process. In the euro zone, the ECB terminated the emergency purchase programme designed to combat the pandemic. The ECB announced rate rises throughout the second half of 2022 with the goal of bringing inflation back down to 2% in the medium term. In addition to this increase, the ECB launched a Transmission Protection Instrument (TPI) as a mechanism to prevent risk premiums becoming excessive and disorderly. TPI purchases would be focused on public sector securities (marketable debt securities issued by central and regional governments as well as agencies, as defined by the ECB) with a remaining maturity of between one and ten years.

The sectors that have been most affected by the new climate are energy-intensive sectors that are more reliant on natural gas and those that use natural gas as an input. These include aluminium, paper, steel and glass in general, while the basic chemicals industry, construction materials and fertilizers are specifically impacted by gas prices.

The risks in this economic scenario relate, therefore, to inflation and the withdrawal of monetary stimuli, which in turn lead to a rise in interest rates. While the Group's direct exposure to customers from Russia or Ukraine is considered insignificant, the Group also monitors indirect risk in the affected sectors, as energy price increases and geopolitical tensions, coupled with uncertainty due to inflation, depressed supply and demand shocks, could all have implications.

The Group has taken measures to reduce the potential impact of the conflict, including reclassifying the country risk of Russia to level 4 and that of Ukraine and Belarus to level 5, as well as reclassifying some operations under special monitoring and blocking and suspending operations with Russia.

The measures adopted by the Spanish Government to alleviate the economic effects of the war in Ukraine include the approval of Royal Decree-Law 6/2022, of 29 March 2022, adopting urgent measures within the framework of the National Plan in response to the economic and social consequences of the war in Ukraine. The main aim of this legislation is to contain energy prices for all consumers and companies, to support the worst affected sectors and the most vulnerable groups and to help stabilise prices. It is intended to limit the economic and social costs of geopolitical distortions in the price of gas, addressing the inflationary process at its roots and helping the economy to adapt to this temporary situation, while strengthening the foundations for economic recovery and the creation of quality jobs. The measures include lower taxes in the power sector, a discount on the price of fuel, and a social shield to provide special support to the most vulnerable sections of society, in addition to aid to the economic sectors most affected by the rise in energy prices, such as transport, agriculture and livestock, fishing and power- and gas-intensive industries. The Royal Decree included provisions establishing new lines of guarantees and financing, to provide new publicly-secured liquidity lines, equivalent to those created during the pandemic, for companies and self-employed individuals affected by the economic impacts of the conflict. These mechanisms are wide-ranging, excluding only the financial and insurance sector.

The continuation of the conflict and its effect on the general level of prices led to the approval of a second package of measures in Royal Decree-Law 11/2022, of 25 June 2022, adopting and extending certain measures in response to the economic and social consequences of the war in Ukraine.

The Group applies an additional adjustment, namely the post-model adjustment (PMA) or Overlay, to the results of its credit risk models to reflect situations where those results are insufficiently sensitive to the uncertainty of the macroeconomic environment. These adjustments are temporary and will be maintained until the reasons for applying them have disappeared. The adjustments are implemented subject to the Group’s governance principles. Specifically, during 2022 the Group recorded an additional allocation, in the amount of €75 million, to expected losses to reflect the potential impact of the particular circumstances arising from the current macroeconomic situation and the new inflationary environment.

The loans in connection with which repayment holidays have been granted, by counterparty, and the residual maturity thereof at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros									
	31 December 2022									
		Gross carrying amount								
			Of which:	Of which:	Residual value of amount subject to repayment holiday					
	Number of debtors		Of which: Subject to mandatory repayment holiday	Of which: Past due - grace period expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which a repayment holiday has been offered	**10,343**	**915,647**							
Loans and advances subject to repayment holidays as per ABE criteria (granted)	**10,343**	**915,647**	**808,459**	**915,647**	-	-	-	-	-
Of which: Households		778,581	671,472	778,581	-	-	-	-	-
Of which: Collateralised by residential immovable property		721,386	630,343	721,386	-	-	-	-	-
Of which: Non-financial corporations		137,066	136,987	137,066	-	-	-	-	-
Of which: Small and medium-sized entities (SMEs)		136,257	136,179	136,257	-	-	-	-	-
Of which: Collateralised by immovable property		130,296	130,296	130,296	-	-	-	-	-

	Thousands of euros								
	31 December 2021								
		Gross carrying amount							
			Of which:	Of which:	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	-	-	-	-	-

At 31 December 2022 the Group had no outstanding loans in connection with which repayment holidays had been granted. Details of the gross carrying amount (including valuation adjustments) of these loans, associated accumulated impairment, and counterparties and accounting classification thereof at 31 December 2021 are provided below:

Thousands of euros

	31 December 2021														
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 over-indebtedness 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 meet a series of specific conditions (amount of state aid received, etc.). These are loan term extensions, the conversion of debt to participating loans and haircuts.

In addition, in line with the Council of Ministers Agreement of 29 March 2022, amendments were introduced to the Code of Best Practices for renegotiating the state-backed loans granted to customers under Royal Decree-Law 5/2021, of 12 March 2021. The most important change was the removal of the requirement that turnover must fall by at least 30% between 2019 and 2020 before borrowers can opt for the mandatory extension of terms on loans with public guarantees. In addition, self-employed individuals and SMEs in the agricultural, livestock, fishing and road transport sectors were granted the right to a grace period of six months for extensions of maturity dates requested and granted from 31 March onwards.

At 31 December 2022 and 31 December 2021 loans and advances secured by public guarantees break down by counterparty as follows:

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

	Thousands of euros			
	31 December 2021			
	Gross carrying amount		**Maximum amount of the guarantee that can be considered**	**Gross carrying amount**
		Of which: Restructured or refinanced	**Public guarantees received in connection with the Covid-19 crisis**	**Reclassifications to non-performing exposures**
New loans and advances subject to state guarantee schemes	**1,761,393**	**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	-	-	-

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

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

2.1. True and fair view

The consolidated annual accounts have been prepared in accordance with the accounting records of each of the companies and credit institutions making up the Cooperative Group. They include all adjustments and reclassifications necessary to uniformly apply the accounting and presentation criteria, and they are presented in accordance with: International Financial Reporting Standards adopted by the European Union (IFRS-EU), taking into account Bank of Spain Circular 4/2017, of 27 November 2017, and subsequent amendments thereto; the Spanish Code of Commerce; Royal Decree-Law 1/2010, of 2 July 2010, approving the recast text of the Corporate Enterprises Act, repealing the Spanish Public Limited Companies Act and the Spanish Limited Liabilities Companies Act; Royal Decree 6/2010 on measures to encourage economic recovery and employment, with respect to the legal regime applicable to Institutional Protection Schemes (SIP); and other applicable Spanish legislation, such that they give a true and fair view of the Group's equity and financial position at 31 December 2022, and the consolidated results of its operations and consolidated cash flows generated during 2022.

The accompanying 2022 consolidated annual accounts, authorised for issue by the Board of Directors, will be submitted for the approval of the shareholders at the General Assembly, which is expected to be obtained without any modification being necessary.

The Group's consolidated annual accounts for 2021 were approved by the shareholders at the General Assembly held on 28 April 2022.

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

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

2.2. Going concern principle

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

2.3. Accrual basis of accounting

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

2.4. Offsetting

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

2.5. Comparative information

The Board of Directors of Banco de Crédito Social Cooperativo, S.A. presents, for comparative purposes, for each of the figures in the present consolidated annual accounts, in addition to the figures for 2022 those relating to 2021.

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

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

- Impairment losses affecting financial assets (Notes 3.1.a, 3.1.c, 3.3, 8.3.2, 8.3.3, 8.5.1, 8.5.2, 8.6.1, 8.6.2.3 and 8.6.4).
- The assumptions used in the actuarial calculations to evaluate the liabilities and commitments for post-employment compensation (Note 3.20).
- Impairment losses and the useful life of tangible and intangible assets (Notes 3.7, 3.8, 3.9, 3.10, 10, 12 and 13).
- The fair value of certain financial assets not listed on official secondary markets and variable collection rights from transactions with third parties (Notes 3.1 and 3.27).
- Losses on future obligations deriving from contingent risks (Note 3.3 and 3.12).
- The reversal period for temporary differences and the recoverability of tax credits for tax loss carryforwards (Notes 3.18).
- The fair value of certain guarantees linked to the collection of assets.
- Provisions for liabilities classed as probable due to the possibility of 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 conflict between Russia and Ukraine and the energy crisis in Europe, along with other factors, influenced the economic environment and the behaviour of the financial markets during 2022, adding uncertainty to business activity and thus increasing the need for the use of professional judgment in assessing the impact of the current macroeconomic situation on these estimates, mainly as regards the determination of impairment losses on financial assets.

2.7. *Consolidation principles*

These consolidated annual accounts have been prepared using the full and proportionate methods of consolidation and the equity method of accounting as stipulated in the aforementioned legislation, including the following companies at 31 December 2022 and 31 December 2021:

		2022		2021	
		% 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%	-
Cim-med I, S.A.U.	Paseo de la Castellana, 87. Madrid.	100.00%	-	-	-
FV La Cañada de Tabernas, S.L.U.	Avenida Nuestra Señora de Montserrat, 11. Almería	100.00%	-	-	-
FV Turrillas Matanegra, S.L.U.	Avenida Nuestra Señora de Montserrat, 11. Almería	100.00%	-	-	-
Inmuebles Alameda 34, S.L. (b)	Paseo Alameda, 34. Valencia.	-	100.00%	-	100.00%
Plataforma Tierra, S.A.U.	Puerta Purchena, 10, Edificio de las Mariposas. Almería.	100.00%	-	100.00%	-
Sunaria Capital, S.L.U.	Plaza de Juan del Águila Molina, 5. Almería.	100.00%	-	100.00%	-
Associates					
Agrocolor, S.L. (b)	Carretera de Ronda, 11-BJ. Almería.	-	-	-	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%	-	30.11%
Promontoria Jaguar, S.A. (b)	Calle Príncipe de vergara, 112. Madrid	-	20.00%	-	20.00%
Proyecta Ingenio, S.L. (c)	C/ Jesus Durbán Remón, 2, 1º. Almería.	-	-	-	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 2022 affecting the scope of consolidation are as follows:

Acquisitions or increases in interests in subsidiaries, joint ventures and/or in associates at 31 December 2022

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)		
Cim-med I, S.A.U. (1)	Subsidiary	19/01/2022	100	-	100.00%	100.00%
FV La Cañada de Tabernas, S.L.U. (2)	Subsidiary	19/12/2022	761	-	100.00%	100.00%
FV Turrillas Matanegra, S.L.U. (2)	Subsidiary	19/12/2022	761	-	100.00%	100.00%

Decrease in interests in subsidiaries, joint ventures and/or investments in associates and similar at 31 December 2022

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)
Agrocolor, S.L. (3)	Associate	26/07/2022	14.00%	18.37%	358
Proyecta Ingenio, S.L.(4)	Associate	26/07/2022	24.90%	0.00%	28

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

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

The Group also divested its entire holding in the company Proyecta Ingenio, S.L. and reclassified its investment in Agrocolor, S.L. to the portfolio of financial assets at fair value through other comprehensive income following the loss of significant influence over said investee as a result of the partial divestment of its holding.

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 identifiable net assets are recognised in the account “Goodwill” under the heading “Intangible assets” on the consolidated balance sheet. Negative differences are taken to results at the acquisition date.

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

The results of subsidiaries acquired during the year are included in the consolidated statement of profit or loss from the date of acquisition to year-end. Results generated by companies sold during the year are consolidated taking into account only the amounts for the period running from the beginning of the year to the date of sale.

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

Jointly controlled entities

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

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

Associates

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

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

In the consolidated annual accounts, associates are measured at cost at the acquisition date and subsequently using the equity method as defined in IAS 28, i.e. based on the percentage of equity that the Group's shareholding represents in the associate's capital, taking into consideration dividends received and other equity eliminations. At the time of acquisition, the cost of the shareholding is assigned to its assets, liabilities and contingent liabilities, taking into consideration their fair values. The positive differences between the cost of acquisition and the aforementioned fair value (Goodwill – Notes 3.9 and 13), are recorded under the heading "Investments" in the account "Associates" on the consolidated balance sheet as an increase in the stake held.

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

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

Changes in the valuation adjustments of the associate, subsequent to the acquisition date, are recorded as an increase or decrease in the value of the shareholding. The amount of these changes is recorded under the heading "Accumulated other comprehensive income (Items that may be reclassified to profit or loss)" in consolidated equity (Note 8.5.4).

Consolidated structured entities

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

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

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

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

2.8. Other general principles and environmental information

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

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

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 the Group operated at 31 December 2022 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 their legal form.

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

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

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

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

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

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

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

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

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

a) Financial assets

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

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

Business model for managing financial assets and contractual cash flow characteristics

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

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

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

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

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

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

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

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

Classification of financial assets

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

- "Financial assets at amortised cost":

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

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

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

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

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

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

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

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

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

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

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

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

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

Measurement of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

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

Impairment losses on financial assets

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

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

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

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

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

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

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

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

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

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

– Tightening of operating margins or available recurring income.

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

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

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

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

  - Non-performing exposures as a result of borrower arrears: consist of the amount of debt instruments, whosoever the borrower and whatever the guarantee or collateral, any part of whose principal, interest or contractually agreed expenses is more than 90 days past due, unless such instruments should be classified as 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   - Lifetime expected credit losses: these are expected credit losses resulting from all the possible default events during the expected life of the transaction.
   - 12-month expected credit losses: these are the portion of lifetime expected credit losses that represent the expected credit losses resulting from any default events during the twelve months following the reference date.

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

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

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

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

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

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

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

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

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

- **Impairment losses on equity instruments**

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

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

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

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

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

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

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

b) Financial liabilities

A financial liability is any commitment that gives rise to a contractual obligation to deliver cash or another financial asset to 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 own equity instruments.

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

Classification of financial liabilities

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

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

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

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

Measurement of financial liabilities

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

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

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

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

Derecognition of financial liabilities

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

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

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

c) Gains and losses in the value of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Reclassification between financial instrument portfolios

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

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

- The fair value of a debt instrument at the reclassification date must be estimated before reclassifying it from the amortised cost portfolio to the fair value through profit or loss portfolio. Any gain or loss arising from the difference between the previous amortised cost and fair value is taken to profit or loss.
- If a debt instrument is reclassified from the fair value through profit or loss portfolio to the amortised cost portfolio, the asset's fair value on the reclassification date becomes its new gross carrying amount.
- The fair value of a debt instrument at the reclassification date is estimated before reclassifying it from the amortised cost portfolio to the fair value through other comprehensive income portfolio. Any gain or loss arising from the difference between the previous amortised cost and fair value is taken to other comprehensive income. The effective interest rate and estimate of expected credit losses are not adjusted as a result of the reclassification.
- If a debt instrument is reclassified from the fair value through other comprehensive income portfolio to the amortised cost portfolio, the financial asset is reclassified at its fair value on the reclassification date. Any gain or loss accumulated at the reclassification date under accumulated other comprehensive income in equity is cancelled against the balancing entry comprising the asset's carrying amount at the reclassification date. The debt instrument is measured on the reclassification date as if it had always been at amortised cost. The effective interest rate and estimate of expected credit losses are not adjusted as a result of the reclassification.
- If a debt instrument is reclassified from the fair value through profit or loss portfolio to the fair value through other comprehensive income portfolio, the financial asset continues to be measured at fair value, without any modifications to the accounting of any previously recognised changes in value.

- If a debt instrument is reclassified from the fair value through other comprehensive income portfolio to the fair value through profit or loss portfolio, the financial asset continues to be measured at its fair value. Any gain or loss accumulated beforehand under "Accumulated other comprehensive income" in equity is transferred to profit or loss for the period on the reclassification date.
- No financial liabilities will be reclassified.

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

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

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

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

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

3.2. Capital

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

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

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

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

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

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

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

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

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

The 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 1F8.1.3).

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 own funds for credit institutions, stipulates that contributions to the capital of credit cooperatives, independent of their accounting classification as a financial liability or as equity, will be part of Tier 1 capital until 31 December 2012, and after that date, and in accordance with the amendments included in the aforementioned Circular through Bank of Spain Circular 4/2011, of 30 November 2011, only contributions recognised as equity will be considered as own funds. As indicated above, all the Group's capital contributions meet the requirements to be computed as Tier 1 capital at both 31 December 2022 and 31 December 2021.

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

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

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

- **Insolvency risk attributable to the customer**

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

Classification categories:

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

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

Collective classification criteria:

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

- If the transaction has amounts over 30 days but less than 90 days past due.
- If 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.
- If it is a debt restructuring operation. These exposures are classified in Stage 2 for a probation or expiry period so that they must meet all the following requirements to no longer be considered as restructured and see their classification improve:
  - Following a review of the borrower's financial and equity position it has been concluded that it is not foreseeable that the borrower will encounter financial difficulties.

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

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

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

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

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

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

As a result of borrower arrears:

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

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

For reasons other than arrears:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Individual classification criteria:

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

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

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

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

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

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

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

Transactions with negligible risk are those whose borrower is:

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

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

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

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

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

- **Collective estimation of allowances and provisions**

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

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

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

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

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

To properly estimate collective allowances and provisions, three macroeconomic scenarios (baseline, pessimistic and optimistic) are defined based on various available information sources. Probabilities are assigned to each scenario using a statistical methodology that specifies a probability of 50% for the baseline scenario, 25% for the optimistic scenario and 25% for the pessimistic scenario.

Looking at each scenario in detail:

- Baseline scenario: For 2022, this scenario assumes lower economic growth, higher inflation and rising interest rates.

  GDP growth is projected to be 4.6% in 2022 before slowing to 3.24% in 2023 and 2.50% in 2024. General inflation is assumed to end the year at around 6.88%, double the year-end 2021 level (3.10%), while discounting declines in inflation in the following years.

  Interest rates rise throughout 2022, based on ECB monetary policy, as does the yield on the 10-year bond, which goes from 0.42% at the end of 2021 to 2.16% at the end of 2022.

  In general, the trend for the year is associated with the uncertainty around the growth of energy prices, the supply chain tensions and the general price increase, which has been intensified by the conflict between Russia and Ukraine and which could cause a delay in the general economic recovery.

- Pessimistic scenario: This scenario assumes a slower recovery in which economic activity does not return to pre-pandemic levels until 2024.

  GDP growth is projected to be 3.81% in 2022 before slowing to 2.66% in 2023 and 2.06% in 2024. The general price trends are more adverse, with a worsening of the overall situation, resulting in a year-end CPI of 8.72%, which would ease in the following years but less markedly than in the baseline scenario.

  Interest rates are projected to rise throughout the year, though to a lesser extent than in the baseline scenario, with a similar rise in the 10-year bond.

- Optimistic scenario: This scenario assumes a more buoyant economy and a smaller impact of the general geopolitical situation.

Specifically, GDP growth is projected to be 5.28% in 2022 before slowing to 3.69% in 2023 and 2.85% in 2024. The trend in general price levels is assumed to be more favourable, with a more successful adaptation to the general situation, resulting in a year-end 2022 CPI of 5.22%, with an easing in the following years, as in the other scenarios, but more pronounced than in the baseline scenario in this case.

Interest rates are likewise projected to rise throughout the year, but to a greater degree than in the baseline scenario, accompanied by a similar rise in the 10-year bond.

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

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

Where:

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

It is worth noting that the contractual repayment schedule for each transaction is also used to calculate lifetime expected credit losses for exposures classified in Stage 2.

The Group has methodologies for backtesting or comparing the losses estimated using the internal models and actual losses. If any material differences are detected using these methodologies, they are modified internally to ensure the best possible estimates are generated. Testing in 2022 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 non-performing exposures

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

Country risk

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

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

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

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

Collateral and guarantees

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

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

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

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

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

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

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

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

Real estate assets foreclosed or received in payment of debt

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

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

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

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

3.4. Hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Market: certain structured liabilities for which the remuneration is linked to index performance.

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

3.5. Transfers and derecognition of financial assets

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

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

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

- When, even if the risks and rewards are neither substantially transferred nor retained, control over the financial asset is transferred following an evaluation of the risks and rewards as described below.

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

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

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

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

- If 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 that are neither deeply in nor deeply out of the money, securitisations of assets where the assignor assumes subordinate financing or any other kind of credit enhancement for a part of the asset transferred, a distinction is made between the following:

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

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

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

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

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

3.6. Financial guarantees, loan commitments and other commitments given

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

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

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

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

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

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

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

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

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

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

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

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

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

If the carrying amount of the assets exceeds their fair value less estimated costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to “Profit or (-) loss from non-current assets and disposal groups classified as 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 and disposal groups classified as held for sale not qualifying as discontinued operations” on the consolidated statement of profit or loss.

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

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

Assets foreclosed or received in payment of debt

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

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

3.8. Tangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital expenditures on 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 future increases in their respective market prices.

3.9. Intangible assets

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

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

Computer software acquired

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

Computer software developed internally

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

Administrative concessions

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

Goodwill

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

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

- If they are attributable to specific assets and liabilities of the entities acquired, they are assigned by increasing the value of the assets or reducing the value of the liabilities, the market value of which is higher or lower, respectively, than the carrying amounts in their consolidated balance sheets and whose accounting treatment is similar to that of the Group's same assets and liabilities, respectively.

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

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

At each accounting close the Group tests goodwill for any impairment that may have reduced its recoverable amount to below the carrying amount. In this case, goodwill is written down and a balancing entry is made in the heading "Impairment or (-) reversal of impairment on non-financial assets – Intangible assets" on the consolidated statement of profit or loss.

Impairment losses on goodwill cannot subsequently be reversed.

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

- If they are attributable to specific assets and liabilities of the entities acquired, they are assigned by increasing the value of the liabilities or reducing the value of the assets, the market value of which is higher or lower, respectively, than the carrying amounts in their consolidated balance sheets and the accounting treatment of which is similar to that of the Group's same liabilities and assets, respectively.

- The remaining amounts that cannot be allocated are recorded under "Negative goodwill recognised in profit or loss" on the consolidated statement of profit or loss for the year in which capital is acquired.

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

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

At 31 December 2022, the Group had intangible assets with an indefinite useful life corresponding to goodwill arising on business combinations following the incorporation into the scope of consolidation of the companies FV La Cañada de Tabernas, S.L.U. and FV Turrillas Matanegra, S.L.U. (Note 13).

3.10. Leases

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

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

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

- **Finance leases**

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

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

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

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

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

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

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

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

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

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

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

a) The fair value of the leased asset, or

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

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

- **Operating leases**

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

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

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

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- Variable lease payments that depend on an index or a rate;

- Amounts expected to be payable by the lessee under residual value guarantees;

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

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

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

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

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

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

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

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

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

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

3.11. Foreign currency transactions

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

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

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

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

3.12. Other provisions and contingent liabilities

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

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

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

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

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

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

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

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

At 31 December 2022 and 31 December 2021, a number of legal proceedings and claims had been initiated against the Group, arising in the ordinary course of business. The Bank's legal advisors and its directors understand that the outcome of these proceedings and claims will not have a significant effect, in excess of any provision recognised, on the consolidated annual accounts for the years in which they are concluded (Notes 14.3 and 14.4).

3.13. Education and Development Fund

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

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

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

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

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

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

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

3.14. Exchanges of assets

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

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

3.15. Minimum capital requirement

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

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

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

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

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

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

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

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

- Pillar II defining the procedures for internal capital adequacy self-assessments and supervision.
- Pillar III setting out the procedures for reporting to the market.

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

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

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

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

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

3.16. Fees

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

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

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

3.17. Deposit Guarantee Fund

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

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

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

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

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

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

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

The Management Committee of the Deposit Guarantee Fund for Credit Institutions has determined the annual contributions to be made by fund members for 2022, as provided for in article 6 of Royal Decree-Law 16/2011, of 14 October 2011, and article 3 of Royal Decree 2606/1996, of 20 December 1996, on deposit guarantee funds for credit institutions, as follows:

- Annual contribution to the deposit guarantee compartment equal to 1.75 per mil of the calculation base, comprising the monetary deposits secured in accordance with article 3.2.a) of the aforesaid Royal Decree and existing at 31 December 2021, calculated on the basis of the amount of secured deposits and their risk profile.

- Annual contribution to the securities guarantee compartment equal to 2 per mil of the calculation base comprising, as explained above, 5% of the value of covered securities defined in accordance with article 3.2.b) of the aforementioned Royal Decree and existing at 31 December 2022, 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 2023.

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

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

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

In 2022 and 2021, the expense incurred in respect of contributions by the Group to the Fund is recognised under "Other operating expenses – Contribution to the Deposit Guarantee Fund" on the accompanying consolidated statement of profit or loss (Note 26).

3.18. Income tax

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

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

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

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

Grupo Cooperativo Cajamar entities applied the following tax rates at 31 December 2022 and 31 December 2021: the Bank and the non-financial corporations forming part of its tax consolidation group apply a rate of 30%; the Credit Cooperatives apply a rate of 25% for cooperative profits and a rate of 30% for non-cooperative profits; and the other non-financial corporations apply a rate of 25%.

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 a period of no more than 20 years (currently no tax statute of limitations).

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

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

3.19. Recognition of income and expenses

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

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

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

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

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

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

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

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

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

3.20. Staff expenses and post-employment remuneration

Short-term remuneration

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

Post-employment benefits

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

- Defined contribution plan

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

- Defined benefit plan

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

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

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

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

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

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

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

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

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

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

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

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

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

Other long-term employee benefits

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

Termination benefits

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

Pension commitments entered into by the Group

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

The employees of the Parent and Cajamar are covered by a pension plan governed by the Regulation dated 23 December 1993, adapted to Act 8/1987 on the Regulation of Pension Plans and Funds, called “Fondo Cajamar VI, Fondo de Pensiones”, with Cajamar Vida, S.A. de Seguros y Reaseguros as the management company and Cajamar as the custodian of the fund.

The plan was created in 2014 through the transformation of Cajamar's pension plan into a multi-employer pension plan for both the Savings Bank and Banco de Crédito Social Cooperativo, and a group of participants subrogated to that plan as a result of the transfer of Cajamar's Central Services to the Bank.

Since 1 January 2016 the rest of the savings banks pertaining to the Group have joined the pension plan and therefore it was transformed into a multi-employer pension plan with 20 co-sponsors.

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

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

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

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

- A top-up over the widow(er)s' 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 (€24.83 thousand), workplace accident (€49.65 thousand) or certified major disability (€107.45 thousand) for all Group employees.

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

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

At 31 December 2022, the Group had not entered into commitments in respect of terminations other than those provided for in the Plan.

At 31 December 2022 and 2021, actuarial studies have been carried out relating to the coverage of the main post-employment benefit obligations, using the projected unit credit calculation method. The main assumptions used in the actuarial studies, for serving, retired and early-retired personnel, are as follows:

Actuarial assumptions used by Grupo Cooperativo Cajamar	2022		2021	
	Active employees	Early retirees (*)	Active employees	Early retirees (*)
Mortality tables	PER2020 1st order	PER2020 1st order	PER2020 1st order	PER2020 1st order
Disability tables (only for risk benefits)	Not applicable	Not applicable	Not applicable	Not applicable
Retirement age				
Pension plan	Earliest age	Earliest age	Earliest age	Earliest age
Bank collective	Earliest age	Earliest age	Earliest age	Earliest age
Technical annual effective interest rate:		3.10%		0.00%
Assets (retirement benefits)	3.54%	-	1.33%	-
Pensioners (immediate benefits)	3.50%	-	1.01%	-
Length of service award	3.51%	-	1.05%	-
Asset yield:		0.00%		0.00%
Assets (retirement benefits)	3.54%	-	1.33%	-
Pensioners (immediate benefits)	3.50%	-	1.01%	-
Length of service award	3.51%	-	1.05%	-
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	-	37.9	-
Annual revaluation of the maximum monthly social security pension (**)	2.00%	-	2.00%	-
Annual increases in the social security contribution bases (**)	2.00%	-	2.00%	-

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

The expected yield from plan assets is as follows:

	Expected yield from the assets	
	2022	2021
Assets (retirement benefits)	3.54%	1.33%
Pensioners (immediate benefits)	3.50%	1.01%
Length of service award	3.51%	1.05%

The values of pension obligations and other long-term employee benefits could be affected if the main actuarial assumptions considered were to change. In a scenario where the discount interest rate fluctuates by +/- 25 basis points, the present value of the Group's post-employment obligations could vary by -2.48% and 2.58%, respectively. However, these variations would be partially offset by increases of 2.71% or decreases of -2.57%, respectively, in the fair value of the assets and pension-related insurance policies. This same scenario would give rise to a +/-0.25% change in other long-term employee benefits.

3.21. Off-balance sheet customer deposits

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

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

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

3.22. Consolidated cash flow statement

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

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

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

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

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

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

3.23. Business combinations

Pursuant to IFRS as adopted by the EU (IFRS-EU) and taking into account 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 economic units within a single entity or group of entities that may occur as the result of the acquisition of:

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

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

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

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

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

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

- The acquiring company will include in its consolidated financial statements the assets, liabilities and contingent liabilities of the acquired company, including intangible assets not recognised by the latter, which on that date meet the requirements to be recognised as such, measured at fair value calculated in accordance with the valuation criteria indicated in the Bank of Spain Circular 4/2017, of 27 November 2017.
- The cost of the business combination will be the sum of the fair value of the assets delivered, the liabilities incurred, and any equity instruments issued by the acquirer, together with any costs directly attributable to the business combination, such as fees paid to legal advisors and consultants to carry out the combination. Arrangement and issue costs for the financial liabilities and equity instruments are not included.
- The acquirer will compare the cost of the business combination with the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities recorded by the acquiree, and the difference resulting from this comparison will be recognised as follows:
  - When positive, as goodwill in assets, which will in no case be amortised, but rather will be tested for impairment on an annual basis as provided in Rule 30 of Bank of Spain Circular 4/2017, of 27 November 2017.
  - When negative, as income on the statement of profit or loss under “Negative differences on business combinations”, after verification of the fair values assigned to all of the assets, liabilities and contingent liabilities and the cost of the business combination.

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

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

3.24. Inventories

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

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

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

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

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

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

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

3.25. Insurance policies

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

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

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

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

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

3.26. Consolidated statement of changes in equity

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

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

Consolidated statement of recognised income and expenses

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

Statement of total changes in equity

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

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

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

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

3.27. Fair value of financial instruments

Fair value of financial assets

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

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

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

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

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

Fair value of financial liabilities

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

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

Measurement of financial instruments at fair value

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

Note 8.1 provides details of consolidated assets and liabilities at fair value forming part of the Group's financial instruments at 31 December 2022 and 31 December 2021, broken down by class of financial assets and liabilities and into the following levels:

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

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

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

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

Level 2 assets will include:

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

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

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

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

3.28. National Resolution Fund and Single Resolution Fund

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

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

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

Contributions are based on:

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

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

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

The expense for the ordinary contributions to the Single Resolution Fund of the Group is recognised in the item "Other operating expenses – Contribution to the Deposit Guarantee Fund" on the accompanying consolidated statement of profit or loss for 2022 and 2021 (Note 26).

Regarding contributions to the Single Resolution Fund, Regulation (EU) No 806/2014 of the European Parliament and of the Council allows the inclusion of 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.

4. Errors and changes in accounting estimates and policies

During 2022 and up to the date the consolidated annual accounts were authorised for issue, no errors were detected that, due to their materiality, had to be included in the consolidated annual accounts prepared by the Group's Board of Directors.

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

- The amount of the correction for each of the headings in the financial statements that are affected in each of the years presented for the purposes of comparison;
- The amount of the correction on the opening balance sheet in the earliest year for which information is presented; and
- The circumstances that make retroactive restatement impractical and a description of how and since when the error has been corrected.

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

5. Distribution of profit

The proposal for the distribution of the Parent's 2022 profits that the Group's Board of Directors will submit to the Annual General Meeting for approval, together with the final distribution approved for 2021, is as follows:

	Thousands of euros	
	2022	**2021**
Profit for the period	**13,997**	**18,690**
Distribution:		
Dividends	10,590	8,000
Supplementary dividend	-	8,000
Legal reserve	1,400	1,869
Other voluntary reserves	2,007	821
Total distributed	**13,997**	**18,690**

The proposal for 2021, and the subsequent distribution, was approved at the Group's Annual General Meeting on 28 April 2022.

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; (ii) the bodies responsible for these risk management and control duties; and (iv) the procedures in place for facilitating said management and control.

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

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

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

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

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

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

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

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

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

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

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

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

  In accordance with the Basel Committee's recommendations, the common measure that must be used to compare the size of credit risk assumed in each operation is the economic capital required in each case, i.e. the amount of capital that the entity must hold to cover its unforeseen losses.

  In order to reliably estimate economic capital and therefore guarantee the consistency principle, the Group requires:

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

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

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

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

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

  It delegates to its Executive Committee the approval of credit operations that cannot be resolved by subordinate bodies but must be resolved before the next Board meeting.

  The CEO has been delegated the authority to approve transactions raised by the Investment Committee and which, falling under the authority of the Board of Directors or the 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 principle means that the Board of Directors of the Parent defines the following outline for the approval of amendments to the Credit Risk Manual:

Part of the Manual affected by the amendment	Competent body	Procedure
Preamble	BCC's Board of Directors	On its own initiative, or at the proposal of the CEO
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

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

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

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

- **Regarding the risk acceptance policy:**
  - Diversification. The Group's credit portfolio must be suitably diversified and show the lowest possible degree of correlation with overall non-compliance.
  - Credit quality. Criteria for approving operations must depend basically on the borrower's capacity to fulfil financial obligations in due time and form, based on income from a business or habitual source of income. Nonetheless, personal or real property guarantees must be sought to secure recovery as a secondary course of action, when the primary procedure has failed.

- Operational security. Loans must be arranged through a secure procedure which guarantees that agreements concluded have full legal effect and faithfully reflect the applicable terms and conditions.

- Yields. Loans must have yields that match the inherent risk.

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

  - Relative importance. Actions to prevent loan losses must be graduated on the basis of the harm that could be caused to the Group's results by default, seeking a reasonable balance between the cost and benefits of the control procedure.

  - Anticipation. Actions to prevent loan losses must be implemented sufficiently in advance in order to assess and optimise management of loan recovery options.

- **Regarding the past due loan collection policy:**

  - Resolute management. A default situation must be managed in a resolute manner so as to regularise the loan, propose a restructuring of the debt or initiate a claim in or out of court as soon as possible.

  - Economic effectiveness. A court claim for debts is not always the best recovery route. On occasions it is preferable to accept payment proposals comprising the dation of assets or reductions and/or deferrals; in other cases, the amount owed or the debtor's limited solvency make other forms of collection management more advisable.

- **Regarding the policy for appraising and restating real property guarantees:**

  - Objective valuation. As price formation in property markets is clearly imperfect, guarantees based on such assets must be valued as objectively as possible, since this determines the correct and rational management of the secured credit risk.

  - Efficient restatement of appraisals. The value of properties securing loans must be restated periodically both to take credit risk management decisions and to correctly calculate impairment and capital for the purposes of regulatory compliance. Nonetheless, restatement procedures must be efficient in terms of both frequency and the instruments employed.

b) Parameters defining the credit policy

b.1) Credit risk concentration limits

As diversification is one of the criteria guiding credit risk acceptance, the Group has established a limits structure to guarantee diversification; limits become more conservative when certain levels defined by the Supervisor are reached. The limits are explained below:

- **Limits on concentration by segment, credit portfolio and credit sub-portfolio**

  The Group has defined a set of precise criteria for segmenting its credit operations, giving rise to 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 corporations under the auspices of the Central Admin	15%	6%
Public non-financial corporations under the auspices of other administratic	15%	6%
4. Social economy	**5%**	**8%**
5. Financial intermediaries	**5%**	**8%**

- **Limits on leveraged finance**

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

- **Limits on geographical concentration**

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

- **Limits on sovereign risk concentration**

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

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

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

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

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

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

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

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

System of powers for the approval of lending operations

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

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

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

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

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

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

  - Green Policy – Additional Risk Potential: there is scope for contracting further risk with the borrower.

  - Amber Policy – Hold / Secure Risk: transactions may be renewed and the current level of contract risk may be maintained.

  - Red Policy – Reduce Risk: the level of risk contracted with the borrower must be reduced, either by not renewing operations when they mature or by incorporating additional guarantees.

  - Grey Policy – Reduce with Default: the level of risk contracted with the borrower must be reduced, either by not renewing operations when they mature or by incorporating additional guarantees. Mainly due to holding positions that are significantly past due.

  - Black Policy – Extinguish / Recover Risk: the level of risk contracted with the borrower must be reduced or extinguished.

- Approve: The model concludes that there is an acceptable probability of default for the transaction and therefore recommends it be approved.
- Analyse: The model is not conclusive. Additional judgement is required before the transaction can be approved.
- Reject: The model concludes that the probability of default for the transaction is too high and therefore recommends it be rejected.

The limits of attributions of branches, areas and regions are adjusted depending on whether they are subject to model ratings, and in which case, the rating given to the customer and transaction. If a delegate body authorises 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 capital.
- 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 any of the following circumstances:

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

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

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

The Group does not contract hedges using sophisticated products such as credit derivatives, on the understanding that, given the tight limits structure and low concentration levels, the use of this type of products would not bring significant management improvements but would increase our operational, legal and counterparty 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 and current situation of the asset and meeting at least the following conditions:

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

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

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

Internal authorisation of appraisal companies

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

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

- Be entered in the Bank of Spain's Register of Appraisal Companies.

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

Valuation of properties for new risk acceptance

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

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

Update of the value of the property under guarantee

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

<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">Performing under special monitoring</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 (gross carrying amount greater than €0.3 million)</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">Rest (fair value greater than €0.3 million)</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

o Term:

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

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

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

o Settlement periods:

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

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

o Grace period:

Capital payment grace periods may be applied when:

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

4) It is a debt restructuring operation.

Capital and interest payment grace periods may be applied when:

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

Interest-only payment grace periods may be applied when:

1) It forms part of the design of a specific product approved by the Investment Committee /Non-performing Asset Committee.

b.5) Restructuring policy

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

Restructuring operations will observe the following policies in general:

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

Note 25.4 provides the required disclosures regarding refinanced and restructured transactions.

c) **Organisation of the risks, powers, responsibilities and delegation function. Risk unit reports Management tools and control procedures**

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, which may also delegate to lower bodies within their organisations.

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

c.1) Credit risk acceptance stage:

- **Bodies involved**

  - Bodies empowered to grant loans:

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

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

  - Analysis Centres Area, Special Financing Area, Major Borrowers Centre and Asset Contracts Area:

    These areas report to the Investments Division, and their functions are to (i) analyse, from a technical viewpoint, and report on the credit operation proposed by the Commercial Network; (ii) participate in decision-taking, forming part of the delegate bodies, and oversee compliance with established policy; (iii) manage loan arrangement, ensuring that agreements faithfully reflect the grant terms.

- **Organisation**

  - Special Financing Area:

    It engages in the analysis, approval and management of the admission of Grupo Cooperativo Cajamar's loan transactions that must be resolved by the Cooperative Bank's Board of Directors, its Executive Committee and the Investment Committee as a result of the authority delegated to those areas. It also performs the credit risk assessments requested by the General Investment Department.

  - Major Borrowers Area:

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

- Analysis Centres Area:

It engages in the management of the admission of Grupo Cooperativo Cajamar's loan transactions, ensuring that they are granted with the maximum credit quality in accordance with the authority delegated to it or raising them to higher bodies if the proposal exceeds its authority level. It is also responsible for formalising proposals in the terms indicated by the authorising body.

The area is divided into five offices to correctly fulfil its duties:

- Agro Analysis Centre: Analyse and report credit transactions in Portfolio 15 (Retail Agri-food) that must be resolved by the various bodies with authority delegated by Cajamar through the Business Offices and Committees.

- Corporate Analysis Centre: Analyse and report credit transactions related with the customer segment and transactions that the unit is responsible for analysing that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar to bodies higher than the Business Offices and Committees, excluding those that must be analysed by the Special Financing Centre.

- Overdraft and Working Capital Finance Analysis Centre: Analyse and approve proposed overdrafts, excess withdrawals and other exceptional items with respect to discounting facilities, foreign trade, confirming, factoring and C-19 that exceed the authority of the Business Offices and Committees for all of Cajamar Grupo Cooperativo or, if appropriate, inform BCC and/or Group Entities, to address these extraordinary customer requests such that the situation can be normalised and prevent them from reoccurring.

- Retail Analysis Centre: Operations corresponding to the residential mortgages portfolio, other household lending, auto-renewable loans, lending to small businesses and not-for-profit institutions outside the scope of special lending and large borrowers. Segmented operations in these customer portfolios with a turnover of up to €25 million and risk of under €5 million.

- 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 stage:

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

Monitoring of the credit risk is understood as the permanent classification of operations and customers in order to establish an individual action policy which strengthens credit recovery expectations in the event of default.

Responsibility for defining the evaluation systems and rating loans and customers is attributed to General Control Division, through the following organisational units and systems under the auspices of the Risk Control Division:

- Expert Analysis Area

  Comprising the following units:

  - **Individual analysis of credit loss allowances**: Its primary functions are to verify and, where applicable, propose the correct accounting classification and credit loss allowances for the Bank's significant exposures analysing each exposure.

    - Borrowers/groups with credit risk exposure > 0.5% of the Group's eligible capital.
    - Borrowers/groups with aggregate positions under special monitoring > 0.1% of the Group's eligible capital.
    - Borrowers/groups with aggregate positions that are non-performing > €2.5 million.
    - Transactions with no appreciable risk of default > €0.1 million.

  - ***Borrower control:*** Its main functions are to control compliance with policies concerning borrowers and risk groups, investees and related parties, define and review the early-warning based classification system and the monthly control of restructuring of arrears in payment and write-offs of non-performing assets; and to perform the necessary controls to ensure credit risk data is of the required quality.

- Real Estate and Credit Risk Control Area

  - ***Real Estate Risk Control:*** The main functions are to ensure policies concerning asset acquisitions and transfers of assets in lieu of payment are properly complied with, define the methods for revising the value of assets securing transactions ensuring they are updated on systems, and analyse fulfilment of the approval requirements for appraisal firms and control their performance.

  - ***Credit Risk Control:*** The main functions are to control concentration limits by Segment, Portfolio and Sub-portfolio, control general compliance with the credit policy and study the evolution of portfolio credit risk, identify and analyse the evolution of restructured credit, and verify that accounting and hedging criteria under prevailing legislation are correctly applied.

- Market risk control

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

- **Monitoring, measurement and control tools:**

  The main tools employed to monitor, measure and control credit risk are listed below:

  - Tracking and accounting classification models based on early warning systems.
  - Cecabank Risk and Treasury Platform (CITRIX): Application used to channel counterparty risk control.

- **Monitoring controls:**

  Information from the different credit rating models has been included in order to assign a credit policy to the customers assessed.

  The following credit policy options are defined:

  Green Policy – Additional Risk Potential: there is scope for contracting further risk with the borrower.

  Amber Policy – Hold / Secure Risk: transactions may be renewed and the current level of contract risk may be maintained.

  Red Policy – Reduce Risk: the level of risk contracted with the borrower must be reduced, either by not renewing operations when they mature or by incorporating additional guarantees.

  Grey Policy – Reduce with Default: the level of risk contracted with the borrower must be reduced, either by not renewing operations when they mature or by incorporating additional guarantees. Mainly due to holding positions that are significantly past due.

  Black Policy – Extinguish / Recover Risk: the level of risk contracted with the borrower must be reduced or extinguished

- Operation rating using operation monitoring models.

  Operations are grouped into four categories on the basis of default probabilities:

  Low risk: The loan is unlikely to become past due.

  Average risk: There is a certain likelihood of the loan becoming past due.

  High risk: The loan is quite likely to become past due.

  Very high risk: The loan is very likely to become past due.

- Rating of Significant Exposure borrowers.

  The Individual Analysis Office performs individual reviews of borrowers and risk groups to which exposure is significant.

- Monitoring of credit and counterparty risks relating to financial institutions.

  Daily checks are performed to ensure the credit risk limits for each counterparty are being adhered to. The ratings of financial counterparties are also monitored monthly and the lines of counterparty risk are comprehensively reviewed every year.

  Similarly, there is a daily control of the work of the treasury desk, especially concerning flows of collections and payments associated with each operation.

- Control over restructured loans

  The Risk Committee of the Parent's Board of Directors is informed of the performance of restructured credit on a regular basis.

c.3) Impaired asset recovery stage:

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

The recovery stage is performed mainly by three functional units:

- **<u>Regional Divisions</u>,** which have:
  - <u>Branches,</u> where the recovery of loan operations is initiated.
  - <u>Risk Managers,</u> whose role is to manage recovery in their areas of influence and to directly manage the most significant defaults.
  - <u>Non-performing Asset Teams</u> form part of BCC's Investments Division, providing support and coordination to territorial divisions and their Risk Managers, implementing policies on the restructuring and recovery of non-performing assets and ensuring the recovery process is as efficient as possible.

- **<u>Risk Recovery Area</u>**, whose mission is to control and provide guidance on compliance management across the Group, from the moment a breach is identified to restructuring or settlement of the position; and to support the Parent's General Investments Division in attaining its objectives regarding risk recovery, identifying available resources to achieve maximum efficiency, developing initiatives, actions and support to most effectively and inexpensively obtain recoveries by the Group.

- **<u>Foreclosed Assets Management</u>**, 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:

  - **<u>Monitoring and Control of Non-performing Assets</u>**, 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.
  - **<u>Judicial Foreclosure Management</u>**, whose mission is to control and monitor the servicer, Haya, and provide support in connection with Haya's requests and incidents encountered. It also manages enquiries from other units/departments concerning Haya and questions outside Haya's remit. It prepares regular progress reports on actions to recover unpaid, past-due loans at the pre-litigation and litigation stages.
  - **<u>Debt Recovery Accounting Management</u>**, whose function is to manage and record any exposures in arrears but not yet non-performing, non-performing exposures and those in default (in arrears for 120 days or less or borrower in a non-court bankruptcy situation) that are not being handled in-branch or by other organisational units, and the recording of accounting entries concerning asset purchases.
  - **<u>Past-due Debt Management</u>**, which carries out all action intended to control the projected and actual evolution of exposures in arrears but not yet non-performing, non-performing exposures and those in default, as well as to monitor such transactions (in arrears for 120 days or less or borrower in a non-court bankruptcy situation) on behalf of the Group.

- **Pre-litigation Case Management**, which monitors and supports the servicer, HAYA, to analyse 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 default, focusing its analysis on the best accounting outcome for our Group.

- **Non-performing Asset Teams**:

  The Teams comprise a separate Area, that does not report to the Risk Recovery Area in formal or operation terms. Their current functions are:

  - To exercise the Risk Recovery powers assigned to them in the Credit Risk Manual;
  - To support and advise their assigned territorial divisions and the Group's savings banks on the restructuring and recovery of risk;
  - To supervise and monitor the management of past-due loans by territorial divisions and the group members affiliated to their allocated territory.

- **Asset 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 Estate (HRE),** a company contracted to manage the pre-litigation and litigation cases of associates, receiving cases that have payments past due by more than 120 days. Its mission is to expedite litigation if seizable assets or rights are identified during its analysis. Alternatively, it may act through external specialist collection agencies in the case of non-performing transactions that given their amount or the lack of seizable collateral or rights may be open to recovery over the telephone.

- **Recovery management tools:**

  The Bank's recovery process is managed using a number of applications including:

  - Monthly Close Planning built into the Non-performing Asset Console so past-due and prudential provisioning of non-performing exposures can be managed consistently.
  - Past due loan management, so recovery can be managed from the first day of non-payment.
  - Overdraft management, providing information on overdrafts and overdrawn accounts from day one.
  - Management of past due loans in foreign lending operations.
  - Information on non-payments on credit cards.
  - Information on collateral and classifications.

- **Recovery controls:**

  Procedure manuals are in place describing actions to be taken by each body involved in management and in what time frame, modulating the involvement of higher bodies based on the default period and amount.

d) Responsible consumer loan and credit approval policies

In accordance with Article 29 of Act 2/2011, of 4 March, the Group's Credit Risk Manual includes responsible consumer loan and credit approval policies applied. The last version of this manual was published by the Parent's Board of Directors on 13 October 2022.

Specifically, Title 2 of the manual sets out the policies for approving transactions and for analysing the ability to pay, the terms, grace periods, settlement and collateral. The section of Title 4 on approval processes provides more detail of these policies and how they are implemented, stipulating in particular the general and specific guidelines for the structuring of transactions. One of these is responsible lending as per the aforesaid law.

6.3. Market and exchange rate risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic principles applicable to market and foreign exchange risks are as follows:

- The utilisation and holding of financial instruments quoted in official secondary markets must fulfil the following purposes:

  1) Compliance with supervisory and regulatory standards that require the holding of financial assets, such as liquidity ratios;

  2) Adequate management of liquidity and the funding structure; and/or

3) Diversification of the Group's income sources.

- Only the Parent may, in general, have exposure to market risk. However, when circumstances so dictate, and on an exceptional basis, the Parent may authorise any of the Group's entities or the consolidated group to be exposed to market risk.

- Financial instruments carrying market risk may only be acquired and held as part of the management of a "portfolio" the creation of which must be specifically authorised by the Parent's Executive Committee, which will establish each portfolio's investment policy and management objectives and, if applicable, will impose limits on value losses, value at risk and concentration. Where these limits are not necessary, the Executive Committee's resolution must be reasoned.

- Market risk exposures have different risk levels depending on the reason for holding the instruments carrying the risk, so that separate limits will be established based on the category in question. To this end, the portfolios referred to above will be included in one of the following categories:

  1) Not treated based on exposure to market risk.

     a) Fixed income classed as held to maturity in the accounts. As the securities included in this category will not be sold in the market but will be held until they are redeemed by the issuer, the predominant risk is the issuer credit risk; these securities must be treated as stipulated in the Group's Credit Risk Manual. Consequently, no limit is applied to the market risk arising from these investments.

     b) Institutional financial instruments, including shareholdings in Group entities and other financial instruments in respect of which the investment is made in response to the Group's operating needs and institutional obligations. For these exposures, which are indefinite in nature, no market risk limit is applied.

  2) Treated based on exposure to market risk, in line with the following principles:

     a) Liquid and listed financial instruments in which a position is taken in order to generate short-term gains, which are therefore included in a trading portfolio ("trading activity"). This portfolio must operate under the principles of diversification and moderate value at risk, in the terms of the Market Risk Manual.

     b) Financial instruments exposed to market risk that are not included in the above-mentioned categories.

  The financial instruments included in this category will be subject to the market risk exposure limits established in the Market Risk Manual.

- The above principles will not apply to instruments contracted for hedging purposes unrelated to the portfolio management referred to in the previous point.

- Foreign exchange risk limits will be adjusted to levels strictly necessary to facilitate customers' operating needs and the trading activity described in the previous point.

The following limits structure is applied to ensure that exposure to market and foreign exchange risks is at levels compatible with the basic principles referred to above:

  - Limit on trading positions. The sum of net positions in trading portfolios may not exceed 10% of eligible capital.

- Limit on VaR of trading positions. The value at risk (VaR) of positions held in trading portfolios may not at any time exceed 1% of eligible capital. To this end, one-day VaR will be used, with a 99% confidence threshold.

- Limit on the overall market risk position. The Group's net overall market risk position may not exceed 150% of eligible capital.

- Limit on VaR of positions subject to market risk. The value at risk (VaR) of positions exposed to market risk may not at any time exceed 2.59% of eligible capital. To this end, one-day VaR will be used, with a 99% confidence threshold.

- Limit on variations in the economic value of the fixed-income portfolio subject to market risk over a six-month time horizon. Decline in the economic value of the fixed-income portfolio subject to market risk over a six-month time horizon, using the interest rate curve discounted by the market at that moment, which must not exceed 10% of eligible capital.

- Limit on the overall currency position. The sum of the equivalent value in euros of currency positions, using absolute values, may not exceed 2.0% of eligible capital.

- Limit on the maximum position in an individual currency. The equivalent value in euros of the position in each currency, in absolute terms, may not exceed 1.50% of eligible capital.

- Limit on currency VaR. The value at risk of the currency position expressed in annual terms and at a 99% confidence level may not exceed 0.35% of eligible capital.

b) <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 the Cecabank Risk and Treasury Platform (CITRIX), which includes specialist front, middle and back-office tools, and applications to integrate and reconcile these.

6.4. Operational risk

- **Risk policy: limits, diversification and mitigation**

In the Operational Risk Management and Control Manual, the following are regulated: (i) the basic management and control principles; (ii) the scope of operation; (iii) the risk management cycle; (iv) the bodies tasked with management and control; and (v) the operational risk management and control tools.

The general principles of operational risk management and control that must be observed in all related activities are as follows:

- Principle of accountability: Senior management and the governing bodies are responsible for designing and transmitting the values, basic principles and policies of management. They are ultimately responsible for the Group’s operational risks.

- Principle of functional independence: In order to establish the effective management of the operational risk, there must be autonomy in decision taking with respect to the persons and departments directly affected by this risk.

- Principle of unity, according to which there must be consistency in policies, processes, procedures and tools. As a result, the concept of operational risk has been accurately defined and its definition is known and adopted by all those involved. The Operational Risk Control Office was set up and a network of Operational Risk Coordinators was defined with specific and concrete functions in order to extend this principle to each of the areas and offices affected by this risk.

- Principle of transparency. In light of the need for a corporate culture of operational risk, it is necessary to establish appropriate disclosure of the actions performed to manage this risk at both internal and external level, ensuring that the organisation and market players are able to know and assess the Group’s operational risk approach.

- Principle of adapting to change. Due to the ongoing changes in the regulation and management of credit institutions, the need is established for the bodies responsible for operational risk control to analyse specifically (i) the operational risk profile of new products, processes, systems and lines of business, (ii) the change in the overall risk profile resulting from acquisitions, mergers or integrations and (iii) the operational risk inherent in regulatory amendments.

- Principle of assurance. Group entities should cover their operational risk through insurance contracts, the establishment of a self-insurance fund or through the combination of both systems. The Parent is ultimately responsible for these decisions.

The fundamental objectives of operational risk management and control are listed below:

- Identify events that could cause a loss.

- Define appropriate controls to avoid losses.

- Measure the capital necessary to cover operational risk.

- Prepare periodic reports on exposure to operational losses.

In order to achieve these objectives, a five-phase management cycle has been defined: identification, evaluation, monitoring, measurement and mitigation.

GCC's operational risk model has three lines of defence:

1. First line of defence: Business and support units.
These are charged with managing the operational risk associated with the Bank's products, activities, processes and systems.
2. Second line of defence: Operational Risk Control Office.
This office is responsible for designing and maintaining the Group's operational risk management model and checking that it is applied correctly by the various units.
3. Third line of defence: GCC's Internal Audit team.
This team is charged with performing an independent review of the management model, ensuring that existing corporate policies are adhered to and are effective.

The scope of application of the management cycle is the entire organisation, through all levels, such that it is applied to all risks entailing material exposure. The only exceptions are those areas, departments or processes where there is no material exposure to operational risk.

In order to assure this level of implementation, an analysis should be included of all the Group's credit institutions and special vehicle companies.

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

Senior management and the governing bodies are responsible for designing and transmitting operational risk values, basic principles and management policies and are ultimately responsible for the Group's operational risks.

The following bodies have responsibilities relating to operational risk management and control:

- Risk Committee
- Risk Monitoring Committee
- Risk Control Division
- Operational Risk Control
- Coordinator Network
- General Internal Audit Division

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

The Bank has the necessary tools to manage and measure operational risk adequately and fully, especially the following management modules:

- Loss database: Historical depth of over five years.
- Risk and self-assessment map: Qualitative evaluation of risks affecting each area (departments and branch network) and mitigating controls in place.
- KRIs: Key risk indicators or operational risk indicators.
- Action plans and proposals for improvement.

For the calculation of capital consumption caused by operational risk, the necessary automatic procedures have been developed to allocate relevant income by business line, so as to calculate capital requirements under the standard approach of operational risk.

Grupo Cooperativo Cajamar takes part in external forums, benchmarking processes and working groups with other entities in the sector (Spanish Operational Risk Consortium (CERO)), in order to provide comparative event losses data, find out about best practices applied and implement standard criteria.

The Operational Risk Control Office has defined and periodically runs a raft of operational risk stress scenarios that incorporate the main factors found to affect exposure to this risk.

The operational risk stress scenarios are subject to the rules set out in the Group's stress test framework governance manual.

6.5. Interest rate risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic interest rate risk principles contained in the Guide are as follows:

- The Group must apply a commercial and financial policy of minimal exposure to interest rate risk.
- Despite this principle, since the mere evolution of the market interest rate curve could place the Group on undesired exposure levels, a system of powers must be established to determine whether to maintain the exposure reached or take measures to reduce it.
- Only structural balance sheet positions are considered when calculating interest rate risk, and therefore trading positions are excluded.

In order to ensure compliance with the principles, the following limits structure is in place:

- Limits on economic value, which dictate that the sensitivity of economic value may not exceed -20% of eligible capital, or of economic value, when rates rise or fall by 200 basis points (instantaneous and parallel movements). The sensitivity of economic value cannot exceed -15% of Tier 1 Capital in any of the six scenarios defined in the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02).
- Limits on net interest income. The following internal limits are set:
    - The sensitivity of 12-month net interest income to 200 basis-point increases and decreases cannot exceed 30% of 12-month net interest income in the baseline scenario (implicit interest rates).
    - Faculties to resolve against certain exposure levels. An indicator of exposure to interest rate risk is assessed, which measures the relative variation in the 12-month interest margin to a gradual +/-100 basis-point fluctuation in the interest rate curve, discounted by the market. This indicator determines which authorised body is responsible for deciding whether to retain an existing position or take measures to reduce exposure to interest rate risk:
        - Reduction in net interest income of between 5% and 10%: Assets and Liabilities Committee.
        - Reduction in net interest income of over 10%: Executive Committee.

- Limit on products showing significant exposure, whereby investments and financing for terms of over 40 months must be arranged at variable interest rates. Exceptions must be authorised by the Assets and Liabilities Committee (ALCO) after their impact on exposure to interest rate risk has been examined.

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

The bodies responsible for managing and controlling liquidity and interest rate risk are defined in the Balance Sheet Risks Manual, as follows:

- Executive Committee
- Risk Committee
- Chief Executive Officer
- Assets and Liabilities Committee (ALCO)
- Treasury and Capital Markets Division
- Risk Control Division. Market Risk Control
- Investor Relations and Balance Sheet Management
- Accounting Operations, Securities and Cash Management
- General Internal Audit Division

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

The Group manages interest rate risk using a specific tool (Quantitative Risk Research's QALM), which generates interest rate risk statements and all kinds of static and dynamic analyses to evaluate the impact of trends in different interest rate scenarios.

The Group manages interest rate risk at a consolidated level, and has risk levels that are below the limits stipulated in both regulations. The sensitivity analysis performed by the Group from a "Net interest income perspective" and from an "Economic value perspective" is presented below:

<u>Net interest income perspective:</u>

The sensitivity of net interest income is analysed from a dynamic point of view, maintaining the size and structure of the balance sheet, as a result of the impact resulting from various scenarios of interest rate changes. A 100 basis-point increase (1%) in interest rates, assuming that the size and structure of the balance sheet remains the same, would have an impact on net interest income over a one-year horizon of 2.60% (8.76% in 2021).

<u>Economic value perspective:</u>

Future cash flows are discounted to obtain an approximation of the Bank's present value, paying special attention to the repricing of equity figures and the effect of various options. As a result of the analysis, the impact on the Bank's economic value in the event of an instant 100 basis-point increase (1%) in interest rates would be -0.33% (-1.86% in 2021).

Analysis of interest rate risk from the point of view of economic value at 31 December 2022 and 31 December 2021

The following tables show the analysis of interest rate risk that affects the Group's financial activity at 31 December 2022 and 31 December 2021:

	Thousands of euros									
2022	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 and 12 months**	**Over 12 months**	**Total sensitive**	**Sensitivity (1 bp variance)**	**Term**	**Not sensitive**	**Total**
Assets										
Money market	3,641,751	-	10,000	-	60,000	3,711,751	63	0.17%	-	3,711,751
Credit market	4,658,042	5,420,320	7,575,467	10,094,815	7,100,327	34,848,971	4,820	1.38%	1,407,185	36,256,156
Capital markets	1,855,392	6,857,972	5,044,142	1,172,861	6,425,333	21,355,700	4,704	2.20%	547,272	21,902,972
Other assets	-	-	-	-	-	-	-	-	3,495,619	3,495,619
	10,155,185	**12,278,292**	**12,629,609**	**11,267,676**	**13,585,660**	**59,916,422**	**9,587**	**1.62%**	**5,450,076**	**65,366,498**
Liabilities										
Money market	10,174,536	780,192	66,815	55,600	364,300	11,441,443	172	0.15%	-	11,441,443
Medium and long-term issues	326,859	722,757	1,223,885	1,200,376	1,899,886	5,373,763	836	1.56%	-	5,373,763
Other liabilities	-	-	-	-	-	-	-	-	8,428,306	8,428,306
Payables	14,705,865	1,805,285	2,161,585	2,814,224	18,636,027	40,122,986	9,468	2.36%	-	40,122,986
	25,207,260	**3,308,234**	**3,452,285**	**4,070,200**	**20,900,213**	**56,938,192**	**10,476**	**1.81%**	**8,428,306**	**65,366,498**
Gap	**(15,052,075)**	**8,970,058**	**9,177,324**	**7,197,476**	**(7,314,553)**	**2,978,230**	**(889)**	**(0.19%)**	**(2,978,230)**	
Gap/Assets (%)	**(23.03%)**	**13.72%**	**14.04%**	**11.01%**	**(11.19%)**	**4.56%**				

	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%)**				

Note: the figures in the table above correspond to assets and liabilities analysed by the Balance Sheet Management area. In the case of securitisations with no swap, the outstanding balance and initial characteristics of securitised assets are shown under assets. Securitisation bonds acquired by the bank are also recognised under "Capital markets", while on the liabilities side, a liability is booked under "Medium and long-term issues" with the repricing structure of the securitised assets and with the same balance as these securitised assets.

As per Rule 50.4 of Bank of Spain Circular 2/2016 (with the one-off amendments established in Bank of Spain Circular 3/2022), completing the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No. 575/2013, institutions must regularly assess what effect interest rate risk may have on their future stability and solvency, especially when the potential impact of interest rate fluctuations on economic value is negative and results in more than a 20% reduction in an institution's economic value or its own funds.

The EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) also establishes the need to assess six interest rate shock scenarios. This change in value must not reduce TIER 1 capital by more than 15%.

Internal operations, the method used to manage assets and liabilities, the type of information and the criteria applied are covered by the Assets and Liabilities Procedures Committee Manual for the Group approved by the ALCO, and in the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual.

6.6. Liquidity risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk, the Interest Rate, Liquidity, Exchange Rate and Market Risk Manual addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iii) the procedures for calculating exposure and the related limits; (v) the liquidity contingency plan; and (vi) the risk management and control reports.

The basic principles regarding the management of liquidity risk, which are included in this manual, are:

- The Group must maintain a level of liquid assets that is sufficient to attend to the closest maturities of liabilities.
- The Group must finance loan investments mainly using retail resources, and making the use of wholesale financing remain within prudent limits.
- The Group must maintain an adequate diversification of the maturity dates relating to wholesale financing, so it will establish limits for short-term wholesale financing, and control the maturity dates of those maturing at long term regarding any new emission.
- The Group must maintain an adequate reserve of assets that may be easily converted to cash.
- The Group must actively manage its intraday liquidity risk using tools to monitor daily incomings and outgoings.
- The Group must have defined and implemented a Liquidity Contingency Plan that foresees the action to be taken in the event of liquidity crisis situations deriving from both internal and external causes.
- The Group should have defined a set of relevant stress scenarios and periodically assess the levels of risk associated with each.
- The asset securitisation market will not be one of the entity's business lines. Issuances on this market will only be permitted in relation to prudent liquidity management, principally to generate valid collateral within the scope of application of the European Monetary Policy.

The following limits structure is applied to ensure that liquidity risk exposure is compatible with the basic principles referred to above:

- Short-term liquidity risk limits:
  - Daily liquidity limit. The liquidity for immediate use by the Group at the start of business, adjusted for the expected movement of funds, should be sufficient to cover any unexpected outflow of funds on a working day with a confidence level of 99%.
  - Liquidity profile ratio (LPR) limit. The Group's effective liquidity, i.e. liquid assets minus callable liabilities derived from wholesale financing, in a six-month time horizon, may not fall below 4% of the total of customer funds and contingent liabilities. This limit must be fulfilled on a weekly average basis.
  - Guarantees limit available in the discountable assets portfolio. Grupo Cooperativo Cajamar must at all time keep discountable assets available to the European Central Bank with a cash value of at least €1,500 million.

- Limit on dependence on wholesale financing. Wholesale financing may not exceed 20% of loans and receivables.

- Limits on short-term wholesale financing. Net wholesale financing falling due in six months or less may not exceed the lower of the following amounts:

  - Overall cash value of the portfolio of discountable assets at the European Central Bank.

  - 30% of total wholesale financing.

- Limit applicable to the eligible mortgage portfolio. The outstanding balance of mortgage covered securities issued by the Group may not exceed 65% of the eligible mortgage portfolio.

- Limits on adjustments to maturities of long-term wholesale financing. At least 100% of any negative liquidity gaps arising from differences between liquidity outflows due to the expiration of wholesale funding instruments and liquidity inflows from the expiration of wholesale investment instruments, over the life of the financing plan in place, must be covered using the Group's potential sources of liquidity at the evaluation date.

This raft of internal limits supplements the regulatory liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

- The LCR is intended to ensure credit institutions retain an adequate level of available high-quality liquid assets (HQLA) that can be converted into cash to meet liquidity needs for a 30 calendar day critical liquidity stress scenario.

  At 31 December 2022 the Group's ratio stood at 148.82% (comfortably above the regulatory level of 100%), while the annual average was around 181.45% (230.65% at 31 December 2021).

- 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 2022 the Group's ratio stood at 128.50% (comfortably above the regulatory level of 100%), while the annual average was around 137.0% (134.53% at 31 December 2021).

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

The bodies responsible for liquidity and interest rate risk management and control are the same bodies described in the point on interest rate risk.

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

The tools used to measure, control and monitor this risk are:

- The Cecabank Risk and Treasury Platform (CITRIX), which includes specialist front, middle and back-office tools, and applications to integrate and reconcile these.
- Bloomberg screens.
- The application QALM, Quantitative Risk Research (QRR).
- The Group's core banking operational applications.

7. Cash, cash balances at central banks and other on demand deposits

The details of this heading on the accompanying consolidated balance sheets at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Cash	354,148	322,778
Cash balances at central banks	3,120,792	4,634,617
Other demand deposits	37,838	20,735
Total	**3,512,778**	**4,978,130**

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 2022 and 2021.

8. Financial instruments

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

Details of the carrying amount of the financial assets owned by the Group at 31 December 2022 and 31 December 2021, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros				
	2022				
	Financial Assets held for trading	**Non-trading Financial Assets mandatorily at fair value through profit or loss**	**Financial Assets designated at fair value through profit or loss**	**Financial Assets at fair value through other comprehensive income**	**Financial Assets at amortised cost**
Financial Assets: Nature/Category					
Derivatives	2,057	-	-	-	-
Equity instruments	-	2,312	-	137,494	-
Debt securities	-	40,000	-	1,521,208	13,974,672
Loans and advances:	-	427,525	-	-	36,396,826
Credit Institutions	-	-	-	-	568,193
Customers	-	427,525	-	-	35,828,633
Total	**2,057**	**469,837**	**-**	**1,658,702**	**50,371,498**
	2021				
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
Credit Institutions	-	-	-	-	153,432
Customers	-	349,683	-	-	33,808,876
Total	**1,131**	**462,547**	**-**	**570,206**	**48,561,611**

	Thousands of euros		
	2022		
	Financial Liabilities held for trading	Financial Liabilities designated at fair value through profit or loss	Financial Liabilities at amortised cost
Financial Liabilities: Nature/Category			
Derivatives	2,021	-	-
Short positions	-	-	-
Deposits:			
Central Banks	-	-	6,639,329
Credit Institutions	-	-	2,138,765
Customers	-	-	43,153,333
Debt securities issued	-	-	2,053,191
Other Financial Liabilities	-	-	3,711,635
Total	**2,021**	**-**	**57,696,253**
	2021		
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**

The fair value of the Group's financial assets and liabilities by nature and counterparty at 31December 2022 and 31 December 2021 is as follows (Note 3.27):

	Thousands of Euros									
2022			Fair value hierarchy:			Change in fair value in the year		Accumulated change in fair value before taxes		
	Balance	*Of which: Securities 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)	**2,057**	**2,057**	**-**	**2,057**	**-**	**110,480**	**-**	**-**	**(109,977)**	**-**
Derivatives	2,057	2,057	-	2,057	-	110,480	-	-	(109,977)	-
Financial assets held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-trading financial assets mandatorily at fair value through profit or loss	**469,837**	**469,837**	**32,075**	**7,925**	**429,837**	**(278)**	**(1,430)**	**(7,100)**	**(714)**	**283**
Equity instruments	2,312	2,312	-	-	2,312	-	(1,308)	-	-	1,450
Debt securities	40,000	40,000	32,075	7,925	-	(278)	(123)	(7,100)	(714)	(1,167)
Loans and advances	427,525	427,525	-	-	427,525	-	-	-	-	-
Financial assets designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 8.5)	**1,658,702**	**1,658,702**	**1,525,382**	**147**	**133,173**	**-**	**2,144**	**(38,527)**	**-**	**(27,843)**
Equity instruments	137,494	137,494	13,948	-	123,546	-	2,818	(1,365)	-	(14,237)
Debt securities	1,521,208	1,521,208	1,511,434	147	9,627	-	(674)	(37,162)	-	(13,605)
Non-trading and non-derivative financial assets at fair value through profit or loss	-		-	-	-	-	-	-	-	-
Non-trading and non-derivative financial assets carried at fair value in equity	-		-	-	-	-	-	-	-	-
Derivatives – Hedge accounting (Note 9)	**3,238,076**	**3,238,076**	**-**	**3,238,076**	**-**	**1,356,847**	**-**	**-**	**1,549,026**	**-**
ASSETS	**5,368,672**	**5,368,672**	**1,557,457**	**3,248,205**	**563,010**	**1,467,049**	**714**	**(45,627)**	**1,438,335**	**(27,560)**
Financial liabilities held for trading (Note 8.2)	**2,021**	**2,021**	**-**	**2,021**	**-**	**(110,371)**	**-**	**-**	**(116,680)**	**-**
Derivatives	2,021	2,021	-	2,021	-	(110,371)	-	-	(116,680)	-
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities designated at fair value through profit or loss (Note 8.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – Hedge accounting (Note 9)	**146,774**	**146,774**	**-**	**146,774**	**-**	**-**	**-**	**-**	**-**	**-**
LIABILITIES	**148,795**	**148,795**	**-**	**148,795**	**-**	**(110,371)**	**-**	**-**	**(116,680)**	**-**

	Thousands of Euros									
2021			**Fair value hierarchy:**			**Change in fair value in the year**		**Accumulated change in fair value before taxes**		
	Balance	*Of which: Securities at fair value*	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets held for trading (Note 8.2)	**1,131**	**1,131**	**-**	**1,131**	**-**	**58,272**	**-**	**-**	**1,614**	**-**
Derivatives	1,131	1,131	-	1,131	-	58,272	-	-	1,614	-
Financial assets held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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)	1	-	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	1	(17,395)
Debt securities	438,952	438,952	427,562	214	11,176	-	(6,211)	5,345	-	(12,931)
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)	-
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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)**	**-**

There were no material changes in terms of reclassification between the various levels of the fair value hierarchy in 2022 and 2021.

A breakdown of financial instruments by time left to maturity at 31 December 2022 and 31 December 2021 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:

2022

	Thousands of euros									
ASSETS	**Demand**	**Up to 1 months**	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Indeterminate, unclassified maturity**	**Valuation adjustments**	**Total**
Cash, cash balances at central banks and other on demand deposits	**3,512,243**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**535**	**3,512,778**
Financial assets held for trading	**-**	**-**	**-**	**7**	**626**	**1,424**	**-**	**-**	**-**	**2,057**
Derivatives	-	-	-	7	626	1,424	-	-	-	2,057
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**467,525**	**2,312**	**-**	**469,837**
Equity instruments	-	-	-	-	-	-	-	2,312	-	2,312
Debt securities	-	-	-	-	-	-	40,000	-	-	40,000
Loans and advances	-	-	-	-	-	-	427,525	-	-	427,525
Customers	-	-	-	-	-	-	427,525	-	-	427,525
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	**-**	**299,829**	**-**	**496,155**	**-**	**628,591**	**99,689**	**137,494**	**(3,056)**	**1,658,702**
Equity instruments	-	-	-	-	-	-	-	137,494	-	137,494
Debt securities	-	299,829	-	496,155	-	628,591	99,689	-	(3,056)	1,521,208
Financial assets at amortised cost	**505,981**	**949,951**	**1,402,455**	**3,583,675**	**3,678,902**	**13,173,778**	**27,154,429**	**1,813,265**	**(1,890,938)**	**50,371,498**
Debt securities	-	-	15,478	1,745,954	504,583	1,549,091	11,571,592	-	(1,412,026)	13,974,672
Loans and advances	505,981	949,951	1,386,977	1,837,721	3,174,319	11,624,687	15,582,837	1,813,265	(478,912)	36,396,826
Credit institutions	-	58,211	-	-	-	10,000	60,004	426,277	13,701	568,193
Customers	505,981	891,740	1,386,977	1,837,721	3,174,319	11,614,687	15,522,833	1,386,988	(492,613)	35,828,633
TOTAL	**4,018,224**	**1,249,780**	**1,402,455**	**4,079,837**	**3,679,528**	**13,803,793**	**27,721,643**	**1,953,071**	**(1,893,459)**	**56,014,872**
LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities held for trading	**-**	**-**	**-**	**5**	**642**	**1,374**	**-**	**-**	**-**	**2,021**
Derivatives	-	-	-	5	642	1,374	-	-	-	2,021
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	**36,844,313**	**7,366,210**	**1,508,439**	**7,048,961**	**1,092,656**	**1,993,942**	**1,556,305**	**378,316**	**(92,889)**	**57,696,253**
Deposits	36,844,313	4,028,189	1,508,439	6,613,766	1,092,656	1,495,192	462,396	4,702	(118,226)	51,931,427
Central banks	-	-	-	5,816,000	-	949,000	-	-	(125,671)	6,639,329
Credit institutions	69,964	1,039,342	497,021	31,166	62,520	329,293	102,862	3,900	2,697	2,138,765
Customers	36,774,349	2,988,847	1,011,418	766,600	1,030,136	216,899	359,534	802	4,748	43,153,333
Debt securities issued	-	-	-	435,195	-	498,750	1,093,909	-	25,337	2,053,191
Other financial liabilities	-	3,338,021	-	-	-	-	-	373,614	-	3,711,635
Memorandum: subordinated liabilities	-	-	-	-	-	-	597,654	-	2,797	600,451
TOTAL	**36,844,313**	**7,366,210**	**1,508,439**	**7,048,966**	**1,093,298**	**1,995,316**	**1,556,305**	**378,316**	**(92,889)**	**57,698,274**

2021

	Thousands of euros									
ASSETS	**Demand**	**Up to 1 months**	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Indeterminate, unclassified maturity**	**Valuation adjustments**	**Total**
Cash, cash balances at central banks and other on demand deposits	**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**
LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**275**	**632**	**-**	**-**	**-**	**907**
Derivatives	-	-	-	-	275	632	-	-	-	907
Financial liabilities designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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**

The following table shows the Group's total credit risk net of valuation adjustments at 31 December 2022 and 31 December 2021:

	Thousands of Euros	
	2022	2021
Financial assets held for trading	**2,057**	**1,131**
Hedging derivatives	2,057	1,131
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**469,837**	**462,547**
Equity instruments	2,312	4,119
Debt securities	40,000	108,745
Loans and advances	427,525	349,683
Financial assets designated at fair value through profit or loss	**-**	**-**
Debt securities	-	-
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	**1,658,702**	**570,206**
Equity instruments	137,494	131,254
Debt securities	1,521,208	438,952
Financial assets at amortised cost	**50,371,498**	**48,561,611**
Debt securities	13,974,672	14,599,303
Loans and advances	36,396,826	33,962,308
Hedging derivatives	**3,238,076**	**606,871**
Total credit risk on financial assets	**55,740,170**	**50,202,366**
Loan commitments given	5,030,077	5,295,409
Financial guarantees given	352,800	316,965
Other commitments given	2,299,383	882,981
Off-balance sheet exposures	**7,682,260**	**6,495,355**
Total maximum exposure to credit risk	**63,422,430**	**56,697,721**

Credit risk concentration by activity, geographical area and counterparty at 31 December 2022 and 31 December 2021 is as follows:

	Thousands of Euros				
	2022				
	TOTAL	**Spain**	**Rest of European Union**	**Latin America**	**Rest of world**
Central banks and credit institutions	**7,227,934**	**6,647,903**	**553,221**	**20,761**	**6,049**
Public authorities	**16,662,815**	**8,324,123**	**8,335,669**	**-**	**3,023**
Spanish government	14,922,732	6,638,537	8,281,172	-	3,023
Other public authorities	1,740,083	1,685,586	54,497	-	-
Other financial corporations and self-employed individuals (business financing activity)	**2,698,885**	**1,972,083**	**632,965**	**9,314**	**84,523**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by sector)	**19,548,543**	**18,128,497**	**1,141,747**	**76,402**	**201,897**
Construction and property development (including land)	373,197	373,197	-	-	-
Civil works construction	3,792	3,792	-	-	-
Other purposes	19,171,554	17,751,508	1,141,747	76,402	201,897
Large companies	6,943,529	5,650,584	1,032,274	74,898	185,773
SMEs and self-employed	12,228,025	12,100,924	109,473	1,504	16,124
Other households (broken down by purpose)	**14,206,535**	**13,945,939**	**125,712**	**12,544**	**122,340**
Housing	12,696,805	12,441,745	122,811	12,367	119,882
Food & drink	326,116	324,684	760	92	580
Other purposes	1,183,614	1,179,510	2,141	85	1,878
TOTAL	**60,344,712**	**49,018,545**	**10,789,314**	**119,021**	**417,832**

	2021				
	TOTAL	**Spain**	**Rest of European Union**	**Latin America**	**Rest of world**
Central banks and credit institutions	**5,656,045**	**5,295,509**	**353,065**	**959**	**6,512**
Public authorities	**15,866,685**	**6,108,973**	**9,754,689**	**-**	**3,023**
Spanish government	14,527,405	4,769,693	9,754,689	-	3,023
Other public authorities	1,339,280	1,339,280	-	-	-
Other financial corporations and self-employed individuals (business financing 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 sector)	**18,567,451**	**17,356,168**	**962,568**	**56,184**	**192,531**
Construction and property development (including land)	434,531	434,365	-	-	166
Civil works construction	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
Food & drink	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**

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 2022 and 31 December 2021 is as follows:

	Thousands of Euros									
	2022									
	TOTAL	**Andalusia**	**Aragon**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castile-La Mancha**	**Castille and León**	**Catalonia**
Central banks and credit institutions	**6,647,902**	**514,805**	**12,684**	**-**	**710**	**-**	**5,137**	**-**	**-**	**-**
Public authorities	**8,324,123**	**233,221**	**17,334**	**25,175**	**50,765**	**384,660**	**-**	**71,325**	**67,485**	**173,405**
Spanish government	6,638,536	-	-	-	-	-	-	-	-	-
Other public authorities	1,685,587	233,221	17,334	25,175	50,765	384,660	-	71,325	67,485	173,405
Other financial corporations and self-employed individuals (business financing activity)	**1,972,084**	**1,145,819**	**121**	**4**	**1,002**	**942**	**2**	**200**	**1,468**	**19,185**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by sector)	**18,128,496**	**4,348,553**	**327,768**	**141,058**	**530,975**	**711,672**	**33,403**	**356,387**	**1,105,877**	**1,114,843**
Construction and property development (including land)	373,197	134,951	9	-	2,689	18,442	12	25,614	8,738	9,309
Civil works construction	3,791	260	-	-	-	-	-	-	-	-
Other purposes	17,751,508	4,213,342	327,759	141,058	528,286	693,230	33,391	330,773	1,097,139	1,105,534
Large companies	5,650,587	639,935	152,473	109,038	99,296	149,700	4,570	63,231	140,488	535,327
SMEs and self-employed	12,100,921	3,573,407	175,286	32,020	428,990	543,530	28,821	267,542	956,651	570,207
Other households (broken down by purpose)	**13,945,938**	**3,943,504**	**34,240**	**18,647**	**405,026**	**438,594**	**11,633**	**140,827**	**528,633**	**984,124**
Housing	12,441,746	3,522,423	31,658	17,085	368,289	388,700	10,973	128,749	488,242	926,316
Food & drink	324,684	97,141	748	611	7,237	17,322	407	3,473	14,429	10,491
Other purposes	1,179,508	323,940	1,834	951	29,500	32,572	253	8,605	25,962	47,317
TOTAL	**49,018,543**	**10,185,902**	**392,147**	**184,884**	**988,478**	**1,535,868**	**50,175**	**568,739**	**1,703,463**	**2,291,557**

	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarra**	**Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Central banks and credit institutions	**-**	**-**	**6,114,188**	**-**	**-**	**276**	**102**	**-**	**-**
Public authorities	**-**	**-**	**157,864**	**27,163**	**219**	**384,082**	**-**	**1,517**	**91,372**
Spanish government	-	-	-	-	-	-	-	-	-
Other public authorities	-	-	157,864	27,163	219	384,082	-	1,517	91,372
Other financial corporations and self-employed individuals (business financing activity)	**86**	**24**	**765,792**	**7,608**	**6**	**4,794**	**25,007**	**-**	**24**
Non-financial corporations and self-employed individuals (non-financial business activity) (broken down by sector)	**64,642**	**323,519**	**2,391,900**	**2,388,951**	**130,275**	**3,493,892**	**621,079**	**30,312**	**13,390**
Construction and property development (including land)	22	1,386	27,275	37,504	288	105,943	-	-	1,015
Civil works construction	-	-	3,531	-	-	-	-	-	-
Other purposes	64,620	322,133	2,361,094	2,351,447	129,987	3,387,949	621,079	30,312	12,375
Large companies	11,752	189,265	1,680,882	501,324	84,652	735,312	538,658	10,701	3,983
SMEs and self-employed	52,868	132,868	680,212	1,850,123	45,335	2,652,637	82,421	19,611	8,392
Other households (broken down by purpose)	**8,409**	**42,484**	**784,266**	**2,484,924**	**45,599**	**3,999,188**	**7,872**	**9,317**	**58,651**
Housing	7,708	39,326	742,812	2,217,867	42,503	3,438,122	7,188	8,606	55,179
Food & drink	224	846	8,741	59,872	914	100,975	151	197	905
Other purposes	477	2,312	32,713	207,185	2,182	460,091	533	514	2,567
TOTAL	**73,137**	**366,027**	**10,214,010**	**4,908,646**	**176,099**	**7,882,232**	**654,060**	**41,146**	**163,437**

	Thousands of euros									
	2021									
	TOTAL	**Andalusia**	**Aragon**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castile-La Mancha**	**Castille and León**	**Catalonia**
Central banks and credit institutions	**5,295,509**	**152,301**	**25,267**	**-**	**710**	**-**	**257,438**	**-**	**-**	**76,992**
Public authorities	**6,108,973**	**177,361**	**7,016**	**25,013**	**5,735**	**131,764**	**-**	**92,140**	**76,694**	**86,419**
Spanish government	4,769,693	-	-	-	-	-	-	-	-	-
Other public authorities	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 (business financing 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 sector)	**17,356,168**	**4,431,102**	**209,553**	**116,436**	**535,553**	**775,061**	**31,114**	**308,431**	**1,095,994**	**1,032,139**
Construction and property development (including land)	434,365	161,074	5,594	-	2,374	23,264	42	3,566	10,513	13,983
Civil works construction	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
Food & drink	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**	**Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Central banks and credit institutions	**4,268**	**11,392**	**4,653,743**	**-**	**-**	**248**	**113,150**	**-**	**-**
Public authorities	**-**	**-**	**163,033**	**109,626**	**245**	**396,371**	**1**	**2,528**	**65,334**
Spanish government	-	-	-	-	-	-	-	-	-
Other public authorities	-	-	163,033	109,626	245	396,371	1	2,528	65,334
Other financial corporations and self-employed individuals (business financing 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 sector)	**51,526**	**293,144**	**2,090,656**	**2,357,509**	**126,768**	**3,406,303**	**448,918**	**30,789**	**15,172**
Construction and property development (including land)	30	2,032	39,665	43,052	348	127,225	-	-	1,603
Civil works construction	-	-	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
Food & drink	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**

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

Risk is distributed by geographic area based on the location of the Group's customers, and primarily concerns businesses in Spain.

8.2. Financial assets and liabilities held for trading

Details of this financial asset and liability heading of the accompanying consolidated balance sheets are as follows:

	Thousands of Euros			
	Assets		**Liabilities**	
	2022	**2021**	**2022**	**2021**
Derivatives	2,057	1,131	2,021	907
Equity instruments	-	-	-	-
Debt securities	-	-	-	-
Loans and advances	-	-	-	-
Total	**2,057**	**1,131**	**2,021**	**907**

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 2022 and 31 December 2021 the fair value of trading derivatives on the asset side is €2,057 thousand and €1,131 thousand, respectively, with the fair value of derivatives on the liabilities side standing at €2,021 thousand and €907 thousand, respectively.

The fair values of trading derivatives are classified in Level 2 (Notes 3.27 and 8.1) because the valuations are calculated on the basis of observable market inputs. These are mainly interest rate derivatives whose notional amount at 31 December 2022 was €1,086,073 thousand (€1,266,015 thousand at 31 December 2021).

The notional amounts of financial derivatives recorded as “Trading derivatives” at 31 December 2022 and 31 December 2021 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							
	2022				**2021**			
	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	**2,057**	**2,021**	**1,086,073**	**9,044**	**1,131**	**907**	**1,266,015**	**12,552**
OTC options	131	131	18,088	9,044	99	99	25,104	12,552
Other OTC	1,926	1,890	1,067,985		1,032	808	1,240,911	
Other OTC	-	-	-		-	-	-	
DERIVATIVES	**2,057**	**2,021**	**1,086,073**	**9,044**	**1,131**	**907**	**1,266,015**	**12,552**
Of which: OTC - credit institutions	2,057	-	1,049,735		99	809	1,219,435	
Of which: OTC - Other	-	2,021	36,338		1,033	99	46,579	

The fair value of the Group’s financial asset and liability derivatives by nature and counterparty at 31 December 2022 and 31 December 2021 is as follows (Note 3.27):

	Thousands of euros									
2022			**Fair value hierarchy:**			**Change in fair value for the period**		**Accumulated change in fair value before taxes**		
	Balance sheet	*Of which: Securities*	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets held for trading										
Derivatives	2,057	2,057	-	2,057	-	110,480	-	-	(109,977)	-
Financial liabilities held for trading										
Derivatives	2,021	2,021	-	2,021	-	(110,371)	-	-	(116,680)	-

	Thousands of euros									
2021			**Fair value hierarchy:**			**Change in fair value for the period**		**Accumulated change in fair value before taxes**		
	Balance sheet	*Of which: Securities*	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets held for trading										
Derivatives	1,131	1,131	-	1,131	-	58,272	-	-	1,614	-
Financial liabilities held for trading										
Derivatives	907	907	-	907	-	(58,759)	-	-	(83,754)	-

8.2.2. Equity instruments

At 31 December 2022 and 31 December 2021 the Group had no positions in this portfolio.

At 31 December 2022 and 31 December 2021, the Bank had no positions in this portfolio, although it did establish such a portfolio of €70,786 thousand in 2022 that was derecognised in the same year.

Income from "Equity instruments" at 31 December 2022 totalled €3 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 2022 amounted to a loss of €44 thousand.

8.2.3. Debt securities

At 31 December 2022 and 31 December 2021 the Group had no positions in this portfolio.

8.2.4. Loans and advances

At 31 December 2022 and 31 December 2021 there were no balances classified under this balance sheet heading.

8.3. Non-trading financial assets mandatorily at fair value through profit or loss

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

	Thousands of Euros	
	2022	**2021**
Equity instruments	2,312	4,119
Debt securities	40,000	108,745
Loans and advances	427,525	349,683
Total	**469,837**	**462,547**

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 2022 and 31 December 2021 the breakdown of this heading by the issuer's business sector is as follows:

	Thousands of Euros	
	2022	**2021**
Credit institutions	-	-
Other sectors - Residents	-	-
Non-residents	2,312	4,119
Total	**2,312**	**4,119**

At 31 December 2022 and 31 December 2021 a breakdown of the account "Equity instruments" is shown below, based on whether or not the shares making up the heading are listed or not, and also showing the percentages of the total:

	2022		**2021**	
	Thousands of Euros	**% of total**	**Thousands of Euros**	**% of total**
Listed:	**-**	**-**	**-**	**-**
Unlisted:	**2,312**	**100.00%**	**4,119**	**100.00%**
Cost	862	37.28%	1,520	36.90%
Adjustments taken to profit or loss	1,450	62.72%	2,599	63.10%
Total	**2,312**	**100.00%**	**4,119**	**100.00%**

In 2022 and 2021 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		**Unlisted**	
	2022	**2021**	**2022**	**2021**
Opening balance	**-**	**-**	**4,119**	**4,142**
Additions	-	-	-	-
Derecognitions	-	-	(658)	-
Transfers/reclassifications	-	-	-	-
Adjustments taken to profit or loss	-	-	(1,149)	(139)
Foreign currency translation	-	-	-	116
Closing balance	**-**	**-**	**2,312**	**4,119**

Movements due to derecognitions of unlisted securities in 2022 corresponded to the partial settlement of "Class C" (convertible) shares of Visa Inc., 46.6% of the investment held at that date, executed in the second contractually recognised conversion window and applying the exchange rate at that date.

8.3.2. Debt securities

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

	Thousands of Euros	
	2022	**2021**
Central banks	-	-
General governments	-	-
Credit institutions	32,075	100,513
Other private sectors	7,925	8,232
Non-performing assets	-	-
Total	**40,000**	**108,745**

At 31 December 2022 and 31 December 2021 there were no securities pledged to secure transactions.

Movements in the balance under this heading of the accompanying consolidated balance sheet in 2022 and 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Opening balance	**108,745**	**116,324**
Procurements	2,985	18,414
Sales and redemptions	(65,427)	(31,529)
Portfolio cost allowance	(5,786)	(2,416)
Accrued interest	(517)	20
Valuation adjustments against profit and loss	-	7,932
Closing balance	**40,000**	**108,745**

At 31 December 2022 the nominal amount of the securities in this portfolio was €47,219 thousand, while their fair value was €40,000 thousand. At 31 December 2021 the nominal amount of the securities in this portfolio was €106,183 thousand, while their fair value was €108,745 thousand.

Income from “Debt securities” at 31 December 2022 amounted to €6,507 thousand (€3,428 thousand at 31 December 2021) (Note 26).

The effective interest rate on debt instruments classified in this portfolio in the Group during 2022 was 3.68% (3.95% in 2021).

8.3.3. Loans and advances

In 2004, the Group sold 50% of the capital of Cajamar Vida, S.A. de Seguros y Reaseguros to Generali España, Holding de Entidades de Seguros, S.A., retaining the other 50% of the shares. According to the share sale-purchase agreement, the shares’ overall price, which is to be settled in 15 years, consisted of a fixed price and a variable price that will be calculated based on the value of the business and the net value of the assets at the time the contract, which has been rolled over several times, expires. Subsequently, 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.

At 31 December 2022 the Group recognised a receivable from Generali of €427,525 thousand (€349,683 thousand at 31 December 2021) corresponding to the estimated variable price of the Cajamar Vida, S.A. transaction and balances relating to receivables obtained through various novation agreements.

The novation agreement signed on 4 August 2016 included the concept of an Accrued Variable Price, this being a fixed, non-reviewable amount. 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".

In 2022 the Group signed the fourth novation of its banking insurance agreement with Generali, affirming their continued mutual interest in the alliance, with options to terminate in 2035, and introducing adjustments to the cash flows and calculations thereof, thereby rebalancing the agreement between the parties. In said novation agreement, a part of the variable price was established, referred to as the extraordinary accrued variable price. This income arises from the recognition of services provided in the past and is not, therefore, linked to any plan involving a minimum volume of products to be sold by the Group and its network. As a result of the estimate of the extraordinary accrued variable price and the consolidation of rights prior to the novation, €18,632 thousand were recognised in the consolidated statement of profit or loss under "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net" and €2,752 thousand under net interest income as the financial component of the operation.

The Group also recognised the earn-out corresponding to 2021 for a present value of €56,458 thousand, of which €55,482 thousand was recorded under "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net" and €976 thousand was recorded as net interest income (Notes 1.7 and 26). The amount recognised in 2021 corresponding to the 2020 earn- out was €29,767 thousand (Note 26).

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

At 31 December 2022 and 31 December 2021 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	
	2022	**2021**
Debt securities	1,521,208	438,952
Equity instruments	137,494	131,254
Loans and advances	-	-
Total	**1,658,702**	**570,206**

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	
	2022	**2021**
Central banks	-	-
General governments	1,373,595	302,210
Credit institutions	115,002	96,726
Other private sectors	35,667	43,073
Non-performing assets	-	-
Valuation adjustments:		
Valuation adjustments for impairment	(3,056)	(3,057)
Total	**1,521,208**	**438,952**

The effective interest rate on debt instruments classified in this portfolio in the Group during 2022 was 0.33% (0.52% in 2021).

At 31 December 2022 €529,235 thousand of the balance of "Debt securities" corresponded to "Repurchase agreements" (zero at 31 December 2021).

Movements in the balance under this heading of the accompanying consolidated balance sheet at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Opening balance	**438,952**	**2,179,790**
Procurements	2,232,241	1,969,542
Transfers	(1,496)	-
Sales and redemptions	(1,102,536)	(3,704,715)
Portfolio cost allowance	(478)	23,135
Accrued interest	216	(15,849)
Valuation adjustments in equity	(45,692)	(12,973)
Valuation adjustments for impairment	1	22
Closing balance	**1,521,208**	**438,952**

The gains or losses recorded on the statement of profit or loss at 31 December 2022 on the disposal of assets classified as "Financial assets at fair value through other comprehensive income" amounted to €3,632 thousand (€1,068 thousand at 31 December 2021) (Note 26).

The interest accrued at 31 December 2022 on "Debt securities" was €5,763 thousand (€3,984 thousand at 31 December 2021) (Note 26).

The breakdown of impairment losses booked at 31 December 2022 and 31 December 2021 for assets under the "Financial assets at fair value through other comprehensive income – Debt securities" heading is as follows:

	Thousands of Euros	
	2022	**2021**
Opening balance	**(3,057)**	**(3,079)**
Allowances taken to profit or loss	-	-
Recoveries	1	21
Cancellations due to use and others	-	1
Closing balance	**(3,056)**	**(3,057)**

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 2022 and 31 December 2021 the breakdown of this heading by the issuer's business sector is as follows:

	Thousands of euros	
	2022	**2021**
General governments	631	340
Credit institutions	2,952	2,952
Other resident sectors	68,558	67,404
Non-residents	65,353	60,557
Total	**137,494**	**131,253**

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 €6,588 thousand at 31 December 2022 (€9,141 thousand at 31 December 2021) (Note 18.2).

Income from "Equity instruments" at 31 December 2022 and 2021 amounted to €3,778 thousand and €3,925 thousand, respectively (Note 26).

At 31 December 2022 and 31 December 2021 the breakdown of the account "Equity instruments" is shown below, based on whether or not the shares making up the heading are listed or not, and also showing the percentages of the total:

	2022		**2021**	
	Thousands of euros	**% of total**	**Thousands of euros**	**% of total**
Listed:	**14,245**	**10.36%**	**16,292**	**12.41%**
Cost	15,613	11.36%	15,703	11.96%
Accumulated other comprehensive income	(1,368)	(0.99%)	588	0.45%
Non-listed:	**123,249**	**89.64%**	**114,962**	**87.59%**
Cost	124,522	90.57%	119,052	90.70%
Accumulated other comprehensive income	(1,273)	(0.93%)	(4,091)	(3.12%)
Total	**137,494**	**100.00%**	**131,253**	**100.00%**

In 2022 and 2021 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	
	2022	2021	2022	2021
Opening balance	**16,292**	**29,725**	**114,962**	**88,251**
Additions	3,709	-	41,548	41,834
Disposals	(3,800)	(15,369)	(36,431)	(25,498)
Transfers and reclassifications	-	-	10	-
Cost correction	-	-	343	-
Accumulated other comprehensive income	(1,956)	1,936	2,817	10,376
Closing balance	**14,245**	**16,292**	**123,249**	**114,962**

The main additions recognised under "Equity instruments" in 2022 in respect of securities not listed on official markets correspond to new contributions to investment funds totalling €28,232 thousand, most notably in the companies Pemberton Senior Loan Fund SCSP SICAV-RAIF (A), Oquendo Senior Debt Fund II, S.C.A. SICAV-RAIF, Private Debt Co-Investor Fund II and Altamar Global Private X, FCR in the amounts of €14,991 thousand, €4,800 thousand, €3,320 thousand and €2,000 thousand, respectively.

In 2022, as established in the original contract signed by the Group in 2021 as part of the "Project Jaguar" deal, the Group took an equity stake of €13,233 thousand in the company Promontoria Jaguar Real Estate, S.L. and subsequently divested the entire stake for the same price.

The significant derecognitions in 2022 corresponded to redemptions of venture capital funds totalling €22,856 thousand, mainly in Pemberton Senior Loan Fund SCSP SICAV-RAIF (A), Private Debt Co-Investor Fund II, Trea Direct Lending S.C.A. SICAV-RAIF (TREA DL II), and Oquendo Senior Debt Fund One, S.C.A. SICAV (RAIF) of €7,048 thousand, €6,060 thousand, €2,832 thousand and €2,611 thousand, respectively.

The most significant additions under "Equity instruments" during 2021 and comprising securities not listed on official markets included 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, leading 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 was also made to Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) of €7,068 thousand, which was 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 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.

8.5.3. Loans and advances

At 31 December 2022 and 31 December 2021 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 2022 and 2021, 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	
	2022	**2021**
Changes in the fair value of equity instruments at fair value through other comprehensive income	**2,403**	**2,505**
Gains/losses	10,274	9,433
Tax effect	(7,871)	(6,928)
Total valuation adjustments	**2,403**	**2,505**

Items that will be reclassified to profit or loss	Thousands of euros	
	2022	**2021**
Debt instruments at fair value through other comprehensive income	**(36,833)**	**(3,188)**
Gains/losses	(50,766)	(5,074)
Tax effect	13,933	1,886
Total valuation adjustments	**(36,833)**	**(3,188)**

8.6. Financial assets at amortised cost

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

	Thousands of euros	
	2022	**2021**
Loans and advances to credit institutions	568,193	153,432
Loans and advances to customers	35,828,633	33,808,876
Debt securities	13,974,672	14,599,303
Total	**50,371,498**	**48,561,611**

The following table shows loans and receivables drawn down and financial guarantees given at 31 December 2022 and 31 December 2021 by segment, portfolio and sub-portfolio:

	Thousands of euros			
	2022		2021	
	Exposure	Distribution (%)	Exposure	Distribution (%)
Retail:	**23,717,054**	**57.28%**	**23,990,163**	**60.11%**
Home mortgage:	**13,026,981**	**31.46%**	**13,032,421**	**32.65%**
Primary	11,527,676	27.84%	11,526,626	28.88%
Other uses	1,499,305	3.62%	1,505,795	3.77%
Other household financing:	**991,280**	**2.39%**	**1,020,584**	**2.56%**
Micro-consumer	577,009	1.39%	569,808	1.43%
Other goods and services	414,271	1.00%	450,776	1.13%
Automatically renewable:	**686,713**	**1.66%**	**684,797**	**1.72%**
Credit cards	678,417	1.64%	675,249	1.70%
Overdrafts	8,296	0.02%	9,547	0.02%
Small businesses:	**5,191,357**	**12.54%**	**5,508,924**	**13.80%**
Self-employed	1,544,893	3.74%	1,698,676	4.26%
Micro companies	1,995,013	4.82%	2,114,934	5.30%
Small retail	1,206,868	2.91%	1,241,236	3.11%
Medium retail	444,583	1.07%	454,079	1.13%
Retail agri-food:	**3,820,723**	**9.23%**	**3,743,436**	**9.38%**
Greenhouse cultivation	739,430	1.79%	783,702	1.96%
Other agri-food sector	3,081,293	7.44%	2,959,734	7.42%
Corporate:	**13,095,285**	**31.63%**	**11,871,060**	**29.75%**
Developers:	**599,042**	**1.45%**	**736,941**	**1.85%**
Housing development	393,354	0.95%	428,335	1.07%
Land	63,580	0.15%	112,777	0.28%
Other developers	142,108	0.34%	195,829	0.50%
Corporate agri-food:	**4,769,784**	**11.52%**	**4,290,316**	**10.75%**
Agri-food producer	1,194,976	2.89%	1,130,868	2.83%
Agri-food distributor	2,965,917	7.16%	2,671,859	6.69%
Agri-food auxiliary industry	608,891	1.47%	487,589	1.23%
SMEs:	**2,498,088**	**6.03%**	**2,569,330**	**6.44%**
Small	1,429,281	3.45%	1,529,212	3.83%
Medium	1,068,807	2.58%	1,040,118	2.61%
Large companies:	**5,228,371**	**12.63%**	**4,274,475**	**10.71%**
General governments:	**3,149,711**	**7.60%**	**3,014,009**	**7.55%**
Non-profits:	**160,411**	**0.39%**	**146,046**	**0.37%**
Financial intermediaries:	**1,281,462**	**3.10%**	**887,693**	**2.22%**
Total loan portfolio	**41,403,923**	**100.00%**	**39,908,971**	**100.00%**
Of which: structured transactions	**2,832,746**	**6.84%**	**2,252,608**	**5.64%**

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	
	2022	**2021**
Term deposits	**80,000**	**20,006**
Other financial assets	**474,492**	**133,421**
Valuation adjustments	**13,701**	**5**
Valuation adjustments for impairment	-	(2)
Accrued interest	825	(1)
Unaccrued transaction costs	15	8
Premium (discount) on acquisition	12,861	-
Total	**568,193**	**153,432**

The movement in impairment losses recognised at 31 December 2022 is as follows:

	Thousands of euros			
	Valuation adjustments			
	Stage 1	Stage 2	Stage 3	Total allowance
Balance at 31 December 2021	**(1)**	**(1)**	**-**	**(2)**
Increases due to origination and acquisition	-	-	-	-
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	1	(5)	-	(4)
Changes due to modifications with no derecognitions (net)	-	-	-	-
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	6	-	6
Balance at 31 December 2022	**-**	**-**	**-**	**-**

The movement in impairment losses recognised at 31 December 2021 is as follows:

	Thousands of euros			
	Valuation adjustments			
	Stage 1	Stage 2	Stage 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)**

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	
	2022	**2021**
By credit type and status:		
Commercial loans	1,529,700	1,252,206
Secured loans	18,308,103	18,482,953
Other term loans	13,938,071	12,413,323
Finance leases	291,949	314,041
Receivables on demand and others	557,112	556,407
Non-performing assets	1,013,625	1,311,024
Other financial assets:		
Commissions for financial guarantees and other commitments given (Note 22.2) (Note 22.3)	56,193	53,596
Other financial assets	626,493	233,394
Of which in arrears	*254*	*900*
Valuation adjustments	(492,613)	(808,068)
Total	**35,828,633**	**33,808,876**
By sector:		
General governments	1,875,728	1,440,580
Other private sectors:		
Financial corporations	1,619,907	985,369
Non-financial corporations	15,119,778	14,126,698
Households	17,213,220	17,256,229
Total	**35,828,633**	**33,808,876**

The heading "Other financial assets – Other assets" includes other balances receivable by the Group for transactions that are not classified as loans, primarily guarantees required to operate in markets.

The average effective interest rate on debt instruments classified in this portfolio in the Group during 2022 was 2.04% (1.61% in 2021).

In 2022 the Group individually assigned certain loans for non-material amounts, recognising income in profit or loss of €7,833 thousand (€1,113 thousand in at 31 December 2021).

In 2022, in the framework of its strategy for managing assets of an irregular nature, the Group sold a number of loan books containing receivables from debtors of various types, origin and amount, and with varying terms and guarantees (mortgage and non-mortgage) (Note 1.7).

As a result of these sales the assignees acquired full ownership of the assigned loans.

Financial assets classified under "Loans and advances - Customer loans" are initially measured at fair value, adjusted for the transaction costs that are directly attributable at the transaction date. These assets are subsequently measured at amortised cost using the effective interest rate method. The Group estimates that the fair value of these assets does not differ substantially from their carrying amount, and it has made sufficient provisions in respect of credit risk.

Details, excluding valuation adjustments, of loans and advances to customers at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Performing exposures	35,307,367	33,305,020
Of which: Performing exposures under special monitoring	*2,665,235*	*2,692,523*
Non-performing exposures	1,013,625	1,311,024
Other assets in arrears	254	900
Closing balance	**36,321,246**	**34,616,944**

The amount of collateral received to secure loans and advances to customers at 31 December 2022 and 31 December 2021, is as follows:

	Thousands of euros						
	Maximum amount of collateral or personal guarantee that can be considered						
2022	Loans collateralised by property		Other collateralised loans				Financial guarantees received
	Residential buildings	Commercial buildings	Cash, deposit, [debt securities issued]	Moveable goods	Equity instruments and Debt securities	Other	
Loans and advances	**13,804,747**	**3,970,979**	**20,907**	**2,636**	**-**	**3,369**	**3,305,365**
Of which: Other financial corporations	1,312	11,723	81	-	-	-	**20,020**
Of which: Non-financial corporations	435,651	2,732,006	13,419	2,363	-	3,259	**2,793,035**
Of which: Small and medium-sized enterprises	432,974	2,413,004	10,917	2,363	-	3,259	**2,318,089**
Of which: Business property loans to small and medium-sized enterprises	321,838	2,413,004	1,616	-	-	-	**19,027**
Of which: Business property loans to non-financial corporations other than small and medium-sized enterprises	1,920	319,002	-	-	-	-	**-**
Of which: Households	13,347,320	1,218,031	7,071	273	-	109	**487,261**
Of which: Lending for house purchase	12,408,995	161,529	1,434	-	-	34	**11,304**
Of which: Consumer credit	2,551	163	1,053	-	-	-	**7,726**

	Miles de euros						
	Maximum amount of collateral or personal guarantee that can be considered						
2021	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**

Set out below is a breakdown by counterparty of loans and advances to customers at 31 December 2022 and 31 December 2021, 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 carrying amount of financing over the amount of the latest appraisal or valuation of the guarantee available:

2022	Thousands of euros							
				Secured loans, carrying amount based on latest available appraisal (loan to value)				
	Total	Of which: Real estate mortgage secured	Of which: Other collateral	Less than or equal to 40%	Over 40% and equal to or less than 60%	Over 60% and equal to or less than 80%	Over 80% and equal to or less than 100%	Over 100%
General governments	**1,860,031**	**34,946**	**336**	**8,233**	**11,248**	**3,145**	**1,321**	**11,335**
Other financial corporations and self-employed individuals (financial business activity)	**1,069,414**	**19,123**	**128**	**13,778**	**2,454**	**2,195**	**304**	**520**
Non-financial corporations and self-employed individuals (non-financial business activity)	**18,739,033**	**4,675,443**	**174,860**	**1,827,591**	**1,610,125**	**901,618**	**183,962**	**327,007**
Real estate development and construction (including land)	303,945	295,895	1,359	110,281	101,345	43,486	13,200	28,942
Execution of civil works	3,792	3,792	-	19	3,773	-	-	-
Other purposes	18,431,296	4,375,756	173,501	1,717,291	1,505,007	858,132	170,762	298,065
Large corporations	6,198,960	347,687	12,545	127,142	114,906	47,102	26,266	44,816
SMEs and self-employed individuals	12,232,336	4,028,069	160,956	1,590,149	1,390,101	811,030	144,496	253,249
Other households	**14,160,155**	**13,317,606**	**6,820**	**3,744,945**	**3,926,793**	**4,135,458**	**1,108,747**	**408,483**
Housing	12,696,805	12,665,811	1,719	3,500,885	3,759,454	4,004,498	1,047,524	355,169
Consumer	326,117	2,813	1,116	1,808	313	392	935	481
Other purposes	1,137,233	648,982	3,985	242,252	167,026	130,568	60,288	52,833
Total	**35,828,633**	**18,047,118**	**182,144**	**5,594,547**	**5,550,620**	**5,042,416**	**1,294,334**	**747,345**
Memorandum items:								
Refinancing, refinanced and restructured transactions	**1,175,330**	**836,711**	**11,198**	**246,991**	**234,122**	**224,275**	**68,441**	**74,080**

2021	Thousands of euros							
				Secured loans, carrying amount based on latest available appraisal (loan to value)				
	Total	Of which: Real estate mortgage secured	Of which: Other collateral	Less than or equal to 40%	Over 40% and equal to or less than 60%	Over 60% and equal to or less than 80%	Over 80% and equal to or less than 100%	Over 100%
General governments	**1,420,456**	**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 corporations	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**

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 2022 and 31 December 2021 is as follows:

	Thousands of euros					
	2022			2021		
Thousands of euros	Risk	Distribution	Of which: Non-performing assets	Risk	Distribution	Of which: Non-performing assets
Exceeding 6,000	9,312,588	25.64%	68,390	7,189,105	20.78%	92,327
Between 3,000 and 6,000	1,605,537	4.42%	59,252	1,645,925	4.75%	93,776
Between 1,000 and 3,000	2,719,554	7.49%	92,864	2,771,752	8.01%	143,712
Between 500 and 1,000	2,265,268	6.24%	104,919	2,294,839	6.63%	114,574
Between 250 and 500	3,257,039	8.97%	133,865	3,192,228	9.22%	166,349
Between 125 and 250	5,377,243	14.80%	217,977	5,553,823	16.04%	303,462
Between 50 and 125	8,264,726	22.75%	218,605	8,450,966	24.41%	267,449
Between 25 and 50	2,250,036	6.19%	63,520	2,220,325	6.41%	65,288
Less than 25	1,269,255	3.49%	54,487	1,297,981	3.75%	64,988
Measurement adjustments	(492,613)			(808,068)		
Loans and advances	**35,828,633**	**99.99%**	**1,013,879**	**33,808,876**	**100.00%**	**1,311,924**

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	
	2022	2021
Valuation adjustments:		
Impairment allowances	(693,240)	(934,167)
Impairment allowances for other financial assets	(423)	(998)
Accrued interest	75,821	53,867
Accumulated changes in fair value not due to credit risk	(4,463)	(793)
Premiums/discounts on acquisition	6,623	(1,075)
Commissions	(49,862)	(57,526)
Transaction costs	172,931	132,624
Total	**(492,613)**	**(808,068)**

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 2022 and 31 December 2021 the outstanding balance of these operations was as follows:

	Thousands of euros	
	2022	**2021**
Written off the balance sheet:	**67,075**	**94,091**
Loans granted to securitisation funds	-	25,046
Other transfers to credit institutions	6,030	7,716
Other transfers	61,045	61,329
Held on the balance sheet:	**4,073,097**	**4,084,481**
Loans granted to securitisation funds	4,073,097	4,084,481
Total	**4,140,172**	**4,178,572**

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 2022 the Group retained €3,738,608 thousand in securitised bonds relating to the above-mentioned transformations of loans and credit facilities (€3,622,908 thousand at 31 December 2021) (Note 8.7.3).

Of the aforementioned €3,738,608 thousand in securitisation bonds existing at 31 December 2022 (€3,622,908 thousand at 31 December 2021), no amount was pledged in the loan agreement including the encumbrance of securities and other assets subscribed 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 2022 and 31 December 2021 in an amount of €1,029 thousand and €120 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 €355,213 thousand and €447,792 thousand in 2022 and 2021, 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 secure the securitisations carried out, the issue of mortgage bonds as well as the transformations carried out, as follows:

	Thousands of euros	
	2022	**2021**
Secured loans and credit facilities		
Securing asset securitisations	4,134,142	4,170,856
Securing mortgage bonds and securities	6,246,525	7,174,669
Total	**10,380,667**	**11,345,525**

In accordance with the minimum coverage established by legislation governing the issue of mortgage bonds, the loans and credit facilities securing these issues have been calculated by applying 125% to the issues in force and they constitute the minimum coverage of the total eligible portfolio for these issues.

In 2022 the Group set up a new €900 million securitisation fund, the “Fondo de Titulización IM BCC Cajamar PYME 4 FT”. The bonds were fully retained by Cajamar and backed by loans given to SMEs. The Group also cancelled the €330,000 thousand “Fondo de Titulización TDA 18 Mixto FTA”, originated in November 2003 and held off-balance sheet. Following the expiry of this fund, the Group no longer has any off-balance sheet securitisation funds.

Securitisation arrangements in force at 31 December 2022 and 31 December 2021 to which the Group is party are as follows:

31 December 2022

Identifier	Stake	Origination date	Type of securitisation	Nature	Amount at origination date (Thousands of euros)	Amount of securitised positions at reporting date (Thousands of euros)
TDA19-MIXTO FTA	66.91%	27/02/2004	Multi-assignor	ON-BALANCE SHEET	400,000	23,722
TDA CAJAMAR2 FTA	100.00%	18/05/2005	Other	ON-BALANCE SHEET	1,000,000	95,595
RURAL HIPOTECARIO Global I FTA	54.20%	18/11/2005	Multi-assignor	ON-BALANCE SHEET	588,002	48,990
IM CAJAMAR3 FTA	100.00%	08/03/2006	Other	ON-BALANCE SHEET	1,200,000	160,549
RURAL HIPOTECARIO VIII FTA	34.37%	26/05/2006	Multi-assignor	ON-BALANCE SHEET	371,658	48,015
IM CAJAMAR4 FTA	100.00%	13/09/2006	Other	ON-BALANCE SHEET	1,000,000	172,372
RURAL HIPOTECARIO IX FTA	44.40%	28/03/2007	Multi-assignor	ON-BALANCE SHEET	587,354	110,999
IM CAJAMAR5 FTA	100.00%	12/09/2007	Other	ON-BALANCE SHEET	1,000,000	176,113
IM CAJAMAR6 FTA	100.00%	13/02/2008	Other	ON-BALANCE SHEET	1,949,300	435,264
RURAL HIPOTECARIO X FTA	29.86%	25/06/2008	Multi-assignor	ON-BALANCE SHEET	561,467	122,028
RURAL HIPOTECARIO XI FTA	29.02%	25/02/2009	Multi-assignor	ON-BALANCE SHEET	633,195	167,122
RURAL HIPOTECARIO XII F.T.A.	29.55%	04/11/2009	Multi-assignor	ON-BALANCE SHEET	268,786	70,671
IM BCC CAJAMAR 1, F.T.	100.00%	15/01/2016	Other	ON-BALANCE SHEET	750,000	391,510
IM BCC CAPITAL 1, F.T.	100.00%	14/12/2018	Other	ON-BALANCE SHEET	953,000	237,573
IM BCC CAJAMAR 2, F.T.	100.00%	13/12/2019	Other	ON-BALANCE SHEET	725,000	545,926
IM BCC CAJAMAR PYME 3, F.T.	100.00%	06/04/2021	Other	ON-BALANCE SHEET	1,000,000	568,798
IM BCC CAJAMAR PYME 4, F.T.	100.00%	16/03/2022	Other	ON-BALANCE SHEET	900,000	697,850
					13,887,762	**4,073,097**

31 December 2021

Identifier	Stake	Origination date	Type of securitisation	Nature	Amount at origination date (Thousands of euros)	Amount of securitised positions at reporting date (Thousands of euros)
TDA18-MIXTO FTA	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**

8.6.2.3. *Impairment losses on loans and advances – Customer loans*

Details of and changes in impairment losses booked at 31 December 2022 for financial assets at amortised cost are as follows:

	Thousands of euros			
	Valuation adjustments			
	Stage 1	Stage 2	Stage 3	Total allowance
Balance at 31 December 2021	**(121,750)**	**(115,351)**	**(697,066)**	**(934,167)**
Increases due to origination and acquisition	(11,664)	(10,066)	(11,436)	(33,166)
Decreases due to derecognitions	5,970	8,908	182,888	197,766
Changes due to variation in credit risk (net)	(1,648)	15,231	(154,109)	(140,526)
Changes due to modifications with no derecognitions (net)	(26)	(935)	737	(224)
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	418	217,955	218,373
Other adjustments	7	9	(1,312)	(1,296)
Balance at 31 December 2022	**(129,111)**	**(101,786)**	**(462,343)**	**(693,240)**

Changes in gross exposures and impairment during 2022 are as follows:

	Thousands of euros			
Gross exposure transfers:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		688,260	2,738	**690,998**
To Stage 2:	1,099,092		45,617	**1,144,709**
To Stage 3:	84,165	237,932		**322,097**
Impairment transfers:				
To Stage 1:		2,565	34	**2,599**
To Stage 2:	29,078		4,169	**33,247**
To Stage 3:	23,357	59,903		**83,260**

Details of and changes in impairment losses booked at 31 December 2021 for financial assets at amortised cost are as follows:

	Thousands of euros			
	Valuation adjustments			
	Stage 1	Stage 2	Stage 3	Total allowance
Balance at 31 December 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	13,541	11,897	116,334	141,772
Changes due to variation in credit risk (net)	17,639	564	(232,664)	(214,461)
Changes due to modifications with no derecognitions (net)	235	(3,138)	3,596	693
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	436	94	164,159	164,689
Other adjustments	(1,081)	(1,615)	3,086	389
Balance at 31 December 2021	**(121,750)**	**(115,351)**	**(697,066)**	**(934,167)**

Changes in gross exposures and impairment during 2021 are as follows:

	Thousands of euros			
Gross exposure transfers:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		613,641	3,059	**616,700**
To Stage 2:	1,191,970		40,710	**1,232,680**
To Stage 3:	48,419	118,026		**166,445**
Impairment transfers:				
To Stage 1:		1,902	45	**1,947**
To Stage 2:	36,834		2,841	**39,675**
To Stage 3:	13,738	45,607		**59,345**

The breakdown of and changes in impairment losses on other financial assets classified within "Loans and advances – Customer loans" at 31 December 2022 is provided below:

	Thousands of euros			
	Valuation adjustments			
	Stage 1	Stage 2	Stage 3	Total allowance
Balance at 31 December 2021	**(247)**	**-**	**(751)**	**(998)**
Increases due to origination and acquisition	(12)	-	587	575
Decreases due to derecognitions	-	-	-	-
Changes due to variation in credit risk (net)	30	-	(30)	-
Changes due to modifications with no derecognitions (net)	-	-	-	-
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	-	-
Other adjustments	-	-	-	-
Balance at 31 December 2022	**(229)**	**-**	**(194)**	**(423)**

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			
	Stage 1	Stage 2	Stage 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)**

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 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	2021
Charges for the year:	**(793,998)**	**(1,201,411)**
Allowances recognised in profit or loss	(720,297)	(1,121,154)
Repayments, net of loan losses	(73,701)	(80,257)
Recovery of write-offs	**16,447**	**30,543**
Other recoveries	**559,099**	**863,663**
Country risk	**(28)**	**(36)**
Charges	(51)	(36)
Recoveries	23	-
Total	**(218,480)**	**(307,241)**

8.6.4. Debt securities

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

	Thousands of euros	
	2022	**2021**
Central banks	-	-
General governments	13,411,733	14,121,736
Credit institutions	110,919	39,198
Other private sectors	454,470	440,787
Non-performing assets	-	-
Valuation adjustments for impairment	(2,450)	(2,418)
Total	**13,974,672**	**14,599,303**

At 31 December 2022 and 31 December 2021, the fair value of the securities classified in this portfolio totalled €12,239,257 thousand and €14,213,092 thousand, respectively.

The effective interest rate on debt instruments classified in this portfolio in the Group during 2022 was 1.69% (0.88% in 2021).

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 2022 €3,015,456 thousand of the balance of “Debt securities” was pledged as collateral (€1,930,361 thousand at 31 December 2021); €6,915,125 thousand was pledged under a loan agreement that encumbers securities and other assets subscribed with the Bank of Spain (€5,471,087 thousand at 31 December 2021); while €4,023,345 thousand corresponded to repurchase agreements (€543,468 thousand at 31 December 2021).

At 31 December 2022 the return on “Debt securities” was €277,961 thousand (€146,860 thousand at 31 December 2021) (Note 26).

In 2021, the Group sold a portfolio of Spanish and Italian public debt securities in this portfolio for nominal amounts of €2,371 million and €7,403 million, respectively, posting 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).

Movements in the balance under this heading of the accompanying consolidated balance sheets in 2022 and 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Opening balance	**14,599,303**	**11,479,957**
Procurements	2,518,985	14,242,744
Sales and redemptions	(2,358,124)	(10,677,835)
Transfers	-	-
Portfolio cost allowance	71,697	113,064
Accrued interest	1,357	(2,135)
Valuation adjustments in equity	-	-
Valuation adjustments, micro-hedge transaction	(858,515)	(556,530)
Valuation adjustments for impairment	(31)	38
Closing balance	**13,974,672**	**14,599,303**

No gains or losses were recorded at 31 December 2022 on the statement of profit or loss for disposing of these assets (€459,739 thousand at 31 December 2021) (Note 26).

Impairment losses accounted for at 31 December 2022 and 31 December 2021 for assets under "Financial assets at amortised cost – Debt securities" break down as follows:

	Thousands of euros	
	2022	**2021**
Opening balance, impairment	**(2,418)**	**(2,456)**
Allowances taken to profit or loss	(166)	(188)
Recoveries	134	225
Cancellations due to use and others	-	1
Closing balance, impairment	**(2,450)**	**(2,418)**

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:

2022	Thousands of euros				
	Total	Not past due or past due <=30 days	Past due > 30 days <= 90 days	Of which: Instruments without a significant increase in credit risk since initial recognition (Stage 1)	Of which: Instruments with a significant increase in credit risk since initial recognition but not impaired (Stage 2)
Loans and advances (*)	**36,076,610**	**35,812,219**	**264,391**	**33,382,516**	**2,666,168**
Central banks	-	-	-	-	-
General governments	1,875,727	1,875,727	-	1,874,678	1,049
Credit institutions	568,193	568,193	-	568,193	-
Other financial corporations	1,623,364	1,623,293	71	1,622,949	416
Non-financial corporations	14,909,637	14,845,102	64,535	13,698,552	1,198,104
Of which: Small and medium-sized enterprises	8,658,014	8,593,551	64,463	7,670,661	975,286
Of which: Collateralised by commercial immovable property	2,859,961	2,838,273	21,688	2,341,748	510,784
Households	17,099,689	16,899,904	199,785	15,618,144	1,466,599
Of which: Loans collateralised by residential immovable property	13,480,494	13,317,015	163,479	12,329,464	1,141,408
Of which: Consumer credit	325,458	321,931	3,527	297,147	27,964
Total debt instruments at amortised cost	**36,076,610**	**35,812,219**	**264,391**	**33,382,516**	**2,666,168**

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**	**30,852,419**	**2,698,010**
Central banks	-	-	-	-	-
General governments	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	12,685,693	1,308,480
Of which: Small and medium-sized enterprises	8,673,054	8,584,112	88,942	7,547,000	1,115,555
Of which: Collateralised by commercial immovable property	3,017,118	2,964,274	52,844	2,464,507	547,267
Households	16,999,770	16,771,245	228,525	15,590,752	1,386,171
Of which: Loans collateralised by residential immovable property	13,369,592	13,176,062	193,530	12,303,378	1,052,557
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**	**30,852,419**	**2,698,010**

(*) Not including cash balances at central banks and other on 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:

2022	Thousands of euros							
	Total	Unlikely to be paid <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year	Of which: Defaulted	Of which: Impaired instruments (Stage 3)	Collateral received on non-performing exposures
Central banks	-	-	-	-	-	-	-	-
General governments	488	1	-	-	487	487	488	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	321	158	-	23	140	321	321	92
Non-financial corporations	561,933	126,601	33,407	85,087	316,838	556,743	561,933	158,076
Of which: Small and medium-sized enterprises	533,156	105,803	33,407	80,918	313,028	530,270	533,156	149,992
Of which: Collateralised by commercial immovable property	265,711	67,516	6,639	20,726	170,830	263,587	265,711	141,145
Households	451,137	84,988	18,529	31,368	316,252	446,198	451,137	201,224
Of which: Loans collateralised by residential immovable property	346,736	72,581	11,854	20,187	242,114	341,393	346,736	180,806
Of which: Consumer credit	6,467	609	739	1,081	4,038	6,415	6,467	81
Total debt instruments at amortised cost	**1,013,879**	**211,748**	**51,936**	**116,478**	**633,717**	**1,003,749**	**1,013,879**	**359,392**

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: Defaulted	Of which: Impaired instruments (Stage 3)	Collateral received on non-performing exposures
Central banks	-	-	-	-	-	-	-	-
General governments	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**

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 €12,064 thousand and €16,113 thousand at 31 December 2022 and 31 December 2021, respectively.

At 31 December 2022 and 31 December 2021 details of and movements in financial liabilities at amortised cost classified as non-performing are as follows:

	Thousands of euros	
	2022	**2021**
Opening balance	**1,311,924**	**1,658,318**
Additions	526,097	334,119
Of which: Transactions acquired from third parties	7	17
Disposals	824,143	680,513
Collected in cash	207,695	144,479
Foreclosure or receipt of assets	91,568	135,245
Performing	14,520	13,573
Performing exposures under special monitoring	61,564	76,468
Write-offs	279,015	235,885
Asset transfers	135,226	24,935
Other disposals	34,556	49,928
Closing balance	**1,013,879**	**1,311,924**

At 31 December 2022 and 31 December 2021 details of and movements in financial liabilities at amortised cost classified as write-offs are as follows:

	Thousands of euros	
	2022	**2021**
Write-offs (a)		
Opening balance	**1,795,882**	**1,561,532**
Total additions	347,594	332,420
Use of accumulated impairment balance	218,373	164,689
Direct write-down in profit and loss	80,468	91,888
Contractually callable interest (b)	46,009	74,245
Other items	2,744	1,599
Total disposals	1,530,148	98,070
Collection of principal in cash from counterparties	50,084	51,679
Collection of interest in cash from counterparties	685	3,652
Forgiveness	37,253	33,796
Prescription	42,877	5,787
Foreclosure of tangible assets	-	-
Foreclosure of other assets	-	-
Debt refinancing or restructuring	-	-
Sale	1,399,249	3,156
Collection from assignees	36,712	300
Final write-off	1,362,537	2,856
Other items	-	-
Exchange differences	-	-
Closing balance	**613,328**	**1,795,882**

(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.

In line with its strategy for managing assets of an irregular nature, the Group sold a number of loan books. As a result of these sales the assignees acquired full ownership of the assigned loans, enabling the Group to derecognise a gross amount of €112,258 thousand classified as non-performing loans and €987,811 thousand classified as write-offs, giving rise to a gain after expenses of €21,582 thousand recognised under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net – Financial assets at amortised cost" in the consolidated statement of profit or loss (Notes 1.7, 8.6.2 and 26).

8.7. Financial liabilities at amortised cost

Details of this liabilities heading on the accompanying consolidated balance sheets at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Deposits from central banks	6,639,329	10,269,833
Deposits from credit institutions	2,138,765	840,295
Customer deposits	43,153,333	39,732,717
Debt securities issued	2,053,191	2,389,123
Of which: Subordinated liabilities	*600,451*	*643,457*
Other financial liabilities	3,711,635	1,014,778
Total	**57,696,253**	**54,246,746**

8.7.1. Deposits from central banks

The balances under this heading on the accompanying consolidated balance sheets at 31 December 2022 and 31 December 2021 are comprised as follows:

	Thousands of euros	
	2022	**2021**
Bank of Spain	6,765,000	10,431,000
Other central banks	-	-
Valuation adjustments	(125,671)	(161,167)
Total	**6,639,329**	**10,269,833**

The Group has funding through the TLTRO III auctions totalling €6,765,000 thousand at 31 December 2022 (€10,431,000 thousand at 31 December 2021).

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.

The Governing Council of the European Central Bank readjusted the conditions of the third programme of refinancing operations (TLTRO III), extending to June 2022 the period during which the most favourable conditions for interest on funds borrowed through the TLTRO III auction will be applied.

On 27 October the ECB announced it was recalibrating the interest rates applicable to TLTRO III (from 23 November 2022 until the expiry or early repayment of the corresponding live TLTRO III. The interest rate applicable to TLTRO III is benchmarked to the average applicable official ECB rate over the life of the operation), offering credit institutions additional dates for the voluntary early repayment of these operations. Due to the upward movement of the interest rate curve and in order to seek other sources of funding, and in the light of the ECB announcement, the Group effected the early repayment of two TLTRO III auctions in the amount of €1,833,000 thousand. The remuneration of the minimum reserves was thus set at the ECB deposit facility interest rate. Prior to that they were remunerated at the main refinancing operations (MRO) rate. This change was applied on 21 December 2022.

In 2022, the Group recognised €47,884 thousand of interest income from drawdowns on the TLTRO III facilities (€128,697 thousand at 31 December 2021) under the "Interest income" heading on the statement of profit or loss.

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	
	2022	**2021**
Reciprocal accounts	132	207
Current accounts	69,832	171,041
Term deposits	573,040	668,407
Repurchase agreement	1,493,064	-
Valuation adjustments:		
Accrued interest	2,697	640
Total	**2,138,765**	**840,295**

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	
	2022	**2021**
Repurchase agreements through central counterparties	2,545,781	544,695
Demand deposits	36,773,069	34,646,898
Term deposits	3,470,400	4,092,192
Participation mortgages issued	355,213	447,792
Cash received	*4,099,760*	*4,076,639*
Loans (-)	*(5,939)*	*(5,939)*
Debt securities (-)	*(3,738,608)*	*(3,622,908)*
Other accounts	4,122	3,626
Valuation adjustments:		
Accrued interest	*8,805*	*(2,486)*
Unaccrued transaction costs	*(4,057)*	-
Micro-hedging transactions	-	-
Total	**43,153,333**	**39,732,717**

The average effective interest rate on customers' demand and term deposits at the Group in 2022 was 0.08% (around 0% in 2021).

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	
	2022	**2021**
Marketable debt securities	1,452,740	1,745,666
Subordinated Liabilities	600,451	643,457
Total	**2,053,191**	**2,389,123**

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	
	2022	**2021**
Mortgage bonds	4,997,220	5,739,735
Other secured bonds	-	350,000
Treasury shares	(4,562,025)	(4,862,865)
Other debt instrument issued	995,005	496,255
Valuation adjustments	22,540	22,541
Total	**1,452,740**	**1,745,666**

The movement of each type of financial liability during 2022 and 2021, without taking into account valuation adjustments, is as follows:

	Thousands of euros				
	2022				
	Opening balance	**Issuances**	**Repurchases or redemptions**	**Exchange rate and other adjustments**	**Closing balance**
Debt securities issued in an EU member state that required the registration of a prospectus	**1,723,125**	1,498,750	(1,791,675)	-	**1,430,200**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage securities	**1,226,870**	1,000,000	(1,791,675)	-	**435,195**
Other debt instruments issued	**496,255**	498,750	-	-	**995,005**

	2021				
	Opening balance	**Issuances**	**Repurchases or redemptions**	**Exchange rate and other adjustments**	**Closing balance**
Debt securities issued in an EU member state that required the registration of a prospectus	**1,239,735**	1,496,255	(1,012,865)	-	**1,723,125**
Of which:					
Promissory notes and trade bills	**-**	-	-	-	**-**
Mortgage securities	**1,239,735**	1,000,000	(1,012,865)	-	**1,226,870**
Other debt instruments issued	**-**	496,255	-	-	**496,255**

In 2022 the Group issued mortgage bonds totalling €1,000 million. It also redeemed a security placement on expiration for €791,675 thousand and fully redeemed the 2016 and 2017 placements of €500,000 thousand each, expiring on 31 January 2022 and 30 June 2022, respectively, the whole amount of which remains on the balance sheet. In 2021 the Group completed two bond placements of €1,000 million, fully retained and assigned to replenish collateral in the asset pledge facility with the Bank of Spain. A bond placement was also redeemed on expiration for €12,865 thousand.

Details of issues placed and pending maturity under "Mortgage bonds" at 31 December 2022 are as follows:

Date		Thousands of euros				
Issuance	**Maturity**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**
15/09/2017	15/09/2024	750,000	(750,000)	AA	Standard & Poor's	1.15%
07/06/2018	18/06/2023	497,220	(62,025)	AA	Standard & Poor's	0.88%
07/05/2020	07/05/2025	1,000,000	(1,000,000)	AA	Standard & Poor's	0.15%
21/12/2020	21/12/2027	750,000	(750,000)	AA	Standard & Poor's	0.00%
15/07/2021	15/07/2029	1,000,000	(1,000,000)	AAH	DBRS	0.10%
17/05/2022	17/05/2032	1,000,000	(1,000,000)	AAH	DBRS	2.00%
	Total issuances	**4,997,220**	**(4,562,025)**			

Details of issues placed and pending maturity under "Mortgage bonds" at 31 December 2021 were 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)**			

Mortgage bond repurchases are intended to increase the volume of discountable securities that the Group holds in its portfolio, which may be deployed in the context of the implementation of European monetary policy.

The balances of "Other secured bonds" and "Other debt instruments issued" at 31 December 2022 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%
22/09/2022	22/06/2026	498,750	-	BB	Standard & Poor's	8.00%
	Issuance	**995,005**	**-**			

In line with its commitment to sustainable development, in September the Parent made its first debt issue based on ESG criteria, specifically a socially-responsible senior preferred debt issue amounting to €498,750 thousand at 8%.

The balances of "Other secured bonds" and "Other debt instruments issued" at 31 December 2021 were 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 increased 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 2022 on debt securities issued amounted to €26,107 thousand (€18,560 thousand at 31 December 2021) (Note 26); this interest is included within "Interest expenses" on the accompanying consolidated statement of profit or loss.

At 31 December 2022, €2,372 thousand of the balance of "Debt securities issued" was pledged under a loan agreement that encumbers securities and other assets subscribed with the Bank of Spain (€2,735 thousand at 31 December 2021) (Note 8.7.1).

8.7.4.2. Subordinated liabilities

This account included under the heading "Financial liabilities at amortised cost" records the amount of financing received, regardless of the manner in which it is instrumented, and which, for the purposes of creditor ranking, is less senior than that owed to common creditors in accordance with the provisions of Act 10/2014, of 26 June 2014.

Details on the accompanying consolidated balance sheet, by type of financial liability and counterparty, are as follows:

	Thousands of euros	
	2022	2021
Subordinated marketable debt securities:	**597,654**	**639,460**
Convertible	-	-
Non-convertible	597,654	639,460
Subordinated deposits	**-**	**-**
Valuation adjustments	**2,797**	**3,998**
Total	**600,451**	**643,458**

Movements, without taking into account valuation adjustments, throughout 2022 and 2021, are as follows:

	Thousands of euros	
	2022	2021
Opening balance	**639,460**	**386,700**
Additions	-	597,654
Disposals	(41,806)	(344,894)
Transfers	-	-
Closing balance	**597,654**	**639,460**

At 31 December 2022 the Group had one subordinated bond issuance, the details of which are as follows:

Date		Thousands of euros						
Issuance	Maturity	Nominal	Cash	Treasury shares	Rating	Agency	Interest rate	Issuance
27/05/2021	27/11/2031	600,000	597,654	-	B / BBL	Standard & Poor's /DBRS	5.25%	Tier2 Subordinated Fixed Reset Notes due 27 November 2031
	Total issuances	**600,000**	**597,654**	**-**				

At 31 December 2021 the Group had several subordinated bond issuances, 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 2022 and 31 December 2021 interest accrued on these subordinated liabilities totalled €33,643 thousand and €34,542 thousand, respectively (Note 26) and it is included under the heading "Interest expenses" on the accompanying consolidated statement of profit or loss.

The Group's subordinated debt issues are placed under its European Medium Term Notes (EMTN) programme, and are listed on the Irish Stock Exchange. They consist of bonds registered, subject to English law, and settled through Euroclear and Clearstream.

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 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	
	2022	**2021**
Bonds payable	154,692	139,269
Guarantees received	3,249,047	510,931
Clearing houses	10,996	5,578
Tax collection accounts	169,743	205,185
Special accounts	62,879	55,389
Financial guarantees	20,037	17,770
Other items	44,241	80,656
Total	**3,711,635**	**1,014,778**

At 31 December 2022 and 2021 "Guarantees received" mainly includes the guarantees received from a number of credit institutions amounting to €2,886,666 thousand and €503,170 thousand, respectively, to mitigate the risk in hedging derivative transactions linked to the portfolio of debt securities at amortised cost (Note 9).

The liabilities recognised under "Bonds payable" on the accompanying consolidated balance sheet at 31 December 2022 and 31 December 2021 derive from the bonds assumed by the Group in operating leases for remaining lease terms are as follows:

2022	Thousands of euros							
Bonds for the right of use:	**Total Liabilities**	**Up to 12 Months**	**Between 12 and 18 Months**	**Between 18 and 24 Months**	**Between 24 and 30 Months**	**Between 30 and 36 Months**	**Between 36 and 42 Months**	**More than 42 Months**
Buildings and office premises	**27,618**	6,699	3,158	3,244	3,153	3,217	3,059	5,088
Rest of spaces	**1,608**	643	287	268	98	99	99	114
Vehicles	**1,199**	710	167	117	80	59	43	23
Computer equipment	**1,592**	688	448	-	456	-	-	-
Total	**32,017**	**8,740**	**4,060**	**3,629**	**3,787**	**3,375**	**3,201**	**5,225**

2021	Thousands of euros							
Bonds for the right of use:	**Total Liabilities**	**Up to 12 Months**	**Between 12 and 18 Months**	**Between 18 and 24 Months**	**Between 24 and 30 Months**	**Between 30 and 36 Months**	**Between 36 and 42 Months**	**More than 42 Months**
Buildings and office premises	**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**

The average discount rate used to determine the bonds payable deriving from operating leases is 3.3% at 31 December 2022 (3.48% at 31 December 2021).

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

9. Derivatives – Hedge accounting (asset and liability)

This heading on the accompanying consolidated balance sheets records the hedging instruments carried at fair value in accordance with the explanation provided in Note 3.4 to the accompanying annual accounts.

At 31 December 2022 the Group had recognised €3,238,076 thousand under assets for the fair value of derivatives (€606,871 at 31 December 2021). On the other hand, the fair value of derivatives on the liabilities side totalled €146,774 thousand at 31 December 2022 (€188,706 thousand at 31 December 2021).

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 micro-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 2022 the result of the fair-value adjustments to loans and receivables was €3,670 thousand (€956 thousand at 31 December 2021).

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 2022 and 31 December 2021 are set out below by counterparty, remaining term and type of risk:

	Thousands of euros							
	2022				2021			
	Carrying amount		Notional amount		Carrying amount		Notional amount	
	Assets	Liabilities	Total hedges	Of which: sold	Assets	Liabilities	Total hedges	Of which: sold
Interest rate	3,233,543	-	9,073,800	-	606,104	76,509	9,073,800	-
Other OTC	3,233,543	-	9,073,800		606,104	76,509	9,073,800	
FAIR VALUE HEDGES	3,233,543	-	9,073,800	-	606,104	76,509	9,073,800	-
Interest rate	-	146,774	400,000	-	-	112,196	400,000	-
OTC options	-	-	-	-	-	-	-	-
Other OTC	-	146,774	400,000		-	112,196	400,000	
Options on organised markets	-	-	-	-	-	-	-	-
Others on organised markets	-	-	-		-	-	-	
CASH FLOW HEDGES	-	146,774	400,000	-	-	112,196	400,000	-
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	-	-	-	-	-	-	-	-
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	4,532	-	20,000	-	767	-	20,000	-
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	-	-	-	-	-	-	-	-
DERIVATIVES-HEDGE ACCOUNTING	3,238,076	146,774	9,493,800	-	606,871	188,706	9,493,800	-
Of which: OTC – credit institutions	3,238,076	146,774	9,493,800		606,871	188,706	9,493,800	
Of which: OTC – other financial corporations	-	-	-		-	-	-	
Of which: OTC – others	-	-	-		-	-	-	

The fair value of the Group’s financial asset and financial liability derivatives by nature and counterparty at 31 December 2022 and 31 December 2021 is as follows (Note 3.27):

	Thousands of euros									
2022			Fair value hierarchy:			Change in fair value for the period		Accumulated change in fair value before taxes		
	Balance sheet	*Of which: Securities*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS										
Derivatives – Hedge accounting	3,238,076	3,238,076	-	3,238,076	-	1,356,847	-	-	1,549,026	-
LIABILITIES										
Derivatives – Hedge accounting	146,774	146,774	-	146,774	-	-	-	-	-	-

	Thousands of euros									
2021			Fair value hierarchy:			Change in fair value for the period		Accumulated change in fair value before taxes		
	Balance sheet	*Of which: Securities*	Level 1	Level 2	Level 3	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS										
Derivatives – Hedge accounting	606,871	606,871	-	606,871	-	575,056	-	-	603,372	-
LIABILITIES										
Derivatives – Hedge accounting	188,706	188,706	-	188,706	-	(73,645)	-	-	73,481	-

Gains or losses from hedge accounting at 31 December 2022 and 31 December 2021 were as follows:

	Thousands of euros	
	2022	2021
Changes in the fair value of the hedging instrument [including discontinued operations]	814,310	525,876
Changes in the fair value of the hedged item attributable to the hedged risk	(813,799)	(527,165)
Ineffectiveness in profit or loss of cash flow hedges	-	-
Ineffectiveness in profit or loss of hedges of net investments in foreign operations	-	-
GAINS OR (-) LOSSES FROM HEDGE ACCOUNTING, NET	**511**	**(1,289)**

To mitigate risk in hedging derivatives linked to the portfolio of debt securities carried at amortised cost, at 31 December 2022 and 31 December 2021 the Group had posted guarantees totalling €2,886,666 and €503,170 thousand, respectively (Note 8.7.5).

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

The details of this heading on the accompanying consolidated balance sheets at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	2021
Tangible assets for own use	**17,502**	**19,064**
Acquisition cost	19,496	21,492
Impairment allowances	(1,994)	(2,428)
Investment property	**9,023**	**9,282**
Acquisition cost	14,751	13,849
Accumulated depreciation	(1,446)	(1,392)
Impairment allowances	(4,282)	(3,175)
Tangible assets foreclosed	**88,291**	**126,270**
Acquisition cost	133,094	177,723
Accumulated depreciation	(1,734)	(1,774)
Impairment allowances	(43,069)	(49,679)
Total	**114,816**	**154,616**

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	2022	2021	2022	2021	2022	2021	2022	2021
Property, plant and equipment for own use	654	655	18,842	20,837	-	-	-	-
Property, plant and equipment foreclosed	95,256	132,094	29,197	32,945	5,866	6,218	1,041	4,692
Investment property	2,198	2,917	10,434	7,856	673	673	-	1,011
Total	**98,108**	**135,666**	**58,473**	**61,638**	**6,539**	**6,891**	**1,041**	**5,703**

The fair value of tangible assets recorded in this heading at 31 December 2022 and 2021 matches the carrying amount.

Movements in these headings on the consolidated balance sheet, without taking into account impairment losses, during 2022 and 2021 , are as follows:

	Thousands of euros		
	Tangible assets for own use	**Foreclosed**	**Investment property**
Cost			
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**
Additions	-	15,859	-
Disposals	(945)	(59,652)	(1,023)
Transfers (Note 12) y (Note 16)	(1,051)	(837)	1,925
Balance at 31 December 2022	**19,496**	**133,094**	**14,751**
Accumulated depreciation			
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)**
Additions	-	-	-
Disposals	-	147	28
Transfers (Note 12) y (Note 16)	-	(107)	(82)
Balance at 31 December 2022	**-**	**(1,734)**	**(1,446)**

At 31 December 2022 sales and write-offs of certain items of property, plant and equipment generated gains totalling €2,877 thousand (€3,249 thousand at 31 December 2021) and losses totalling €12,349 thousand (€16,271 thousand at 31 December 2021) (Note 26).

In 2022 loans were granted to finance the sale of property, plant and equipment foreclosed by the Group totalling €15,455 thousand (€38,716 thousand in 2021). The average percentage financed compared with the total amount of inventories sold at 31 December 2022 was 43.58% (59.13% in 2021). There were no unrecognised gains on the sale of these assets at 31 December 2022 or 31 December 2021.

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 2022 and 2021 are as follows:

	Thousands of euros		
	Tangible assets for own use	**Foreclosed**	**Investment property**
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)**
Allowances recognised in profit or loss (Note 26)	-	(32,798)	(174)
Recovered funds (Note 26)	434	21,491	477
Cancellation due to use, transfers and others	-	17,917	(1,410)
Balance at 31 December 2022	**(1,994)**	**(43,069)**	**(4,282)**

11. Investments in subsidiaries, joint ventures and associates

This heading on the accompanying consolidated balance sheets comprises the value of investments in associates whose details, together with important information at 31 December 2022 and 2021, are included in Appendix I.

	Thousands of euros	
	2022	**2021**
Group companies	**-**	**-**
Associates	**83,980**	**106,383**
Securities held by the entity	83,980	106,383
Valuation adjustments:		
Impairment allowances	-	-
Total	**83,980**	**106,383**

In 2022 and 2021 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	
	2022	**2021**
Opening balance	**106,383**	**101,357**
Additions due to transfers, acquisitions and capital increases	1,917	8,214
Sale of shares and refund of contributions	(49,504)	(46,009)
Disposals due to transfers of holdings and withdrawals from scope of consolidation	(899)	-
Share of profit/(loss) of entities accounted for using the equity method	47,193	44,474
Other consolidation movements	(21,111)	(1,653)
Closing balance	**83,980**	**106,383**

The results of entities accounted for using the equity method at 31 December 2022 and 31 December 2021 totalled €47,193 thousand and €44,474 thousand, respectively (Note 26).

The main additions in 2022 correspond to shareholders' contributions to the company Promontoria Jaguar, S.A. amounting to €1,917 thousand.

In 2021 a 20% equity stake was taken in "Promontoria Jaguar, S.A." amounting to €8,210 thousand (Note 1.7), the carrying amount of which is €8,167 thousand at 31 December 2021.

Details of investments in companies accounted for using the equity method on the Group's consolidated balance sheet at 31 December 2022 and at 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Cajamar Vida, S.A. de seguros y reaseguros	12,697	29,960
Agrocolor, S.L	-	1,107
Murcia Emprende, S.C.R, S.A.	858	429
Hábitat Utiel, S.L.	1	1
Giesmed Parking, S.L.	904	1,379
Biocolor, S.L.	376	377
Cajamar Seguros Generales, S.A	7,066	9,960
GCC Consumo Establecimiento Financiero de Crédito, S.A.	46,351	49,146
Parque de Innovación y Tecnológico de Almería, S.A.	5,725	5,698
Proyecta Ingenio, S.L.	-	75
Renovables la Unión, S.C.P.	84	84
Promontoria Jaguar, S.A.	9,920	8,167
Total	**83,980**	**106,383**

At 31 December 2022 and 31 December 2021 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 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
For own use		
Amortised cost		
Computer hardware	35,028	43,632
Of which: Capitalised rights to use in leases	*1,436*	*1,864*
Furniture, installations and other	114,516	123,370
Of which: Capitalised rights to use in leases	*1,115*	*1,399*
Buildings	524,633	543,519
Of which: Capitalised rights to use in leases	*27,163*	*30,966*
Construction in progress	41,581	32,960
Other tangible assets	18,049	23,882
Of which: Capitalised rights to use in leases	*564*	*677*
Accumulated impairment	(1,173)	(690)
Total	**732,634**	**766,673**

	Thousands of euros	
	2022	**2021**
For social projects		
Amortised cost		
Furnishings and fixtures	73	81
Constructions	1,987	2,048
Accumulated impairment	-	-
Total	**2,060**	**2,129**

	Thousands of euros	
	2022	**2021**
Investment property		
Amortised cost		
Furniture, vehicles and other fixtures	977	1,126
Buildings	148,752	164,029
Rural properties, land and plots	37,640	56,877
Accumulated impairment	(26,786)	(31,383)
Total	**160,583**	**190,649**

The breakdown of tangible assets for own use recorded under this heading on the consolidated balance sheet and movements during 2022 and 2021 are as follows:

	Thousands of euros					
	Own use					
	Computer hardware	**Furniture, fixtures and other**	**Buildings**	**Construction in progress**	**Other tangible assets**	**Total**
Cost						
Balance at 31 December 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**
Additions	4,947	11,082	5,031	20,221	110	41,391
Disposals	(53)	(5,566)	(11,197)	-	(578)	(17,394)
Transfers (Note 10) (Note 16)	4	2,424	(8,843)	(11,601)	(5,908)	(23,924)
Balance at 31 December 2022	**237,745**	**552,678**	**661,865**	**41,580**	**24,169**	**1,518,037**
Accumulated depreciation						
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)**
Additions (Note 26)	(13,247)	(21,683)	(8,348)	-	(267)	(43,545)
Disposals	41	4,889	831	-	39	5,800
Transfers (Note 10) (Note 16)	-	-	3,640	-	771	4,411
Other movements	(295)	-	-	-	-	(295)
Balance at 31 December 2022	**(202,716)**	**(438,162)**	**(137,232)**	**-**	**(6,120)**	**(784,230)**

*Cost includes the value of rights of use, net of depreciation.

Movements in valuation adjustments for impairment of tangible assets for own use in 2022 and 2021 were as follows:

Own use	Thousands of euros					
Impairment losses	**Computer hardware**	**Furniture, fixtures and other**	**Buildings**	**Construction in progress**	**Other tangible assets**	**Total**
Balance at 31 December 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)**
Allowances recognised in profit or loss	-	-	(685)	-	-	(685)
Recovered funds	-	-	-	-	-	-
Cancellation due to use, transfers and others	-	-	202	-	-	202
Balance at 31 December 2022	**-**	**-**	**(1,173)**	**-**	**-**	**(1,173)**

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 2022 are as follows:

	Capitalised rights to use in leases				
	Business units	**Other**	**Vehicles**	**Computer hardware**	**Total**
Cost					
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**
Additions	4,515	787	554	491	6,347
Disposals	(3,818)	(706)	(439)	-	(4,963)
Transfers	-	-	-	-	-
Balance at 31 December 2022	**49,157**	**3,754**	**3,171**	**2,621**	**58,703**
Accumulated depreciation					
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)**
Additions (Note 26)	(6,382)	(613)	(742)	(919)	(8,656)
Disposals	1,657	643	344	-	2,644
Transfers	-	-	-	-	-
Balance at 31 December 2022	**(22,946)**	**(2,242)**	**(2,052)**	**(1,185)**	**(28,425)**

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 2022 and 31 December 2021.

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 2022 and 2021, 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 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**
Additions	77	1,317	2,093	2	-
Disposals	-	(50,474)	(21,330)	-	-
Transfers (Note 10) (Note 16)	-	37,608	-	-	-
Balance at 31 December 2022	**2,164**	**168,271**	**37,640**	**2,909**	**3,610**
Accumulated depreciation					
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)**
Additions (Note 26)	(225)	(3,417)	-	(10)	(62)
Disposals	-	3,900	-	-	-
Transfers (Note 10) (Note 16)	-	(4,212)	-	-	-
Balance at 31 December 2022	**(1,186)**	**(19,520)**	**-**	**(2,836)**	**(1,623)**
Impairment losses					
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)**	**-**	**-**
Allowances recognised in profit or loss	-	(22,529)	(79)	-	-
Recovered funds	-	8,079	31	-	-
Cancellation due to use, transfers and others	-	19,095	-	-	-
Balance at 31 December 2022	**-**	**(26,393)**	**(393)**	**-**	**-**

At 31 December 2022 sales and write-offs of certain tangible assets generated gains totalling €2,170 thousand (€3,249 thousand at 31 December 2021) and losses totalling €5,258 thousand (€11,757 thousand at 31 December 2021) (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 2022 the Group granted financing on the sale of certain assets for a total of €14,748 thousand, which represents 37.19% of the average total sales carried out during the year (€24,598 thousand at 31 December 2021, representing 39.71% of average total sales in the year).

At 31 December 2022 and 31 December 2021 the Group had no unrecognised gains from financing on the sale of certain assets classified as investment property.

At 31 December 2022 the Group had commitments to acquired assets totalling €1,114 thousand (€955 thousand at 31 December 2021).

Fully depreciated assets still in use by the Group at 31 December 2022 totalled €507,578 thousand (€486,494 thousand at 31 December 2021).

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

Rental income from investment property amounted to €7,865 thousand at 31 December 2022 (€9,142 thousand at 31 December 2021) (Note 26). Operating expenses recognised in connection with these investments amounted to €940 thousand in 2022 (€991 thousand at 31 December 2021) (Note 26).

13. Intangible assets

The details of this heading on the accompanying consolidated balance sheets at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Goodwill	1,511	-
Computer software	277,837	225,646
Administrative concessions	18,468	18,468
Other intangible assets	2,399	1,736
Total, gross	**300,215**	**245,850**
Accumulated amortisation	(82,385)	(66,760)
Impairment losses	(6,386)	(6,386)
Total, net	**211,444**	**172,704**

The movement in computer software, administrative concessions and other intangible assets under this heading of the consolidated balance sheet in 2022 and 2021 was as follows:

	Thousands of euros	
	2022	**2021**
Cost		
Opening balance	**245,852**	**201,889**
Additions	53,347	43,883
Disposals	(7,852)	(8,019)
Other	7,357	8,099
Closing balance	**298,704**	**245,852**
Amortisation		
Opening balance	**(66,762)**	**(49,612)**
Additions	(15,026)	(10,356)
Disposals	6,761	6,845
Other	(7,358)	(13,639)
Closing balance	**(82,385)**	**(66,762)**
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	**209,933**	**172,704**

Goodwill at 31 December 2022 corresponds to the valuation of the investments in new companies incorporated into the scope of consolidation following the acquisition of 100% of FV La Cañada de Tabernas, S.L.U. and FV Turrillas Matanegra, S.L.U. The Group has not recognised any impairment in respect of this investment and, in accordance with IAS 22, the initial accounting for a business combination is considered to be temporary, with a maximum period of one year from the acquisition date being required to complete the process.

The merger between Cajamar Caja Rural Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito in November 2012 gave rise to goodwill derived from the difference between the fair value of the equity instruments of the new Bank and Ruralcaja's own funds. Since the initial recognition of said goodwill, in accordance with IAS 36, the Group has reviewed it annually and recognised any impairment arising. In 2021 the Group compared each CGU's value-in-use range with its carrying amount; on the basis of the assumptions considered and the methodology employed, the remaining goodwill at the end of 2020 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 2022 totalled €48,727 thousand (€56,575 thousand at 31 December 2021).

14. Provisions

The details of this heading on the accompanying consolidated balance sheets at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Pensions and other post-employment defined benefit obligations	2,114	4,536
Other long-term employee benefits	626	1,140
Commitments and guarantees given	9,003	7,603
Loan commitments given	*3,593*	*3,644*
Financial guarantees given	*3,015*	*2,517*
Other commitments given	*2,395*	*1,442*
Other provisions	68,349	81,923
Total	**80,092**	**95,202**

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	
	2022	**2021**
Other assets – Net pension plan assets	(78)	(98)
Provisions – Provisions for pensions and similar obligations	2,740	5,676

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							
	2022				2021			
	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	246	25,228	-	-	759	49,627	-	-
Commitments accrued with early retired employees	-	-	626	-	-	-	1,140	-
Commitments with retired employees	511	17,532	-	-	442	22,317	-	-
Fair value of plan net assets (-):								
Pension plan assets	(279)	(27,300)	-	-	(179)	(35,855)	-	-
Insurance contract	(556)	(13,346)	-	-	(1,120)	(31,553)	-	-
Actuarial gains not recognised on the balance sheet (+)	-	-	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (+)	-	-	-	-	-	-	-	-
Past service not yet recognised on the balance sheet (-)	-	-	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (+)	-	-	-	-	-	-	-	-
(Other assets) / Provisions recognised on the balance sheet	**(78)**	**2,114**	**626**	**-**	**(98)**	**4,536**	**1,140**	**-**

Movements in net assets and liabilities during 2022 and 2021, recognised on the consolidated balance sheet, are as follows:

	Thousands of euros							
	2022				2021			
	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	**(98)**	**4,536**	**1,140**	**-**	**(110)**	**6,943**	**1,771**	**-**
Allocations made during the period	17	587	-	-	32	1,622	-	-
Gains and losses on other long-term employee benefits	-	-	(51)	-	-	-	(49)	-
Actuarial gains and losses adjusted to equity	3	(1,419)	-	-	7	360	-	-
Recovered funds	-	-	-	-	-	-	-	-
Other movements	3	(3)	-	-	(2)	2	-	-
Cash outflows	(3)	(1,587)	(463)	-	(25)	(4,391)	(582)	-
(Other assets) / Provisions – closing balance	**(78)**	**2,114**	**626**	**-**	**(98)**	**4,536**	**1,140**	**-**

Details of total income and expenses recognised on the consolidated statements of profit or loss at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	2021
Staff expenses – Appropriations to defined benefit plans (Note 26)	(1,755)	(2,246)
Pension fund interest expense (Note 26)	(577)	(672)
Interest income – Yield on plan assets (Note 26)	548	606
Appropriations to pension funds and similar obligations (Note 26)(*)	1,231	699
Accounting income/(expense)	**(553)**	**(1,613)**

(*) 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 2022 and 31 December 2021 totalled €11,694 thousand and €11,337 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 2022 are as follows::

	Thousands of euros			
	Valuation adjustments			
	Stage 1	Stage 2	Stage 3	Total allowance
Balance at 31 December 2021	**3,255**	**1,155**	**3,194**	**7,604**
Increases due to origination and acquisition	1,679	73	69	1,821
Decreases due to derecognitions	(400)	(197)	(1,620)	(2,217)
Changes due to variation in credit risk (net)	544	71	1,305	1,920
Changes due to modifications with no derecognitions (net)	14	14	1	29
Changes due to revision of the entity's estimation model (net)	-	-	-	-
Decrease in the valuation adjustment account as a result of delinquent loans written off	-	-	(91)	(91)
Other adjustments	(1)	(3)	(59)	(63)
Balance at 31 December 2022	**5,091**	**1,113**	**2,799**	**9,003**

Changes in gross exposures and impairment during 2022 are as follows:

	Thousands of euros			
Transfers of commitments and financial guarantees given, gross:	**From Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		15,601	280	**15,881**
To Stage 2:	117,276		145	**117,421**
To Stage 3:	1,954	623		**2,577**
Transfers of provisions:				
To Stage 1:		31	1	**32**
To Stage 2:	881		1	**882**
To Stage 3:	722	177		**899**

Details of this heading on the consolidated balance sheet and movement in 2021 are as follows:

	Thousands of euros			
	Valuation adjustments			
	Stage 1	Stage 2	Stage 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 Stage 1:**	**From Stage 2:**	**From Stage 3:**	**Total**
To Stage 1:		47,761	2,368	**50,129**
To Stage 2:	30,167		244	**30,411**
To Stage 3:	1,443	1,741		**3,184**
Transfers of provisions:				
To Stage 1:		34	2	**36**
To Stage 2:	223		-	**223**
To Stage 3:	377	503		**880**

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 pending legal issues and tax litigation

There were no amounts under this heading at 31 December 2022 or 31 December 2021 (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 2022 and 2021 were as follows:

	Thousands of euros			
	Market	Miscellaneous	Other responsibilities	Total
Opening balances 31 December 2020	**5,552**	**8,788**	**47,466**	**61,806**
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)**
Opening balances 31 December 2021	**3,319**	**24,817**	**53,787**	**81,923**
Allocations made during the period (Note 26)	1,159	12,456	30,302	**43,917**
Recovered funds (Note 26)	(29)	(16,298)	(3,986)	**(20,313)**
Funds used and other movements	(4,205)	(8,222)	(24,751)	**(37,178)**
Closing balances 31 December 2022	**244**	**12,753**	**55,352**	**68,349**

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 balance of the provision at 31 December 2022 was €25,002 thousand (€25,002 thousand at 31 December 2021).

In line with the restructuring plan agreed in 2015 to manage the surplus workforce, at 31 December 2022 the Group had a provision for "Other liabilities" of €4,552 thousand (€4,776 at 31 December 2021). At 31 December 2021 the Group had a provision for "Other liabilities" of €1,892 thousand to adequately cover the commitments arising from the Collective Restructuring, Merger and Labour Framework Agreement subscribed by the Group's Management and all the trade union representatives on 27 December 2012. In 2022 these commitments were all met.

At 31 December 2022 the Group had set aside provisions in connection with several legal proceedings – likely to give rise to liabilities – totalling €25,496 thousand (€21,310 thousand at 31 December 2021).

At 31 December 2022 the Group had recognised allowances under "Sundry provisions" for expenses associated with legal proceedings in respect of debt instruments included in sales of portfolios of non-performing assets and assets written off amounting to €10,852 thousand (€8,620 thousand at 31 December 2021).

15. Tax assets and liabilities – Corporate income tax

The breakdown of tax assets and liabilities at 31 December 2022 and 31 December 2021, respectively, is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2022	2021	2022	2021
Current taxes	**33,905**	**49,066**	**28,189**	**24,712**
Deferred taxes	**1,127,326**	**1,110,520**	**48,174**	**50,350**
For temporary differences:	**841,089**	**838,936**	**48,174**	**50,350**
Goodwill on the acquisition of assets	339	414	-	-
Impairment losses on assets	75,538	76,246	-	-
Pension funds and other insurance	53,112	52,196	-	-
Unaccrued fees, Bank of Spain Circular 4/2004	207	210	-	-
Early retirement and dismissal fund	6,513	6,513	-	-
Impairment losses on loans	574,111	573,674	5	5
Funds and provisions created	22,536	27,398	-	-
Excess amortisation/depreciation charge	2,440	3,720	-	-
Undervaluations of financial assets at fair value through other comprehensive income	22,956	14,262	-	-
Revaluation of properties	-	-	40,298	42,312
Revaluation of financial assets at fair value through other comprehensive income	-	-	7,808	7,967
Actuarial gains and losses	2,308	2,711	14	12
Fair value of loans and other	61,105	61,189	-	-
Limitation of the deduction of finance expenses	17,839	18,339	-	-
Other	2,085	2,064	49	54
Tax loss carryforwards	**275,788**	**264,828**	**-**	**-**
Tax deductions and credits	**10,449**	**6,757**	**-**	**-**
	1,161,231	**1,159,585**	**76,363**	**75,062**

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 2022 and 2021 are as follows:

	Thousands of euros			
	Assets		Liabilities	
	2022	2021	2022	2021
Opening balance	**1,110,520**	**1,099,258**	**50,350**	**55,887**
Prior year adjustments	1,073	(1,118)	(1,448)	(410)
Corporate income tax for the year				
Impairment losses on assets	3,624	2,986	-	-
Goodwill	(72)	(70)	-	-
Pension funds and other insurance	918	(158)	-	-
Impairment losses on financial assets at amortised cost	3,255	(649)	-	-
Unaccrued fees, Bank of Spain Circular 4/2001	(4)	(8)	-	-
Funds and provisions created	(4,770)	5,404	-	-
Early retirement fund	-	(5)	-	-
Excess amortisation/depreciation charge (Act 16/2012)	(1,245)	(1,206)	-	-
Tax loss carryforwards	10,775	(3,682)	-	-
Deductions and credits	(9)	(27)	-	-
Revaluation of properties	-	-	(566)	(586)
Other	22	(139)	(2)	55
Transfers and other				
Fair value of financial assets at fair value through other comprehensive income	8,694	11,062	(160)	(3,468)
Actuarial gains and losses	(406)	98	-	(3)
Change in current tax assets and liabilities	(2,710)	(221)	-	-
Change in payables to group companies	(1,755)	(2)	-	-
Limitation of the deduction of finance expenses	(500)	-	-	-
Other	(84)	(1,003)	-	(1,125)
Closing balance	**1,127,326**	**1,110,520**	**48,174**	**50,350**

At 31 December 2022, the Group has deferred tax assets arising from unused tax losses and tax credits totalling €8,813 thousand. The maximum period for utilising uncapitalised tax credits is 18 years from the tax period in which the credits were generated, whereas there is no time limit for utilisation of unused tax losses.

Banco de Crédito Social Cooperativo, S.A. and the subsidiaries that meet the requirements of corporate income tax regulations to form a tax consolidated group for corporate income tax purposes agreed to apply the special tax consolidation regime established in Corporate Income Tax Act 27/2014 with effect from 2016. 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 obtain 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 2022 and 2021:

	Thousands of euros	
	2022	**2021**
Aggregate profit/(loss) before tax	**(86,248)**	**(68,572)**
Permanent differences:	**97,758**	**116,821**
Appropriation to Community Projects Fund	(4,149)	(2,214)
Mandatory Reserve Fund	(4,701)	(2,597)
Interest on capital contributions	(22,922)	(18,661)
Dividends and other	49,214	8,585
Other provisions	80,316	131,708
Adjusted accounting profit/(loss) after permanent differences	**11,510**	**48,249**
Temporary differences:	**(30,016)**	**29,124**
Impairment losses on assets	(7,826)	10,565
Goodwill	(271)	(271)
Impairment losses on loans	(4,899)	(1,367)
Unaccrued fees, Bank of Spain Circular 4/2001	(14)	(31)
Funds and provisions created	(15,426)	20,398
Excess amortisation/depreciation charge (Act 16/2012)	(4,674)	(4,610)
Revaluation of properties	2,162	2,253
Portfolio valuation adjustments	(456)	(536)
Limitation of the deduction of financial expenses	(1,000)	-
Financial assets at fair value through other comprehensive income	2,388	2,723
Tax base before offset	**(18,506)**	**77,373**
Of which:		
Taxable income	35,549	113,453
Tax losses	(54,055)	(36,074)
Losses due to defaults (Articles 11, 12 of Corporate Income Tax Act (LIS))	**8,314**	**14,359**
Tax base before offset of tax loss carryforwards	**(10,192)**	**91,732**
Of which:		
Taxable income	35,549	113,453
Tax losses	(45,741)	(21,715)
Offset of prior years' tax loss carryforwards	**(4,752)**	**-**
Tax base	**(14,944)**	**91,732**
Gross tax payable (30%-25%)	**(9,635)**	**26,422**
Of which:		
Gross tax payable	4,047	28,891
Gross tax refundable	(13,682)	(2,469)
Monitisable tax asset expenses and losses (applied to tax payable)	**(4,409)**	**(1,122)**
Impairment losses on loans	(2,165)	2,607
Pension funds and other insurance	(2,244)	(3,729)
Application of the limit on monetisable tax assets	5,972	(3,649)
Tax payable (30%-25%)	**(8,072)**	**21,650**
Of which:		
Gross tax payable	5,481	24,103
Gross tax refundable	(13,553)	(2,453)
Tax credits for tax loss carryforwards	(785)	(6,137)
Deductions and credits	(9)	(25)
Withholdings and payments on account	(18,069)	(29,345)
Other	(445)	-
Tax payable/(refundable)	**(13,827)**	**(11,404)**

The breakdown of corporate income tax included on the consolidated statement of profit or loss for 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Tax payable (30%-25%)	(4,305)	14,261
Adjustments to prior year corporate income tax	(2,509)	719
Consolidation adjustment, portfolio standardisation	37	210
Corporate income tax	**(6,777)**	**15,190**

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 2022 and 31 December 2021, the Group has recognised the following amounts in equity (deferred taxes) for the following items:

	Thousands of euros	
	2022	2021
Fair value of tangible assets	40,296	42,312
Fair value of financial assets at fair value through other comprehensive income (revaluation)	7,806	7,036
Fair value of financial assets at fair value through other comprehensive income (undervaluation)	(2,159)	4,373
Fair value of loans and receivables and other (revaluation)	-	6
Fair value of loans and receivables and other (undervaluation)	(61,105)	(61,196)
Actuarial gains and losses	(2,295)	(2,699)

Movement in corporate income tax connected with items that may be reclassified or not to profit or loss presented on the statement of recognised income and expenses was €17,706 thousand at 31 December 2022 (€4,530 thousand at 31 December 2021), and relates to financial assets at fair value through other comprehensive income, actuarial gains on defined benefit pension plans and hedging derivatives (the effective portion of cash flow hedges).

Deferred tax assets corresponding to charges for the impairment of loans and other assets deriving from the potential insolvency of debtors not related to the taxpayer and from transfers or contributions to staff welfare schemes and, if appropriate, early retirement, generated as from 1 January 2016, may be converted into a callable loan (that may be monetisable) with the tax authorities for an amount equal to the tax payable for the tax period in which they are generated in the circumstances stipulated in the relevant legislation.

Further, deferred tax assets corresponding to charges for the impairment of loans and other assets deriving from the potential insolvency of debtors not related to the taxpayer and from transfers or contributions to staff welfare schemes and, if appropriate, early retirement, generated as from 1 January 2016, may be converted into a callable loan with the tax authorities when included to determine the corporate income tax charge or, otherwise, used to determine payment of an annual ‘asset charge’ of 1.5%. The expense accrued by the Group in 2022 in respect of this ‘asset charge’ amounted to €7,898 thousand (€8,052 thousand at 31 December 2021).

Monetisable tax assets at 31 December 2022 were €620,650 thousand (€608,997 thousand at 31 December 2021).

A breakdown of tax credits for tax loss carryforwards, deductions and allowances available for offset in future years at 31 December 2022 and 31 December 2021 is as follows:

		Thousands of euros	
Year generated	Item	2022	2021
2022	Tax credits for tax loss carryforwards	13,552	-
2021	Tax credits for tax loss carryforwards	1,665	2,453
2021	Deductions and credits	3,705	-
2020	Tax credits for tax loss carryforwards	16,677	16,719
2020	Deductions and credits	1,473	1,500
2019	Tax credits for tax loss carryforwards	7,274	7,274
2019	Deductions and credits	2,004	2,020
2018	Tax credits for tax loss carryforwards	16,810	16,865
2018	Deductions and credits	1,496	1,452
2017	Tax credits for tax loss carryforwards	30,223	30,299
2017	Deductions and credits	660	660
2016	Deductions and credits	542	542
2015	Tax credits for tax loss carryforwards	28,914	30,887
2014	Tax credits for tax loss carryforwards	6,640	6,640
2014	Deductions and credits	64	64
2013	Tax credits for tax loss carryforwards	27	114
2013	Deductions and credits	66	66
2012	Tax credits for tax loss carryforwards	153,316	152,840
2012	Deductions and credits	142	151
2011	Tax credits for tax loss carryforwards	404	402
2011	Deductions and credits	77	76
2010	Tax credits for tax loss carryforwards	284	334
2010	Deductions and credits	175	180
2009	Deductions and credits	47	47
	Total	**286,237**	**271,585**

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 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Other assets:		
Prepayments and accrued income	28,069	29,012
Inventories:	486,298	673,633
Amortised cost	840,886	1,089,093
Valuation adjustments for impairment	(354,588)	(415,460)
Other:		
Net pension plan assets (Note 14.1)	78	98
Transactions in transit	6,171	1,127
Other items	74,180	75,922
Total	**594,796**	**779,792**

	Thousands of euros	
	2022	**2021**
Other liabilities:		
Accruals and deferred income	99,555	100,281
Other:		
Transactions in transit	12,070	16,536
Other items	413,503	205,655
Education and Development Fund	4,791	5,124
Total	**529,919**	**327,596**

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 2022 and 2021, are as follows:

	Thousands of euros	
Cost	**2022**	**2021**
Opening balance	**1,089,093**	**1,443,104**
Additions	131,418	294,320
Disposals	(365,894)	(606,162)
Transfers (Note 10) (Note 12)	(13,731)	(42,169)
Closing balance	**840,885**	**1,089,093**

	Thousands of euros	
Impairment losses	**2022**	**2021**
Opening balance	**(415,460)**	**(408,577)**
Additions (Note 26)	(198,027)	(682,325)
Disposals (Note 26)	108,404	533,702
Transfers, applications and other	150,495	141,740
Closing balance	**(354,588)**	**(415,460)**

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 2022 assets classified as the Group's inventories with a carrying amount of €149,337 thousand not included in the aforementioned transaction were also derecognised on being sold (€225,027 thousand in 2021). Loans were granted to finance these sales totalling €76,108 thousand (€133,509 thousand in 2021). The average percentage financed relative to the sales price compared with the total amount of inventories sold at 31 December 2022 was 50.96% (59.33% at 31 December 2021).

The fair value of the inventories recorded in this heading at 31 December 2022 and 31 December 2021 matches the carrying amount.

17. Education and Development Fund

The incorporation of Grupo Cooperativo Cajamar does not restrict responsibility for operating and managing the Education and Development Fund to the Parent's Board of Directors; this responsibility falls to the governing board of each entity forming part of the Group, as follows:

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

- To train and educate partners and employees of the Group on cooperative principles and values, and to raise awareness of cooperativism in social and rural environments and other cooperative action of a socio-cultural nature.

- To champion action relating to raising awareness of cooperativism, inter-cooperation and cooperative integration.

- To support cultural, professional and care activities at the local level or for the community in general, to contribute to enhancing the quality of life and social well-being.

- To participate in strategies and programmes that respond to the needs of social development, protection of the environment and economic development of the Group's areas of action.

At the individual level, each Credit Cooperative forming part of Grupo Cooperativo carries out their own activities financed by the Education and Development Fund; the most significant in 2022 and 2021 being as follows:

- Research, development, innovation and knowledge transfer, which has been a driving force of the Group entities since 1975 and is aimed at nurturing an entrepreneurial culture in the agri-food sector, applying know-how to create value, and driving up the profitability of farming through sustainable and environmentally-friendly practices. Our laboratories in Almeria and Valencia are the clearest example of the work of our Welfare Fund. The centres carry out applied research projects and develop new production technologies, and especially focus on disseminating the outcomes thereof. There are currently four main areas of knowledge: sustainable agriculture food and health, the bioeconomy, and greenhouse technologies.

- Technical and professional training is at the heart of our model to create value for society and the business community. We have therefore committed to forging a permanent link between research and transferring the findings thereof to society. We organise occasional and on-going knowledge transfer activities (conferences, seminars and workshops) and training courses.

- Our Agri-food Training School is there to contribute to enhancing the leadership skills of agents in the agri-food sector through technical and business courses for various groups: executives, directors, farmers and young people. To achieve this, we have put in place a wide-ranging systemic proposal across all agri-food sub-sectors and the regions we serve. Looking ahead, we are focusing on matters related with the intensive use of technology, digitalisation, the creation of added value, efficient use of available resources including the circular economy, and differentiation as a key tool to compete in the global market.

- We are actively involved in forums related with the agri-food sector in Spain and abroad.
- We also contribute to developing and promoting the agri-food sector and social economy through research and the publication of books, journals, newsletters, reports and case studies. We currently boast a private collection of agri-food publications, which is the largest in Spain and an invaluable resource for professionals and researchers as well as for the general public who are increasingly interested in finding out more about this sector given its economic, social and environmental importance. Our publications are fruit of the experiments and analysis performed by our specialists, partnerships with renowned experts and entities, institutions and businesses around the world.

- We have established a Universities Network we will work with to further research and analysis in the agri-food sector and its various sub-sectors. By publishing the papers from this work, we will offer the key agents in the sector valuable resources to help them make strategic decisions in their respective businesses. We will also boost interest in the agri-food business among university students through work experience and events to foster entrepreneurship.

- Analysis of the current position and structural aspects of the agri-food sector. The agri-food system is constantly evolving to cater for the changing needs of consumers and the markets. Our Group has a department that specialises in analysing the different variables affecting the sector's situation and evolution. Our knowledge of the various stages of the food chain, competition in the various sub-sectors, and the main challenges faced enable us to offer advice and solutions that are best tailored to the needs of our partners and customers. Structural and economic indicators on production, consumption, foreign trade, prices, nature of farms and commercial structures, among others, are analysed as part of this process. A close watch is also kept on the latest technologies and innovations that contribute to enhancing the sustainability of production systems. Environmental matters, such as energy efficiency, renewable energy usage, better use of inputs, and the new demands of society are factors that are having an increase impact on agri-food companies, and are variables included in our analyses.

- In order to also nurture entrepreneurial spirit and drive the development of new technologies that meet the agri-food sector's needs, the Group is backing the creation of innovative start-ups. Services provided include selecting projects with a solid knowledge base and growth potential; providing advice and mentoring on technological, business and market matters; providing support during the initial stages of development; and acting as intermediary to obtain project finance.

- We champion the digitalisation of the agri-food sector to more efficiently use resources and better position the various agents in the value chain. In doing this, our aim is to increase financial returns, preserve a social fabric connected with food production, and protect and conserve the environment.

- We help promote policies, measures and instruments that contribute to developing sustainable finance and the social economy, aimed at meeting human needs and the sustainable development of local productive sectors. We promote instruments that encourage and support our partners and customers in the areas of sustainability and the ecological transition.

- By engaging permanently and constructively with stakeholders, we help identify and monitor the factors and trends that shape society's future priorities regarding sustainable finance, the social economy and good corporate governance within the framework of the Sustainable Development Goals.

- We play a role in and contribute to financial education, rural development, financial inclusion, nature conservation, sustainable renewable energy models, social integration, healthy diets and living.

- On the social well-being side, continuing support for action aimed at helping at-risk groups of the population, through the financing of projects of non-profit organisations, to enhance these people's quality of life and facilitate their access to services and inclusion in the communities and society they belong to.
- Partnering on institutional and private-sector projects involving music, painting, dance and theatre, especially cultural activities and sports for children and young people, with a programme promoting the values in sport and increasing physical activity through grassroots sport.

- Backing of social and economic development programmes in the areas in which we operate, and cultural heritage conservation work.

The management of the Education and Development Fund falls to the governing boards of Members, or to the persons delegated by them with respect to specific actions, based on the purposes established in the basic workstreams submitted for approval by each Member's annual General Assembly.

The balances related to the Group's Education and Development Fund at 31 December 2022 and 31 December 2021, break down as follows:

	Thousands of euros	
	2022	2021
Application of the Education and Development Fund: (Note 12)		
Property, plant and equipment:	**2,060**	**2,129**
Cost	6,519	6,518
Accumulated depreciation	(4,459)	(4,389)
Other receivables	-	-
Total	**2,060**	**2,129**
Education and Development Fund:		
Appropriation:	**3,875**	**4,075**
Applied to property, plant and equipment	1,987	2,048
Applied to other investments	73	82
Expenses committed during the year	7,792	6,736
Current year maintenance expenses	(6,741)	(5,595)
Amount not committed	764	804
Other liabilities	**916**	**1,051**
Total	**4,791**	**5,126**

The budget for expenses and investments of the Education and Development Fund at 31 December 2022 amounted to €7,792 thousand (€6,736 thousand at 31 December 2021).

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 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Opening balance	**5,124**	**7,099**
Distribution of prior year surplus, Credit Cooperatives	2,213	1,353
Extraordinary appropriation	4,183	3,187
Maintenance expenses for the year	(6,741)	(5,595)
Other	12	(920)
Closing balance	**4,791**	**5,124**

18. Equity

Equity on the accompanying consolidated balance sheets at 31 December 2022 and 31 December 2021 breaks down as follows:

	Thousands of euros	
	2022	2021
Capital	**1,059,028**	**1,059,028**
Paid up capital	1,059,028	1,059,028
Parent's reserves	**27,084**	**21,859**
Non-distributable reserves:	**13,359**	**11,490**
Legal reserve	13,359	11,490
Other reserves	**13,725**	**10,369**
Voluntary reserves	26,370	25,549
Other reserves	(12,645)	(15,180)
Parent's equity subject to solvency commitment	**1,086,112**	**1,080,887**
Equity of the Group's cooperative societies subject to solvency commitment	**3,683,032**	**3,463,497**
Equity of Cajamar Caja Rural subject to solvency commitment	**3,398,080**	**3,193,448**
Contributions to the capital of Cajamar Caja Rural	3,251,583	3,060,694
Reserves of Cajamar Caja Rural	146,526	132,781
Mandatory reserve fund	26,221	22,351
Revaluation reserves	39,589	39,589
Voluntary reserve fund	70,925	60,712
Other reserves	9,791	10,129
Less: Treasury shares	(29)	(27)
Equity of the rest of the Group's cooperative societies subject to solvency commitment	**284,952**	**270,049**
capital contributions to the rest of the Group's cooperative societies	93,563	80,316
Reserves of the rest of the cooperative societies	191,417	189,761
Mandatory reserve fund	181,134	179,810
Revaluation reserves	5,806	5,806
Voluntary reserve fund	4,617	4,285
Other reserves	(140)	(140)
Less: Treasury shares	(28)	(28)
Reserves generated during the consolidation process	**(33,842)**	**(54,972)**
Other Consolidable Group Reserves	**(3,594)**	**(3,949)**
Reserves of entities accounted for using the equity method	**30,480**	**32,626**
Parent's shares (-)	**(977,349)**	**(977,349)**
Profit or loss attributable to the Parent	**80,001**	**62,625**
Dividends (-)	**(11,137)**	**(7,882)**
Dividends to Cajamar Caja Rural capital	(10,910)	(7,723)
Dividends to the capital of the rest of the Group's rural savings banks	(227)	(159)
Interim dividends (-)	**(816)**	**(617)**
Items that may be reclassified to profit or loss	**(66,746)**	**(12,079)**
Items that may not be reclassified to profit or loss	**(3,071)**	**(3,980)**
Changes in the fair value of equity instruments at fair value through other comprehensive income	2,402	2,504
Actuarial gains or losses on defined benefit pension plans	(5,473)	(6,484)
Total equity	**3,783,070**	**3,578,807**

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 2022 and 31 December 2021, is as follows:

	Thousands of euros		
	2022		
Equity	**3,852,887**	**3,852,887**	**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	**3,345,089**	**3,345,089**	**Total equity instruments**
		3,251,583	*Contributions to the capital of Cajamar Caja Rural (Equity subject to solvency commitments)*
		(29)	*Less: Treasury shares of Cajamar Caja Rural (Equity subject to solvency commitments)*
		93,563	*Contributions to the capital of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
		(28)	*Less: Treasury shares of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
Other equity	**-**	**-**	**Other equity**
Retained earnings	**288,784**	**288,784**	**Total other retained earnings (Reserves)**
		39,729	*Parent's reserves*
		97,146	*Mandatory, voluntary and other reserves at Cajamar Caja Rural (Equity subject to solvency commitments)*
		185,751	*Mandatory, voluntary and other reserves at the other cooperative societies (Equity subject to solvency commitments)*
		(33,842)	*Reserves generated during the consolidation process*
Revaluation reserves	**45,395**	**45,395**	**Total revaluation reserves**
		39,589	*Revaluation reserves at Cajamar Caja Rural*
		5,806	*Revaluation reserves at the rest of the Group's cooperative societies*
Other reserves	**23,892**	**23,892**	**Total other reserves**
Reserves of entities accounted for using the equity method	-	*30,480*	*Reserves of entities accounted for using the equity method*
Other	-	*(6,588)*	*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	**80,001**	**80,001**	**Profit or loss attributable to the Parent**
(-) Interim dividends	**(11,953)**	**(11,953)**	**Total interim dividends**
		(10,910)	**Dividends to Cajamar Caja Rural capital**
		(227)	*Dividends to the capital of the rest of the Group's rural savings banks*
		(816)	*Interim dividends to the Parent*
Accumulated other comprehensive income	**(69,817)**	**(69,817)**	**Total accumulated other comprehensive income**
Items that will not be reclassified to profit or loss	**(3,071)**	**(3,071)**	**Items that may not be reclassified to profit or loss**
		(5,473)	*Actuarial gains or (-) losses on defined benefit pension plans of the Parent*
		-	*Actuarial gains or (-) losses on defined benefit pension plans of Cajamar Caja Rural*
		-	*Actuarial gains or (-) losses on defined benefit pension plans of the rest of the Group's cooperative societies*
		2,402	*Changes in the fair value of equity instruments at fair value through other comprehensive income*
Items that may be reclassified to profit or loss	**(66,746)**	**(66,746)**	**Items that may be reclassified to profit or loss**
		-	*Foreign currency translation*
		(14,468)	*Hedging derivatives. Cash flow hedges [effective portion]*
		(36,833)	*Changes in the fair value of debt instruments at fair value through other comprehensive income*
		(15,445)	*Share of other recognised income and expense of investments in joint ventures and associates*

	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*
Equity instruments issued other than capital	**3,140,955**	**3,140,955**	**Total equity instruments**
	-	*3,060,694*	*Contributions to the 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 capital of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
	-	*(28)*	*Less: Treasury shares of the rest of the Group's cooperative societies (Equity subject to solvency commitments)*
Retained earnings	**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 capital**
		(159)	*Dividends to the 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 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**
		(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*

18.1. Capital:

18.1.1. Parent's capital

At 31 December 2022 and 31 December 2021 the Parent's capital breaks down as follows, by shareholder contribution:

	Percentage ownership	
Shareholders that form part of Grupo Cooperativo Cajamar	**2022**	**2021**
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 Vilavella, 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%
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.	0.43%	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%

At 31 December 2022 the Parent's capital amounts to €1,059,028 thousand (€1,059,028 thousand at 31 December 2021), made up of 1,059,028 thousand registered shares with a par value of €1 each (1,059,028 thousand registered shares with a par value of €1 each at 31 December 2021). 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 2022 this totalled €977,349 thousand (€977,349 thousand at 31 December 2021), as follows:

	Thousands of euros	
	2022	**2021**
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 €3,251,554 thousand at 31 December 2022 (€3,060,667 thousand at 31 December 2021) 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 2022 the largest contribution equalled 0.15% of capital (0.16% at the end of 2021).

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 €93,535 thousand at 31 December 2022 (€80,288 thousand at 31 December 2021) and is recorded under "*Equity of the Group's cooperative societies subject to solvency commitment – Equity of the rest of the Group's cooperative societies subject to solvency commitment – Capital contributions to the rest of the Group's cooperative societies*".

Details of and movements in the capital of Group Credit Cooperatives during 2022 and 2021 are as follows:

2022

	Thousands of euros									
Group entity	**Entity's capital**	**Treasury shares**	**Opening balance**	**Number of contributions**	**Additions**	**Number of contributions**	**Disposals**	**Number of contributions**	**Treasury shares**	**Closing balance**
Cajamar Caja Rural, Sdad. Coop. de Crédito	3,060,694	(27)	3,060,667	50,174,869	387,359	6,350,154	(196,471)	(3,220,830)	-	3,251,556
Caixa Rural de Torrent, Coop. de Crédito Valenciana	14,593	-	14,593	242,777	1,735	28,856	(594)	(9,882)	-	15,734
Caixa Rural de Altea, Coop. de Crédito Valenciana	6,098	-	6,098	101,467	2,108	35,071	(408)	(6,781)	-	7,798
Caja Rural San José de Burriana, Sdad. Coop. de Crédito	4,642	-	4,642	77,237	971	16,158	(179)	(2,976)	-	5,434
Caja de Crédito de Petrel, Caja Rural, Coop. de Crédito Valenciana	3,630	-	3,630	60,402	1,121	18,651	(188)	(3,128)	-	4,563
Caja Rural Católico Agraria, Sdad. Coop. de Crédito	14,665	-	14,665	244,007	3,029	50,394	(567)	(9,434)	-	17,127
Caja Rural de Callosa d'en Sarriá, Sdad. Coop. de Crédito	8,014	-	8,014	133,348	1,822	30,309	(309)	(5,134)	-	9,527
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad. Coop. de Crédito	3,572	-	3,572	59,439	1,029	17,120	(84)	(1,405)	-	4,517
Caja Rural de Cheste, Sdad. Coop. de Crédito	2,041	-	2,041	33,955	141	2,342	(38)	(638)	-	2,143
Caja Rural San José de Nules, Sdad. Coop. de Crédito	6,191	-	6,191	103,018	1,273	21,180	(230)	(3,820)	-	7,235
Caja Rural de Alginet, Sdad. Coop. de Crédito	2,652	(28)	2,624	43,668	503	8,371	(47)	(785)	-	3,080
Caixa Rural de Turís, Coop. de Crédito Valenciana	1,853	-	1,853	28,024	359	5,424	(176)	(2,665)	-	2,035
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,282	-	3,282	54,608	975	16,224	(313)	(5,216)	-	3,944
Caja Rural de Villar, Sdad. Coop. de Crédito	4,690	-	4,690	78,041	799	13,290	(113)	(1,883)	-	5,376
Caja Rural San José de Vilavella, Sdad. Coop. de Crédito	1,011	-	1,011	16,826	200	3,323	(44)	(724)	-	1,167
Caja Rural San Roque de Almenara, Sdad. Coop. de Crédito	1,031	-	1,031	17,152	147	2,439	(34)	(570)	-	1,143
Caja Rural San Isidro de Vilafamés, Sdad. Coop. de Crédito	502	-	502	7,170	38	536	(15)	(221)	-	524
Caja Rural La Junquera de Chilches, Sdad. Coop. de Crédito	1,847	-	1,847	30,739	466	7,754	(127)	(2,113)	-	2,186
Total	**3,141,010**	**(55)**	**3,140,955**	**51,506,746**	**404,072**	**6,627,596**	**(199,937)**	**(3,278,205)**	**-**	**3,345,090**

2021

	Thousands of euros									
Group entity	**Entity's capital**	**Treasury shares**	**Opening balance**	**Number of contributions**	**Additions**	**Number of contributions**	**Disposals**	**Number of contributions**	**Treasury shares**	**Closing balance**
Cajamar Caja Rural, Sdad. Coop. de Crédito	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**

At 31 December 2022 the Board of Directors of Grupo Cooperativo Cajamar classified €3,345,089 thousand (€3,140,955 thousand at 31 December 2021) 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 2022 and 31 December 2021 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 2022 and 31 December 2021.

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 2022 and at 31 December 2021 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 2022 and at 31 December 2021 the Group has not issued any instruments with a potential dilutive effect.

	Thousands of euros	
	2022	**2021**
Profit/(loss) attributable to the Parent, net	80,001	62,626
Weighted average number of shares	1,059,028	1,059,028
Basic earnings per share (in euros)	**0.08**	**0.06**

	Thousands of euros	
	2022	**2021**
Profit/(loss) attributable to the Parent, net	80,001	62,626
Corrections to results due to issuance of convertibles/options	-	-
Adjusted profit/(loss)	**80,001**	**62,626**
Weighted average number of shares	1,059,028	1,059,028
Corrections to weighted number of shares due to issuance of convertibles or options	-	-
Adjusted weighted average number of shares	**1,059,028**	**1,059,028**
Diluted earnings per share (in euros)	**0.08**	**0.06**

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 2022 and 31 December 2021, 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	**31/08/2022**
1) Profit for the year from January 1	11,896
2) Less	1,190
a) Mandatory application to reserves	1,190
b) Allocated amount to Equity less than capital	-
3) Less interim dividend paid for the period	-
4) Maximum amount distributable (1-2-3)	10,706
Proposed interim dividend	**10,590**
Financial situation	
Cash	152,543
Deposits at Central Banks	5,122,430
Available cash balance	**5,274,973**
Available cash balance after dividend	**5,264,383**

The breakdown of dividends paid in 2022 correspond to an interim dividend against 2022 earnings and a supplementary interim dividend against 2021 earnings.

2022

	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	0.010	8,988.42
Caixa Rural de Torrent, C.C.V.	1.51%	15,981	0.010	159.81
Caixa Rural de Altea, C.C.V.	0.87%	9,242	0.010	92.42
Caja Rural San José de Burriana, S.C.C.	0.73%	7,714	0.010	77.14
Caja de Crédito de Petrel Caja Rural, C.C.V.	0.63%	6,681	0.010	66.81
Caja Rural Católico Agraria, S.C.C.	0.76%	8,040	0.010	80.40
Caja Rural de Callosa d'en Sarriá, S.C.C.	0.52%	5,556	0.010	55.56
Caja Rural San Jaime de Alquerías del Niño Perdido, S.C.C.	0.39%	4,124	0.010	41.24
Caja Rural de Cheste, S.C.C.	0.34%	3,606	0.010	36.06
Caja Rural San José de Nules, S.C.C.	0.30%	3,155	0.010	31.55
Caja Rural de Alginet, S.C.C.	0.25%	2,676	0.010	26.76
Caixa Rural de Turís, C.C.V.	0.23%	2,413	0.010	24.13
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo, C.C.V.	0.23%	2,416	0.010	24.16
Caja Rural de Villar, S.C.C.	0.21%	2,257	0.010	22.57
Caja Rural San José de Vilavella, S.C.C.	0.15%	1,536	0.010	15.36
Caja Rural San Roque de Almenara, S.C.C.	0.11%	1,147	0.010	11.47
Caja Rural San Isidro de Vilafamés, S.C.C.	0.09%	948	0.010	9.48
Caja Rural La Junquera de Chilches, C.C.V.	0.10%	1,018	0.010	10.18
Caja Rural de Almendralejo, S.C.C.	1.56%	16,491	0.010	164.91
Eurocaja Rural, Sociedad Cooperativa de Crédito	0.09%	1,000	0.010	10.00
Caixa Rural La Vall San Isidro, C.C.V.	0.00%	9	0.010	0.09
Caja Rural San José de Almassora, S.C.C.	0.09%	1,000	0.010	10.00
Caixa Rural de Benicarló, S.C.C.	0.09%	1,000	0.010	10.00
Caixa Rural Vinaros, S.C.C.	0.09%	1,000	0.010	10.00
Caixa Rural Les Coves de Vinroma, S.C.C.	0.05%	500	0.010	5.00
Caja Rural de Baena Ntra. Señora de Guadalupe, S.C.C.A.	0.03%	300	0.010	3.00
Caja Rural de Utrera, S.C.C.A.	0.03%	300	0.010	3.00
Caja Rural Cañete de las Torres Ntra. Sra. del Campo, S.C.C.A.	0.03%	300	0.010	3.00
Caja Rural Ntra. Sra. del Rosario, S.C.C.A.	0.03%	300	0.010	3.00
Caja Rural Ntra. Madre del Sol, S.C.C.A.	0.03%	300	0.010	3.00
Caja Rural de Guissona, S.C.C.	0.01%	150	0.010	1.50
Team & Work 5000, S.L. (Grupo TREA)	2.83%	30,000	0.010	300.00
Crédito Agrícola, S.G.P.S., S.A.	0.47%	5,000	0.010	50.00
Garunter Locales, S.L.	0.47%	5,000	0.010	50.00
Pepal 2002, S.L.	0.14%	1,500	0.010	15.00
Acor Sociedad Cooperativa General Agropecuaria	0.19%	2,000	0.010	20.00
Gespater, S.L.	0.28%	3,000	0.010	30.00
Publindal, S.L.	0.42%	4,500	0.010	45.00
Surister del Arroyo, S.L.	0.19%	2,000	0.010	20.00
Grupo Juramenta, SL	0.09%	1,000	0.010	10.00
Rapalmar, SL	0.09%	1,000	0.010	10.00
Frutas del Guadalentín, SL	0.28%	3,000	0.010	30.00
Other minority interests [Non-controlling interests]	0.10%	1,028	0.010	10.28
Total dividends paid	**100.00%**	**1,059,028**	**0.010**	**10,590.28**
Dividends charged to profit or loss	1	1,059,028	0.010	10,590.28
Dividend charged to reserves or share premium	-	-	-	-
Dividends in kind	-	-	-	-

2022

	Complementary dividend of the result of 2021			
	% of nominal amount	Thousands of shares	Euros per share	Thousands of euros
Ordinary shares:				
Cajamar Caja Rural, S.C.C.	84.87%	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 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 Albalat dels Sorells, S.C.C.	0.00%	-	0.008	-
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	-	-	-	-

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 type of compensation that they consider best.

For cases where one or more Group entities do not make a positive contribution to the overall gross profit, the Parent may agree a lower yield on capital than that set as a maximum for the Group in general.

In the first half of 2022 the Group's Rural Savings Banks settled interest accrued on capital contributions in 2021 amounting to €10,779 thousand. These amounts were applied in full in the distribution of the profit or loss of said Banks. In the first half of 2022 interest accrued on capital contributions amounting to €11,136 thousand corresponding to that period was settled, while at 31 December 2022 the amount of €11,790 thousand euros was accrued in this respect, which will be settled in the first half of 2023. In the first half of 2021 the Group's Rural Savings Banks did not accrue interest on capital contributions in line with recommendations issued by the European Central Bank.

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 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	2021
Parent's reserves		
Legal and statutory reserve fund	13,359	11,490
Voluntary reserves	26,370	25,549
	39,729	**37,039**
Reserves of the Group's credit cooperatives		
Mandatory reserve fund	207,354	202,161
Voluntary reserve fund and other reserves	75,542	64,997
	282,896	**267,158**
Reserves generated during the consolidation process	**(33,841)**	**(54,972)**
Total retained earnings	**288,784**	**249,225**
Revaluation reserve, Royal Decree-Law 7/1996	180	180
Revaluation reserves generated by IFRS and Bank of Spain Circular 4/2004	45,215	45,215
Total revaluation reserves	**45,395**	**45,395**
Reserves of entities accounted for using the equity method	30,480	32,626
Other reserves (Note 8.5.2)	(6,588)	(9,141)
Total other reserves	**23,892**	**23,485**
Total	**358,071**	**318,105**

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 2022 and 31 December 2021 the Parent recorded €13,359 thousand and €11,490 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 2022 and 31 December 2021, the Parent's voluntary reserves totalled €26,370 thousand and €25,549 thousand, respectively.

18.2.2. Reserves in Group Credit Cooperatives

Reserves in the Group Credit Cooperatives at 31 December 2022 and 31 December 2021 break down as follows:

	Thousands of euros									
	Mandatory		Voluntary		Revaluation		Other		Total reserves	
Group entity	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	26,221	22,351	70,925	60,712	39,589	39,589	9,791	10,129	146,526	132,781
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	38,690	38,396	992	845	-	-	(145)	(143)	39,537	39,098
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	24,718	24,554	241	241	-	-	-	-	24,959	24,795
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	19,061	18,922	236	208	1,762	1,762	-	-	21,059	20,892
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	17,558	17,511	414	368	-	-	54	54	18,026	17,933
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	12,214	12,072	-	-	2,611	2,611	109	112	14,934	14,795
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	11,236	11,137	1,739	1,700	-	-	-	-	12,975	12,837
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad Coop de Crédito	9,285	9,220	444	431	-	-	-	-	9,729	9,651
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	9,621	9,558	75	75	-	-	-	-	9,696	9,633
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	4,770	4,718	56	45	-	-	-	-	4,826	4,763
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	6,581	6,532	23	18	-	-	(29)	(30)	6,575	6,520
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	6,729	6,684	89	80	-	-	9	8	6,827	6,772
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	3,814	3,780	8	8	449	449	63	61	4,334	4,298
Caja Rural de Villar, Sociedad Cooperativa de Crédito	5,447	5,399	66	56	615	615	-	-	6,128	6,070
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	3,874	3,850	107	102	-	-	(202)	(202)	3,779	3,750
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	2,575	2,553	50	46	368	368	1	-	2,994	2,967
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	2,402	2,386	20	17	-	-	-	-	2,422	2,403
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	2,559	2,538	57	45	-	-	-	-	2,616	2,583
Total reserves	**207,355**	**202,161**	**75,542**	**64,997**	**45,394**	**45,394**	**9,651**	**9,989**	**337,942**	**322,541**

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 2022 and 2021 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 2022 and at 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Cajamar Vida, S.A. de Seguros y Reaseguros	20,914	21,500
Agrocolor S.L.	-	830
Balsa Insa, S.L.	(4,753)	(4,753)
Proyecta Ingenio S.L.	-	(10)
Parque Innovación y Tecnología de Almería, S.A.	(3,655)	(3,675)
Murcia Emprende	(1,078)	(981)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	4,538	4,438
Biocolor S.L.	(52)	(98)
GCC Consumo EFC, S.A.	14,503	15,336
Rest of associated entities	63	40
Total	**30,480**	**32,626**

19. Solvency

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) establishes that credit institutions must retain minimum capital levels of no less than those calculated as per the instructions in this regulation (Note 3.15). Compliance with the capital adequacy ratio is at consolidated level, because all of the credit institutions in Grupo Cooperativo are exempt at individual level from the requirements stipulated in Regulation (EU) No 575/2013 of the European Parliament and of the Council, by virtue of the authorisation provided in Article 7 of the regulation.

On 28 June 2021 Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 ("CRR2") started to be applied. The amendments to the CRR included changes to article 92, stipulating the funds banks must hold at all times. Specifically, CRR2 establishes a minimum leverage ratio of 3% (article 92.1.d), retaining the CET1, T1 and Total Capital requirements previously determined in CRR in this article (Note 3.15).

The eligible capital and capital requirements of Grupo Cooperativo Cajamar on a phased-in basis at 31 December 2022 and 31 December 2021 break down as follows:

	Thousands of euros	
	2022	**2021**
Eligible own funds	**3,959,525**	**3,897,271**
CET1 Capital	**3,359,605**	**3,297,400**
Eligible CET1 instruments	3,839,783	3,705,612
Capital	*3,426,768*	*3,222,634*
Reserves from profit or loss	*413,015*	*482,978*
Tax credits	(480,178)	(408,212)
TIER 2 Capital	**599,920**	**599,871**
Pillar I capital adequacy requirements	**1,990,649**	**1,985,107**
Credit risk	1,835,216	1,773,451
Operating risk	128,629	128,729
CVA	23,003	78,680
Securitisations	3,801	4,247
Capital adequacy ratio	**15.91%**	**15.71%**
CET1 ratio	**13.50%**	**13.29%**

The Group's phased-in Total Capital ratio was 15.91% at 31 December 2022 (15.71% at 31 December 2021) while the phased-in CET1 ratio was 13.50% (13.29% at 31 December 2021), above the supervisor's requirements at that date. On the other hand, the fully-loaded CET1 ratio stood at 13.25% at 31 December 2022 (12.78% at 31 December 2021) and the fully-loaded Total Capital ratio stood at 15.67% (15.20% at 31 December 2021).

The improved CET1 ratio is mainly thanks to the increase in cooperative capital, to earnings, and lower RWAs due to CVA following the transfer to clearing houses of derivatives initially contracted as bilateral instruments. These effects were partially offset by higher RWAs deriving from the growth in loans and receivables and changes in the value of fixed income securities and equities measured at fair value through equity.

Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 introduced an amendment to the CRR allowing institutions to gradually 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.

The Group decided to apply this transitional rule and therefore the phased-in capital ratios are calculated taking into account this stipulated transitional treatment and subsequent amendments thereto.

A key event in respect of capital instruments in the period was the buyback and total amortisation on the call date (7 June 2022) of the portion of the €300 million subordinated debt issue that was still listed at that date. This buyback had no effect on solvency at 31 December 2022 as the issue was no longer classified as category 2 capital after 30 June 2021, most of it having been bought back in 2021.

The Pillar I and Pillar II capital requirements and the capital conservation buffer for 2022 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 2022 the Group had surplus capital over and above the requirements in the SREP.

Turning to the regulation on resolution, pursuant to Article 12.5 of the Single Resolution Mechanism (SRM) Regulation; Article 44.1 of Act 11/2015 (Credit Institution Recovery and Resolution Act); and Article 23.1.f of Act 13/1994 (Bank of Spain's autonomy), a new notification was received from the Bank of Spain on 5 April 2022 revising the minimum requirements for own funds and eligible liabilities (MREL) established by the Single Resolution Board for the Group to be met no later than 1 January 2025.

The MREL to be met by 1 January 2025 was set at 19.79% (22.29% including the capital conservation buffer) of the total risk exposure amount (TREA) and 5.31% of the leverage ratio exposure (LRE), based on the financial and prudential information available at 31 December 2020. The Group met the requirement set by the SRB for 1 January 2022 of 14.03% (16.53% including the capital conservation buffer) of the TREA and 5.31% of the LRE.

In 2022 the Group placed €500 million of senior preferred debt, maturing at 4 years, to continue building up its MREL. There was strong demand for the issue. With this, at 31 December 2022 MREL stood at 20.47% as a percentage of TREA and 8.19% as a percentage of LRE. Both ratios are above the interim objective to be met after 1 January 2022: 16.53% of TREA and 5.31% 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	
	2022	**2021**
Own funds	**3,852,887**	**3,594,866**
Capital	1,059,028	1,059,028
Retained earnings, revaluation reserves and other reserves	358,070	318,104
Other capital instruments	3,345,089	3,140,955
(-) Treasury shares	(977,349)	(977,349)
Profit or loss attributable to the Parent	80,001	62,626
(-) Dividends and remuneration	(11,953)	(8,498)
Accumulated other comprehensive income	**(69,817)**	**(16,059)**
Total equity	**3,783,070**	**3,578,807**
(-) Adjustments to eligible results: Appropriation to the Education and Development Fund	(3,365)	(4,183)
(-) Exposures weighted at 1.250% with respect to securitisation funds	(1,719)	(2,079)
(-) Goodwill	(1,511)	-
(-) Defined benefit pension fund assets	(78)	(98)
(-) Intangible assets net of associated tax liabilities	(128,526)	(111,856)
(+) Eligible subordinated debt	599,920	599,871
(-) Deferred tax assets (DTAs)	(260,428)	(245,936)
(+) Temporary impact on reserves of application of IFRS 9	63,001	130,034
(+/-) CET 1 adjustments due to prudential filters	8,867	12,412
(-) Additional coverage	(63,325)	(45,830)
(-) Other CET1 deductions	(24,591)	(2,412)
(-) Expected dividends and remuneration	(11,790)	(11,459)
Total adjustments	**176,455**	**318,464**
Total own funds for capital adequacy purposes	**3,959,525**	**3,897,271**

Lastly, the fully-loaded leverage ratio stood at 5.31% at 31 December 2022 (5.26% at 31 December 2021), while the phased-in ratio was 5.40% (5.47% at 31 December 2021). 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 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	2022	2021
Cajamar Caja Rural, S.C.C	(10,163)	(10,474)
Banco de Crédito Social Cooperativo, S.A.	(34,740)	(17,194)
Cajamar Vida, S.A. de Seguros y Reaseguros	(12,646)	4,554
Cimenta2 Gestión e Inversiones, S.A.U	(9,253)	6,263
Cajamar Seguros Generales, S.A.	(2,799)	905
Murcia Emprende S.C.R. S.A.	2	7
Caja de Crédito de Petrel,Caja Rural, C.C.V.	(51)	(49)
Caixa Rural de Turís C.C.V.	(31)	(30)
Caja Rural de Alginet, S.C.C.V.	(18)	(17)
Caja Rural San Roque de Almenara, S.C.C.V.	(4)	(4)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	10	7
Caixa Rural Altea, S.C.C.V.	(32)	(27)
Caja Rural San Jose de Burriana, C.C.V.	29	30
Caixa Rural de Callosa de Sarria, C.C.V.	(8)	(4)
Caja Rural de Cheste, S.C.C.	(12)	(12)
Caja Rural San José de Nules, S.C.C.V.	(1)	1
Caja Rural de Torrent, S.C.C.	(87)	(74)
Caja Rural San Isidro de Vilafamés, C.C.V.	(4)	(4)
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	1	1
Caja Rural de Villar, C.C.V.	(5)	(6)
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	(17)	(18)
Caixa Rural Vila-Real, S.C.C.	12	87
Total	**(69,817)**	**(16,058)**

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 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Opening balance	**(3,980)**	**(11,487)**
Net changes in actuarial gains or (-) losses on defined benefit pension plans	1,011	(265)
Net changes in the fair value of equity instruments at fair value through other comprehensive income, net	(102)	7,773
Closing balance	**(3,071)**	**(3,979)**

The most significant variation in the heading "Changes in the fair value of equity instruments at fair value through other comprehensive income" in 2021 concerned 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 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Opening balance	**(12,079)**	**25,613**
Net changes in cash flow hedges	(119)	(29,261)
Net changes in debt instruments at fair value through other comprehensive income	(33,645)	(6,899)
Net changes in share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	(20,903)	(1,532)
Closing balance	**(66,746)**	**(12,079)**

21. Minority interests

No amounts are recognised under this heading of the consolidated balance sheet at 31 December 2022 and 31 December 2021.

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 2022 and 31 December 2021 grouped by counterparty are as follows, including the limits and undrawn amounts thereof:

	Thousands of euros	
	2022	**2021**
Available in loan commitments	5,030,077	5,295,409
Forward forward deposits	-	-
	5,030,077	**5,295,409**

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 €3,593 thousand at 31 December 2022 (€3,644 thousand at 31 December 2021)(Note 14.2).

The average interest rate offered on these commitments is 2.37% at 31 December 2022 (1.57% in 2021).

22.2. Financial guarantees given

The breakdown of financial guarantees given at 31 December 2022 and 31 December 2021, the nominal values of which are recorded in memorandum accounts, is set out below:

	Thousands of euros	
	2022	2021
Financial guarantees given other than credit derivatives	**352,800**	**316,965**
Financial collateral	352,800	316,965
Irrevocable contingent letters of credit	-	-
Other financial guarantees	-	-
Credit derivatives	**-**	**-**
Total	**352,800**	**316,965**

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 2022 and 31 December 2021 totalled €20,311 thousand and €17,874 thousand, respectively.

The present value of future flows yet to be received for these contracts is €19,459 thousand at 31 December 2022 and €17,739 thousand at 31 December 2021.

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 2022 and 31 December 2021 totalled €3,015 thousand and €2,517 thousand, respectively (Note 14.2).

22.3. Other commitments given

Details of other commitments given at 31 December 2022 and at 31 December 2021 are as follows:

	Thousands of euros	
	2022	2021
Irrevocable documentary credits	43,728	37,593
Other non-financial guarantees	704,311	601,959
Securities subscribed pending disbursement	55,633	50
Other contingent commitments	1,495,711	243,378
Total	**2,299,383**	**882,980**

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 2022 and 31 December 2021 totalled €2,394 thousand and €1,441 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 2022 totalled €36,096 thousand (€35,219 thousand at 31 December 2021).

The present value of future flows yet to be received for these contracts is €36,735 thousand at 31 December 2022 and €35,859 thousand at 31 December 2021.

23. Related party transactions

In the case of risk transactions involving related parties, the Group has developed procedures for the granting, authorisation and monitoring of these types of transactions using transparent criteria included in the *Credit Risk Control and Management Procedures and Policies Manual* (Note 6).

At 31 December 2022 and 31 December 2021 no transactions were carried out under non-market conditions with parties related to the Group. Balances generated as a result of transactions with related parties are as follows:

	Thousands of euros									
	Outstanding balances (balance sheet)									
	Parent and entities with joint control or significant influence		Subsidiaries and other entities of the same group		Associates and joint ventures		Key management of the institution or its Parent		Other related parties	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Selected financial assets	**-**	**-**	**-**	**-**	**428,362**	**432,109**	**3,294**	**4,204**	**29,356**	**35,532**
Equity instruments	-	-	-	-	83,980	106,365	-	-	1,100	67
Debt securities	-	-	-	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	344,382	325,744	3,294	4,204	28,256	35,466
Selected financial liabilities	**-**	**-**	**-**	**-**	**32,826**	**33,800**	**4,245**	**3,373**	**46,842**	**49,818**
Deposits	-	-	-	-	32,826	33,800	4,245	3,373	46,842	49,818
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Nominal amount of loan commitments, financial guarantees and other commitments given	**-**	**-**	**-**	**-**	**136,227**	**124,200**	**145**	**401**	**9,202**	**1,574**
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	-	-	-	-	3,822	3,305	10	10	303	303
Interest expenses	-	-	-	-	-	12	1	4	4	10
Dividend income	-	-	-	-	-	-	-	-	-	-
Fee and commission income	-	-	-	-	64,086	46,426	2	2	42	31
Fee and commission expenses	-	-	-	-	3	2	-	-	-	-
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	1,106	-	-	-	-	-
Impairment or (-) reversal of impairment of non-performing exposures	-	-	-	-	-	-	-	-	-	-
Provisions or (-) reversal of provisions for non-performing exposures	-	-	-	-	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2022 and 31 December 2021 with parties related to the Group are as follows:

	Thousands of euros	
Outstanding balances	**Related parties**	
	2022	**2021**
Loans / Credit Facilites:		
Amount	375,932	365,414
Interest rate	0.00% to 11.95%	0.00% a 6.74%
Collateral	Personal and Mortgage	Personal and Mortgage
Remaining term	0 to 33 years	0 a 34 years
Deposits:		
Amount	83,913	86,991
Interest rate	0,0% to 2,83%	0.0% a 1.10%
Remaining term	0 to 2 years	0 to 2 years

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 2022 and 2021 is analysed below:

	Thousands of euros				
			2022		
	Fees-Premiums	**Fixed compensation**	**Social Security expenses**	**Post-employment benefits**	**Other remuneration (*)**
Board directors	1,735	1,696	66	103	203
Executives	-	1,868	130	158	336
Total	**1,735**	**3,564**	**196**	**261**	**539**
			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**

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

Directors' remuneration at 31 December 2022 includes the remuneration of eight directors included in the Bank of Spain's Register of Senior Officers (nine at 31 December 2021). Board members' remuneration at 31 December 2022 includes the remuneration of three executive board members (three executive board members at 31 December 2021).

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 2022 and 31 December 2021.

Remuneration accrued to the members of the Group's Board of Directors for fees and attendance premiums at 31 December 2022 and 31 December 2021 is as follows:

	Thousands of euros			
	2022		**2021**	
	Fees	**Attendance fees**	**Fees**	**Attendance fees**
Ms Marta De Castro Aparicio	159	53	159	52
Mr Juan Carlos Rico Mateo	19	8	59	23
Mr Jose Antonio Garcia Perez	19	8	59	24
Mr Bernabe Sanchez Minguet Martinez	59	35	59	35
Ms Maria Teresa Vazquez Calo	62	26	62	26
Mr Antonio Canton Gongora	137	46	137	42
Mr Manuel Yebra Sola	80	38	80	35
Mr Luis Rodriguez Gonzalez	157	40	157	41
Mr Juan Bautista Mir Piqueras	117	14	117	14
Mr Rafael Garcia Cruz	59	38	59	36
Mr Antonio José Carranceja Lopez de Ochoa	142	47	142	44
Ms Ana Nuñez Alvarez	132	26	132	25
Mr Luis Francisco Fernandez-Revuelta Perez	59	26	59	26
Ms Maria Lopez Fernandez	52	21	20	8
Mr Antonio De Parellada Duran	40	16	-	-
	1,293	**442**	**1,301**	**431**

At 31 December 2022 the Group had a public liability insurance policy for its directors; the premium paid to the insurance company totals €319 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 meet 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 credit facilities 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, amended 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.

In line with the provisions of Royal Decree-Law 24/2021 of 2 November 2021 on the covered bond market, as of year-end 2022 the Group had EUR 5 billion of bonds outstanding under the mortgage bond programme approved by the Bank of Spain. The total coverage of this programme consists of a total portfolio of €6,651 million of primary assets, as well as a portfolio of €280 million of liquid assets, which are used to cover the largest cumulative net outflow of liquidity over the 180-day horizon. The mortgage bonds are therefore 138.62% overcollateralised.

The nominal and discounted values of the mortgage loans and credit facilities backing the issuance of mortgage and covered bonds at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	Nominal amount	
	2022	**2021**
1. Total loans	**18,329,455**	**18,873,912**
2. Collateralised mortgage bonds issued	**645,878**	**771,324**
Of which: capitalised loans	*645,878*	*747,936*
3. Mortgage transfer certificates issued	**2,451,163**	**2,604,353**
Of which: capitalised loans	*2,451,163*	*2,602,669*
4. Mortgage loans securing financing received	**-**	**-**
5. Loans backing mortgage and covered bonds (1 - 2 - 3 - 4)	**15,232,414**	**15,498,235**
Ineligible loans	4,224,686	3,989,931
Fulfils requirements to be eligible, except the threshold stipulated in article 5.1 of Royal Decree 716/2009	1,834,591	1,394,635
Other ineligible loans	2,390,095	2,595,296
Eligible loans	11,007,728	11,508,304
Loans backing covered bond issuances	-	-
Loans eligible for backing mortgage bond issuances	11,007,728	11,508,304
Ineligible amounts	96,281	286,513
Eligible amounts	10,911,447	11,221,791
	Discounted value	
Memorandum		
Loans backing covered bond issuances	-	-

The nominal value of the available amounts (undrawn committed amounts), of the mortgage loans backing the issuance of mortgage and covered bonds, differentiating those which are potentially eligible, at 31 December 2022 and 31 December 2021, is as follows:

	Thousands of euros	
	Available principals	
	2022	**2021**
Loans backing mortgage and covered bond issuances	**338,647**	**272,454**
Potentially eligible	128,600	86,842
Ineligible	210,047	185,612

The nominal value of all the ineligible mortgage loans and credit facilities 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 €1,834,591 thousand at 31 December 2022 (€1,394,635 thousand at 31 December 2021).

The disclosures regarding the loans backing the issuance of mortgage and covered bond issuances, specifying those considered eligible, for the years ended 31 December 2022 and 31 December 2021, are as follows:

	Thousands of euros			
	2022		2021	
	Loans backing mortgage and covered bond issuances	Of which: eligible loans	Loans backing mortgage and covered bond issuances	Of which: eligible loans
Total	**15,232,414**	**11,007,728**	**15,498,235**	**11,508,304**
Origin of the transactions				
Generated by the institution	13,956,049	9,970,765	14,130,810	10,297,929
Subrogated from other institutions	1,150,393	965,860	1,254,805	1,130,254
Other	125,972	71,103	112,620	80,121
Currency				
Euro	15,232,414	11,007,728	15,498,235	11,508,304
Other currencies	-	-	-	-
Payment status				
Not past-due	13,886,102	10,253,040	13,779,584	10,539,226
Other status	1,346,312	754,688	1,718,651	969,078
Average residual term				
Up to 10 years	2,626,935	2,036,333	2,877,245	2,268,888
From 10 to 20 years	6,539,517	4,678,421	6,898,186	5,207,188
From 20 to 30 years	5,800,834	4,275,440	5,432,848	3,971,061
Over 30 years	265,128	17,534	289,956	61,167
Interest rate				
Fixed interest rate	2,333,679	1,534,221	1,614,425	904,130
Floating interest rate	9,256,038	6,825,236	10,061,435	7,862,046
Mixed interest rate	3,642,697	2,648,271	3,822,375	2,742,128
Holders				
Legal persons and self-employed (business activities)	4,459,835	2,449,992	5,041,258	3,115,294
Of which: real estate construction and development (including land)	*388,048*	*135,052*	*535,229*	*259,860*
Other households	10,772,579	8,557,736	10,456,977	8,393,010
Type of collateral				
Completed buildings/assets	**13,468,988**	**9,975,183**	**13,548,800**	**10,276,951**
Housing	11,254,750	8,850,778	11,153,061	8,873,353
Of which: government-subsidised housing	*511,323*	*392,974*	*514,824*	*410,596*
Offices and commercial premises	710,730	423,011	815,418	569,146
Other buildings and constructions	1,503,508	701,394	1,580,321	834,452
Buildings/assets under construction	**447,060**	**262,881**	**453,506**	**303,092**
Housing	288,318	194,292	265,244	193,063
Of which: government-subsidised housing	*43*	*43*	*52*	*52*
Offices and commercial premises	14,587	11,532	19,385	17,009
Other buildings and constructions	144,155	57,057	168,877	93,020
Land	**1,316,366**	**769,664**	**1,495,929**	**928,261**
Consolidated urban land	108,385	45,536	126,998	52,180
Other land	1,207,981	724,128	1,368,931	876,081

The following table shows, for the years ended at 31 December 2022 and 31 December 2021, the relationship between the amount of the eligible mortgage loans and credit facilities and the appraisal values comprising the last available valuation of the respective mortgaged properties (loan-to-value, LTV).

	Thousands of euros					
	2022					
	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 the issue of mortgage and covered bond issuances						**11,007,728**
Housing	2,297,238	2,932,272		2,668,100	412,149	8,309,759
Other properties	1,352,343	1,043,011	302,615			2,697,969

	Miles de 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 the issue of mortgage and covered bond 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

The movements in the mortgage portfolio backing the issuance of eligible and ineligible mortgage and covered bonds is as follows:

	Thousands of euros	
	Eligible loans	**Ineligible loans**
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 repayments	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**
Disposals during the period:	**2,297,240**	**1,796,252**
Outstanding principal collected in cash	1,486,286	482,231
Early repayments	25,980	4,506
Subrogations by other institutions	27,000	74,338
Other disposals	757,974	1,235,177
Additions during the period:	**1,796,664**	**2,031,007**
Generated by the institution	708,785	1,139,119
Subrogations from other institutions	15,224	52,634
Other additions	1,072,655	839,254
Balance at 31 December 2022	**11,007,728**	**4,224,686**

The qualitative and quantitative information at 31 December 2022 and 31 December 2021 on the assets received in payment of debt, broken down by the purpose of the initially granted finance, is provided below:

	Thousands of euros (*)					
	31 December 2022					
	Gross Debt	**Initial impairment (I)**	**Gross carrying amount**	**subsequent impairment (II)**	**Sum impairment (I+II)**	**Net carrying amount**
Real estate assets from financing provided to construction and real estate development companies	**1,121,194**	**(396,928)**	**724,266**	**(331,457)**	**(728,385)**	**392,809**
Completed buildings and other constructions	*269,991*	*(77,007)*	*192,984*	*(60,163)*	*(137,170)*	*132,821*
Housing	174,610	(50,591)	124,019	(33,841)	(84,432)	90,178
Other	95,381	(26,416)	68,965	(26,322)	(52,738)	42,643
Buildings and other constructions under construction	*157,735*	*(60,916)*	*96,819*	*(31,928)*	*(92,844)*	*64,891*
Housing	156,832	(60,748)	96,084	(31,669)	(92,417)	64,415
Other	903	(168)	735	(259)	(427)	476
Land	*693,468*	*(259,005)*	*434,463*	*(239,366)*	*(498,371)*	*195,097*
Consolidated urban land	327,116	(117,359)	209,757	(113,339)	(230,698)	96,418
Other land	366,352	(141,646)	224,706	(126,027)	(267,673)	98,679
Real estate assets from mortgage financing to acquire homes	**189,500**	**(66,336)**	**123,164**	**(34,134)**	**(100,470)**	**89,030**
Other foreclosed real estate assets or those received as payment in lieu of debt	**330,845**	**(110,094)**	**220,751**	**(53,563)**	**(163,657)**	**167,188**
Foreclosed capital instruments or those received as payment in lieu of debt	-	-	-	-	-	-
Capital instruments in entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	**122**	**(4)**	**(4)**	**118**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	-	-	-	-

(*) Includes real estate investments with a gross debt of €159,834 thousand, accumulated impairment of €83,868 thousand and a carrying amount of €75,964 thousand.

	Thousands of euros (*)					
	31 December 2021					
	Gross Debt	Initial impairment (I)	Gross carrying amount	subsequent impairment (II)	Sum impairment (I+II)	Net carrying amount
Real estate assets from financing provided to construction and real estate development companies	**1,428,740**	**(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 carrying amount of €123,251 thousand.

At 31 December 2022 and 31 December 2021, the real estate assets treated as foreclosed assets for measurement purposes, excluding assets that are being operated or leased, as per articles 175 and 176 of Annex 9 of Circular 4/2017, are as follows:

	Thousands of euros					
	31 December 2022					
	Gross Debt	Initial impairments (I)	Gross carrying amount	subsequent impairments(II)	Sum impairments (I+II)	Net carrying amount
Real estate assets from financing provided to construction and real estate development companies	**1,023,971**	**(373,718)**	**650,253**	**(292,647)**	**(666,365)**	**357,606**
Completed buildings and other constructions	*256,533*	*(72,189)*	*184,344*	*(59,176)*	*(131,365)*	*125,168*
Housing	170,287	(49,553)	120,734	(33,532)	(83,085)	87,202
Other	86,246	(22,636)	63,610	(25,644)	(48,280)	37,966
Buildings and other constructions under construction	*138,637*	*(57,869)*	*80,768*	*(23,709)*	*(81,578)*	*57,059*
Housing	137,734	(57,701)	80,033	(23,450)	(81,151)	56,583
Other	903	(168)	735	(259)	(427)	476
Land	*628,801*	*(243,660)*	*385,141*	*(209,762)*	*(453,422)*	*175,379*
Consolidated urban land	269,304	(103,434)	165,870	(86,186)	(189,620)	79,684
Other land	359,497	(140,226)	219,271	(123,576)	(263,802)	95,695
Real estate assets from mortgage financing to acquire homes	**188,191**	**(65,921)**	**122,270**	**(34,124)**	**(100,045)**	**88,146**
Other foreclosed real estate assets or those received as payment in lieu of debt	**322,256**	**(106,951)**	**215,305**	**(52,951)**	**(159,902)**	**162,354**
Foreclosed capital instruments or those received as payment in lieu of debt	-	-	-	-	-	-
Capital instruments in entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	**122**	**(4)**	**(4)**	**118**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debt	-	-	-	-	-	-

	Thousands of euros					
	31 December 2021					
	Gross Debt	Initial impairments (I)	Gross carrying amount	subsequent impairments(II)	Sum impairments (I+II)	Net carrying amount
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	-	-	-	-	-	-

The Group has policies and strategies in place to recover the liquidity of these kinds of assets, which are detailed in Note 6 of these annual accounts.

At 31 December 2022 and 31 December 2021 there are no replacement assets subject to mortgage bond 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 2022 and 31 December 2021 is as follows:

	Thousands of euros		Years	
	Nominal amount		Average residual term	
	2022	2021	2022	2021
Covered bonds issued	-	-		
Of which: recognised under liabilities	-	-		
Mortgage bonds issued	**5,000,000**	**5,750,000**		
Of which: recognised under liabilities	*438,000*	*1,237,400*		
Debt securities. Other issuances	**5,000,000**	**5,750,000**		
Residual term up to one year	500,000	1,750,000		
Residual term > 1 year to 2 years	750,000	500,000		
Residual term > 2 years to 3 years	1,000,000	750,000		
Residual term > 3 years to 5 years	750,000	1,000,000		
Residual term > 5 year to 10 years	2,000,000	1,750,000		
Residual term > 10 years	-	-		
Collateralised mortgage bonds issued	**645,878**	**747,936**	**24**	**24**
Issued through a public offering	-	-	-	-
Other issuances	645,878	747,936	24	24
Mortgage transfer certificates issued	**2,451,163**	**2,602,669**	**23**	**23**
Issued through a public offering	-	-	-	-
Other issuances	2,451,163	2,602,669	23	23

At 31 December 2022 and 31 December 2021 no covered bonds 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 below.

Details of the financing for real estate construction and development as well as the corresponding impairment allowances at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros					
	Gross amount		Excess above the value of collateral		Specific allowance	
	2022	2021	2022	2021	2022	2021
Financing for real estate construction and development (including land)(businesses in Spain)	**351,802**	**509,553**	**57,995**	**126,001**	**(47,857)**	**(126,131)**
Of which: Non-performing	*74,268*	*199,167*	*28,882*	*101,110*	*(43,153)*	*(120,189)*
Memorandum items:						
Write-off assets	177,614	518,776				

	Thousands of euros	
	2022	2021
Loans and advances to customers excluding Public Administrations (business in Spain) (carrying amount)	33,286,338	32,102,429
Total assets (total businesses) (carrying amount)	62,314,492	58,513,026
Impairment and provisions for performing exposures (total businesses)	(242,843)	(247,234)

The gross amount, without deducting impairment allowances, of the transactions classified according to the associated guarantees securing the financing of real estate construction and development at 31 December 2022 and 31 December 2021 breaks down as follows:

	Thousands of euros	
	2022	2021
Without real estate collateral	**11,231**	**10,277**
With real estate collateral (broken down by type of asset received as collateral)	**340,571**	**499,276**
Completed buildings	*201,453*	*310,298*
Housing	138,398	214,141
Other	63,055	96,157
Buildings under construction	*61,517*	*61,218*
Housing	53,286	56,219
Other	8,231	4,999
Land	*77,601*	*127,760*
Consolidated urban land	50,065	65,976
Other land	27,536	61,784
Total	**351,802**	**509,553**

Details of retail loans for home purchases at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros			
	2022		2021	
	Gross carrying amount	Of which: Non-performing	Gross carrying amount	Of which: Non-performing
Lending for home purchases	**12,197,818**	**217,057**	**12,236,053**	**346,066**
Without real estate collateral	33,424	1,095	25,864	1,263
With real estate collateral	12,164,394	215,962	12,210,189	344,803

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros					
	2022					
	Loan-to-value ratio based on the latest appraisal (a)					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80< LTV <= 100%	LTV> 100%	Total
Gross book value	3,112,786	3,604,734	3,917,451	1,098,764	430,659	12,164,394
Of which: Non-performing	*18,987*	*27,835*	*49,202*	*38,470*	*81,468*	*215,962*

	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*

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 2022 the Group had a coverage ratio for the retail and medium- and long-term loan portfolio of 114.25% (compared to 116.86% at 31 December 2021), while 124.11% (126.54% at year-end 2021) of funding needs are covered through stable funding sources.

On the other hand the Group holds liquid assets (eligible for financing transactions with the European Central Bank) with a nominal value of €24,949 million (€21,664 million at 31 December 2021). It also has the capacity to issue collateralised financial instruments (mortgage and public sector bonds) of €5,087 million (€4,113 million at 31 December 2021).

Three issues of mortgage bonds matured in 2022. One of these issues, with a nominal amount of €750 million, was fully placed on the market while the other two, with a nominal amount of €500 million each, were retained. A €350 million placement of public sector bonds also matured in the period. This amount was fully retained.

The Group's market activity was completed by its first issue of senior preferred debt in a social format, for a nominal amount of €500 million, eligible to meet MREL requirements and issued as a 4NC3 bond.

It also placed a €1,000 million mortgage bond issue, which was fully retained, to replenish collateral in the asset pledge facility with the Bank of Spain, and the IM BCC Cajamar Pymes 4 asset securitisation fund placement of €900 million, which was fully retained and used for the same purpose.

In the first half of 2021, the Group issued subordinated debt qualifying as Tier 2 capital 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, in November 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 2021:

- 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 bond, which has also been fully retained for inclusion in the asset pledge facility with the Bank of Spain.

Finally, mortgage bonds totalling €500 million expired in 2021, which have been retained.

Details of funding needs and strategies at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros			Thousands of euros	
	2022	**2021**		**2022**	**2021**
Stable financing needs			**Stable sources of financing**		
Customer credit	32,505,488	30,649,066	Customers covered 100% by Deposit Guarantee Fund	25,352,538	24,197,317
Loans to joint ventures, associates and other related parties	372,638	361,209	Customers not covered 100% by Deposit Guarantee Fund	14,897,089	14,543,252
Securitised loans	4,071,695	4,083,449			
Impairment allowances of financial assets	(693,663)	(935,165)			
Total customer credit	**36,256,158**	**34,158,559**	**Total retail customer deposits**	**40,249,627**	**38,740,569**
Assets acquired in payment of debt	**1,068,181**	**1,413,527**			
Investments in joint ventures and associates	**83,980**	**106,383**	Mortgage and covered bonds	438,000	1,237,400
			Public sector bonds	-	-
			Senior debt	1,000,000	500,000
			State-guaranteed issues	-	-
			Subordinated, preference and convertible issues	600,000	642,100
			Other medium and long-term financial instruments	-	-
			Securitisations sold to third parties	355,213	447,792
			Other financing maturing in more than one year	-	-
			Commercial paper	-	-
			Long-term wholesale financing	**2,393,213**	**2,827,292**
			Equity	**3,783,070**	**3,578,807**
Total financing needs	**37,408,319**	**35,678,469**	**Total stable sources of financing**	**46,425,910**	**45,146,668**

The maturities of wholesale debt at 31 December 2022 are as follows:

	Thousands of euros			
	2023	**2024**	**2025**	**>2025**
Issuances:				
Mortgage and covered bonds(*)	438,000	-	-	-
Public sector bonds	-	-	-	-
Senior debt	-	-	-	1,000,000
State-guaranteed issues	-	-	-	-
Subordinated, preference and convertible issues(*)	-	-	-	600,000
Securitisations sold to third parties(**)	29,394	27,643	30,367	267,809
Other medium and long-term financial instruments	-	-	-	-
Other financing maturing in more than one year	-	-	-	-
Commercial paper	-	-	-	-
Total wholesale issuance maturities	**467,394**	**27,643**	**30,367**	**1,867,809**

(*) Reported at the nominal value of the placement, less buybacks.

(**) 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 2021 are as follows:

	Thousands of euros			
	2022	2023	2024	>2024
Issuances:				
Mortgage and covered bonds(*)	750,000	487,400	-	-
Public sector bonds	-	-	-	-
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.

Liquid assets and the issuance capacity available at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	2021
Liquid assets		
Eligible assets (nominal amount)	24,948,996	21,664,375
Eligible assets (market value and ECB haircut)	18,524,630	19,930,333
Of which:		
debt with general governments	12,503,557	*13,009,264*
Pledged assets (market value and ECB haircut)	11,780,370	12,349,810
Unpledged assets (market value and ECB haircut)	6,744,260	7,580,522
Issuance capacity:		
Mortgage bonds	3,285,216	3,227,445
Public sector bonds	1,801,969	885,340
Total issuance capacity	**5,087,185**	**4,112,785**

25.4. Disclosures regarding refinanced and restructured transactions

Pursuant to Annex 9 of Bank of Spain Circular 4/2017 on credit institutions' financial reporting rules, the Group has established classification criteria for the transactions catalogued as refinanced and/or restructured, such that those transactions will be classified as performing exposures under special monitoring during the probation period until all of the following requirements are met:

- It is highly likely that after an exhaustive review of its equity and financial position, the borrower will fulfil its obligations to the Group in due time and form, i.e. there is an adequate payment plan and new effective collateral is provided.
- At least two years have elapsed since the date the restructuring or refinancing transaction was formally concluded, or if later, since the date of reclassification from the category of non-performing exposures.
- The borrower has paid all accrued instalments of principal and interest since the date on which the restructuring or refinancing transaction was formally concluded or, if later, since the date of reclassification from the category of non-performing exposures.
- The borrower has no other transaction with amounts more than 30 days past due after the probation period.

Consequently, when all the above requirements are met, transactions will no longer be classified as refinancing transactions, refinanced or restructured.

Refinancing transactions, refinanced or restructured classified as performing or performing exposures under special monitoring will be analysed to determine if they need to be reclassified to the category of non-performing exposures. To this end, the Group will consider the following:

- That the transaction is supported by an inadequate payment plan, i.e. when there is repeated failure to comply with the payment plan terms.
- That clauses are included that delay the repayment of transactions through regular payments.
- That they involve amounts derecognised from the balance sheet (write-offs) because they are deemed irrecoverable or the rights over them have been extinguished.

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 2022 and 31 December 2021, according to the content of Bank of Spain Circular 3/2020, of 11 June 2020, and the policies established by the Group are as follows:

	Thousands of euros						
	TOTAL						
31 December 2022	Unsecured		Secured				
					Maximum amount of collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
General governments	3	1,537	-	-	-	-	(487)
Other financial corporations and sole proprietorships (financial business activity)	24	490	11	707	655	-	(180)
Non-financial corporations and sole proprietorships (non-financial business activity)	5,551	358,756	2,989	685,318	616,654	1,056	(210,493)
Of which: financing for real estate construction and development (including land)	*1*	*11*	*184*	*76,967*	*67,348*	-	*(32,620)*
Other households	4,925	38,531	4,707	399,290	365,547	59	(98,139)
Total	**10,503**	**399,314**	**7,707**	**1,085,315**	**982,856**	**1,115**	**(309,299)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

	of which: Non-Performing						
	Unsecured		Secured				
					Maximum amount of collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
General governments	2	487	-	-	-	-	(487)
Other financial corporations and sole proprietorships (financial business activity)	8	93	5	209	156	-	(139)
Non-financial corporations and sole proprietorships (non-financial business activity)	1,804	83,154	1,492	238,613	206,730	29	(165,768)
Of which: financing for real estate construction and development (including land)	-	-	*132*	*54,163*	*44,903*	-	*(31,295)*
Other households	1,830	14,461	1,907	158,246	134,894	3	(84,584)
Total	**3,644**	**98,195**	**3,404**	**397,068**	**341,780**	**32**	**(250,978)**
ADDITIONAL INFORMATION							
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

31 December 2021

	Thousands of euros						
	TOTAL						
	Unsecured		Secured				
					Maximum amount of collateral that can be considered		
	Number of transactions	**Gross carrying amount**	**Number of transactions**	**Gross carrying amount**	**Real estate collateral**	**Other collateral**	**Accumulated impairment or losses in fair value due to credit risk**
Credit institutions	-	-	-	-	-	-	-
General governments	4	1,696	1	1,411	988	-	(486)
Other financial corporations and sole proprietorships (financial business activity)	27	464	11	815	745	-	(172)
Non-financial corporations and sole proprietorships (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 collateral that can be considered		
	Number of transactions	**Gross carrying amount**	**Number of transactions**	**Gross carrying amount**	**Real estate collateral**	**Other collateral**	**Accumulated impairment or losses in fair value due to credit risk**
Credit institutions	-	-	-	-	-	-	-
General governments	2	486	-	-	-	-	(486)
Other financial corporations and sole proprietorships (financial business activity)	6	43	4	205	135	-	(121)
Non-financial corporations and sole proprietorships (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	-	-	-	-	-	-	-

Details of transactions classified as non-performing, after being refinanced or restructured, at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
General governments	487	486
Financial intermediaries	-	-
Other legal persons and sole proprietorships	264,482	386,926
Of which: Financing for construction and property development	*43,179*	*129,326*
Other natural persons	127,609	209,071
Total	**392,578**	**596,483**

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 2022 and 31 December 2021 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	
	2022	**2021**
Interest income		
Cash equivalents at central banks	16,941	-
Cash equivalents at credit institutions	636	160
Other loans and advances	599,059	530,996
Debt securities (Note 8.2.3) (Note 8.3.2) (Note 8.5.1) (Note 8.6.4)	290,234	154,272
Non-performing transactions	3,899	9,692
Hedging derivatives	(139,778)	(70,268)
Other assets:		
Yields on pension plan assets (Note 14.1)	548	606
Interest income on liabilities	64,201	133,618
Other	9,037	4,281
Total	**844,777**	**763,357**
Interest expense		
Demand deposits at central banks	(12,760)	-
Demand deposits at credit institutions	(5,640)	(2,797)
Customer deposits	(15,527)	(11,865)
Other deposits	(12,485)	(8,638)
Debt securities issued (Note 8.7.4)	(26,107)	(18,560)
Subordinated liabilities (Note 8.7.4.2)	(33,643)	(34,542)
Other liabilities:		
Pension fund interest expense (Note 14.1)	(577)	(672)
Asset interest expenses	(23,418)	(11,678)
Financial costs of liabilities associated with operating lease	(1,144)	(1,424)
Other	(10,598)	(767)
Total	**(141,899)**	**(90,943)**

- **Dividend income**

The details of this heading on the consolidated statements of profit or loss at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Equity instruments (Note 8.5.2)	3,778	3,925
Total	**3,778**	**3,925**

- **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 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Cajamar Vida, S.A. de Seguros y Reaseguros	35,848	34,784
Cajamar Seguros Generales, S.A.	3,422	2,662
Agrocolor S.L.	-	259
Parque de innovación y tecnológico de Almería	26	20
Murcia emprende, S.C.R., S.A.	434	(98)
Biocolor, S.L.	(2)	46
Proyecta Ingenio, S.L.	-	70
GCC Consumo E.F.C. S.A	6,760	6,676
Giesmed Parking S.L.	118	99
Promontoria Jaguar, S.L	587	(44)
	47,193	**44,474**

- **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 2022 and 31 December 2021 are as follows:

	Thousands of euros	
Fee and commission income	2022	2021
Securities:	**1,060**	**1,199**
Transfer orders (Note 29)	1,060	1,199
Asset management	**462**	**26**
Custody [by type of customer]:	**1,176**	**1,098**
Other (Note 29)	1,176	1,098
Payment services	**188,523**	**152,913**
Current accounts	80,566	62,517
Credit cards	28,674	22,736
Debit cards and other card payments	51,501	45,236
Transfers and other payment orders	10,368	8,347
Other fee and commission income in relation to payment services	17,414	14,077
Customer resources distributed but not managed [by type of product] (Note 29):	**87,336**	**75,328**
Collective investment	34,831	30,699
Insurance products	52,505	44,629
Loan commitments given	**11,645**	**12,148**
Financial guarantees given	**11,884**	**10,444**
Loans granted	**-**	**1,104**
Foreign currency	**1,239**	**920**
Other fee and commission income	**10,625**	**13,354**
Total	**313,950**	**268,534**
Fee and commission expenses		
Securities	(5,032)	(6,951)
Clearing and settlement	-	-
Asset management	(135)	(54)
Custody	-	-
Payment services	(19,066)	(13,005)
Of which: Debit and credit cards and other cards	(19,012)	(12,950)
Loan administration activities	(13)	(27)
Loan commitments received	-	-
Financial guarantees received	(13,966)	(13,950)
Distribution of products by external providers	(4,390)	(3,142)
Other fee and commission expenses	(7,337)	(6,803)
Total	**(49,939)**	**(43,932)**

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

The details of this heading on the consolidated statements of profit or loss at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**34,373**	**440,548**
Financial assets at amortised cost	29,881	460,852
Financial assets at fair value through other comprehensive income	3,632	1,068
Financial liabilities at amortised cost	860	(21,372)
Gains or losses on financial assets and liabilities held for trading, net	**(108)**	**41**
Other gains or (-) losses	(108)	41
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**67,144**	**27,269**
Other gains or (-) losses	67,144	27,269
Gains or losses from hedge accounting, net	**511**	**(1,289)**
Total	**101,920**	**466,569**

- **Other operating income**

The details of this heading on the consolidated statements of profit or loss at 31 December 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Changes in fair value in tangible assets measured using the fair value model	-	-
Investment property (Note 12)	7,865	9,142
Operating leases that are not investment properties	-	-
Other:		
Sales and other revenue from non-financial services rendered	11,865	10,610
Insurance company indemnity	10	104
Other items:		
Other recurring income	*11,789*	*13,351*
Other non-recurring income	*6,971*	*2,322*
Other items	*617*	*1,836*
Income from insurance and reinsurance contracts issued	-	-
Total	**39,117**	**37,365**

- **Other operating expenses**

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

	Thousands of euros	
	2022	**2021**
Mandatory contributions to social projects and funds (Note 17)	(4,151)	(2,213)
Investment property (Note 12)	(940)	(991)
Operating leases that are not investment properties	-	-
Contribution to the Deposit Guarantee Fund (Note 3.17)	(46,654)	(47,132)
Contribution to the Single Resolution Fund (Note 3.28)	(19,585)	(14,082)
Other:		
Change in inventories – Cost of sales	-	-
Change in inventories – Property overheads	-	-
Other items	(19,885)	(18,012)
Expenses from insurance and reinsurance contracts issued	-	-
Total	**(91,215)**	**(82,430)**

- **Staff expenses**

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

	Thousands of euros	
	2022	**2021**
Salaries and bonuses to current personnel	(227,729)	(241,880)
Social security contributions	(80,397)	(75,763)
Appropriations to defined benefit plans (Note 14)	(1,755)	(2,246)
Appropriations to defined contribution plans (Note 14)	(11,694)	(11,337)
Severance indemnities	(1,438)	(1,097)
Training expenses	(321)	(366)
Share-based payments	-	-
Other staff expenses	(25,789)	(12,729)
Total	**(349,123)**	**(345,418)**

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	
	2022	**2021**	**2022**	**2021**
Average headcount				
Male	2,579	2,623	3,106	3,117
Female	2,722	2,760	3,143	3,127
Total	**5,301**	**5,383**	**6,249**	**6,244**

The average number of employees at the Group, broken down by professional category, is as follows:

	2022		2021	
	Male	**Female**	**Male**	**Female**
Executives	28	5	31	7
Department heads and graduates	2,396	1,863	2,325	1,698
Administrative officers	504	1,007	580	1,166
Administrative assistants	177	267	180	254
Sundry positions	1	1	1	2
Total	**3,106**	**3,143**	**3,117**	**3,127**

At 31 December 2022 and 31 December 2021 the number of employees at the Group, broken down by professional category, is as follows:

	2022		2021	
	Male	**Female**	**Male**	**Female**
Executives	28	5	30	6
Department heads and graduates	2,410	1,936	2,367	1,809
Administrative officers	456	935	530	1,057
Administrative assistants	177	275	176	251
Sundry positions	1	1	1	2
Total	**3,072**	**3,152**	**3,104**	**3,125**

The average number of individuals employed at 31 December 2022 and 31 December 2021 with disabilities equal to or over 33% (or equivalent qualification), by professional category, is as follows:

	2022		2021	
	Male	**Female**	**Male**	**Female**
Executives	-	-	-	-
Department heads and graduates	31	24	30	22
Administrative officers	12	26	15	30
Administrative assistants	-	1	-	3
Sundry positions	-	-	-	-
Total	**43**	**51**	**45**	**55**

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 2022 and 31 December 2021:

	Thousands of euros	
	2022	2021
Loans and advances	4,941	581
Other remuneration in kind	1,369	1,010
Total remuneration in kind	**6,310**	**1,591**

- ### Other administrative expenses

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

	Thousands of euros	
	2022	2021
From property, fixtures and supplies	(24,212)	(26,479)
IT	(43,999)	(38,782)
Communications	(8,029)	(8,209)
Advertising	(5,814)	(5,071)
Court and attorney's fees	(1,550)	(1,543)
Technical reports	(11,044)	(9,956)
Surveillance and security carriage services	(5,694)	(5,623)
Insurance and self-insurance premiums	(2,197)	(1,969)
Governance and control bodies	(678)	(3,265)
Entertainment and travel expenses	(2,188)	(1,354)
Membership fees	(1,158)	(1,877)
Passing on of central service expenses to foreign branches	-	-
Subcontracted administrative services	(34,003)	(36,548)
Levies and other taxes:		
On properties	(2,687)	(3,244)
Other	(18,637)	(18,124)
Donations to foundations	-	-
Other expenses	(20,824)	(18,534)
Total	**(182,714)**	**(180,578)**

- ### Amortisation and depreciation

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

	Thousands of euros	
	2022	2021
Property, plant and equipment		
For own use (Note 12)		
IT equipment and related fixtures	(13,247)	(13,485)
Furniture, vehicles and other fixtures	(21,683)	(22,410)
Buildings	(8,348)	(8,388)
Other tangible assets	(267)	(313)
Leased out under an operating lease		
Capitalised rights of use on lease agreements (Note 12)	(8,656)	(8,451)
Investment property (Note 12)		
Furniture, vehicles and other fixtures	(225)	(217)
Buildings	(3,417)	(4,631)
Other intangible assets	**(15,026)**	**(10,356)**
Total	**(70,869)**	**(68,251)**

- **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	
	2022	**2021**
Pensions and other post-employment defined benefit obligations (Note 14.1)	1,179	650
Other long-term employee benefits (Note 14.1)	52	49
Pending legal issues and tax litigation	-	28
Commitments and guarantees given	(1,343)	3,394
Loan commitments granted	51	92
Financial guarantees granted	(441)	969
Other commitments granted	(953)	2,334
Other contingent risks	(953)	2,334
Other provisions (Note 14.4)	(23,604)	(55,229)
Total	**(23,716)**	**(51,108)**

- **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	
	2022	**2021**
Financial assets not designated at fair value through profit or loss	**(218,511)**	**(307,182)**
Debt securities (Note 8.5.1) (Note 8.6.4)	(31)	59
Loans and advances (Note 8.6.3)	(218,480)	(307,241)
Investments in subsidiaries, joint ventures and associates (Note 11)	**-**	**-**
Total	**(218,511)**	**(307,182)**
Non-financial assets	**(104,806)**	**(221,576)**
Property, plant and equipment	(685)	9
Investment property (Note 12)	(14,498)	(18,221)
Goodwill (Note 13)	-	(54,741)
Other (Note 16)	(89,623)	(148,623)
Total	**(104,806)**	**(221,576)**

- **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	
	2022	**2021**
Gains on disposals		
Property, plant and equipment (Note 12)	297	846
Investment property (Note 12)	1,873	2,403
Intangible assets (Note 13)	-	243
Other gains	6,074	10,890
Holdings	1,671	1,333
Total	**9,915**	**15,715**
Losses on disposals		
Property, plant and equipment (Note 12)	(646)	(920)
Investment property (Note 12)	(4,612)	(10,837)
Intangible assets (Note 13)	(5)	(6,687)
Other losses	(35,229)	(48,856)
Holdings	(566)	(404)
Total	**(41,058)**	**(67,704)**
Total gains or losses	**(31,143)**	**(51,989)**

- **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	
	2022	**2021**
Gains on disposals		
Property, plant and equipment	8	-
Investment property	49	66
Property, plant and equipment foreclosed	2,820	3,183
Total	**2,877**	**3,249**
Losses on disposals		
Property, plant and equipment	(32)	(337)
Investment property	(553)	(700)
Property, plant and equipment foreclosed	(11,764)	(15,234)
Total	**(12,349)**	**(16,271)**
Impairment losses on non-current assets held for sale (Note 10)	**(10,570)**	**(53,798)**
Total gains or losses	**(20,042)**	**(66,820)**

27. Segment reporting

- **Segmenting by lines of business**

The Group’s core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Group segment and manage its operations through different business lines.

- **Geographical segmenting**

  The Group carries out its activities almost entirely in Spain and the type of customer is similar throughout Spain. Therefore the Group considers that there is a single geographical segment for the entire operation.

28. Information regarding the deferral of payments to suppliers

Act 18/2022, of 28 September 2022, amended legislation including Act 15/2010, of 5 July 2010, which amended Act 3/2004, of 29 December 2004, requiring non-listed companies to disclose the amount and number of invoices paid within the maximum period established in the applicable legislation and as a percentage of the total amount and number of invoices paid to suppliers.

Final Provision Two of Act 31/2014, of 3 December 2014, amending the Spanish Corporate Enterprises Act to improve corporate governance, amended Additional Provision Three of Act 15/2010, of 5 July 2010, which amended Act 3/2004, of 29 December 2004, on measures to combat late payment in commercial transactions, specifically requiring the inclusion of the average supplier payment period in the notes to annual accounts. The provision authorises the Spanish Institute of Accountants and Auditors (ICAC) to stipulate, in a ruling, the adaptations necessary for companies to adequately apply the average supplier payment period calculation methodology. Accordingly, Article 1 of the ICAC Resolution of 26 January 2016 was issued to fulfil the mandate contained in Act 31/2014.

Said resolution repealed the immediately previous related ICAC Resolution of 29 December 2010, which derived from the former wording of Additional Provision Three of Act 15/2010, of 4 July 2010. The Resolution requests information on the average supplier payment period, specifying that the duty of information affects only commercial payment transactions and not creditors or suppliers in non-commercial transactions (e.g. fixed asset suppliers or finance lease creditors). Moreover, it provides the specific methodology for calculating the average supplier payment period and details the information to be reported.

For the purposes of adequately understanding the information set out herein, and in accordance with the provisions of applicable legislation, “suppliers” are understood to only be those suppliers of assets and services to the Group whose expense is primarily recognised in the heading “Other administrative expenses” on the consolidated statement of profit or loss. This note therefore does not include information regarding payments for financial transactions that constitute the corporate purpose of the Group or to asset suppliers that may exist which, in any case, have been made in accordance with the deadlines established in the relevant agreements and by current legislation.

The average supplier payment period must be calculated applying the criteria approved by the Ministry of Finance and Public Administrations, pursuant to Final Provision Two, subsection three of Organic Act 2/2012, of 27 April 2012, on budget stability and financial sustainability. According to the Sole Final Provision of the Resolution dated 29 January 2016, that resolution will be applicable to the annual accounts for the years starting on or after 1 January 2015.

Figures for total payments made, total payments pending, average period of payment to suppliers, ratio of transactions paid and ratio of transactions pending payment, with respect to the Group’s commercial transactions, at 31 December 2022 and 31 December 2021 are as follows:

	Days	
	2022	**2021**
Average period of payment to suppliers	31.83	28.29
Ratio of transactions paid	31.93	28.33
Ratio of transactions pending payment	11.67	16.09

	Thousands of euros							
	2022				2021			
	Amount	%	No. Invoices	%	Amount	%	No. Invoices	%
Total payments made	452,749		262,033		513,364		319,907	
Of which: Paid in a period less than the established maximum	*404,288*	*89.30%*	*231,641*	*88.40%*	*454,427*	*88.52%*	*262,214*	*81.97%*
Total payments pending	2,181				1,979			

29. Other information

Investment services

The details of investment and ancillary services by instrument type, indicating the amount of securities and other managed financial instruments and the fees and commission recorded on the consolidated statements of profit or loss, are as follows:

	Thousands of euros	
2022	**Customer funds**	**Fees and commission**
Brokerage services (products marketed by the Group) (Note 26)		
Collective investment	4,368,698	34,831
Insurance products	1,425,326	52,505
Total	**5,794,024**	**87,336**
Deposit of securities owned by third parties (Note 26)		
Debt securities and equity instruments	1,232,762	2,236
Other financial instruments entrusted by third parties	7,265	-
Customer portfolios managed on a discretionary basis	138,151	462
Total	**1,378,178**	**2,698**

	Thousands of euros	
2021	**Customer funds**	**Fees and commission**
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**

Exchange risk

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

	Thousands of euros	
	2022	2021
Assets		
Cash, cash balances at central banks and other on demand deposits	12,636	13,358
Financial assets at amortised cost	64,304	63,834
Other assets	68	493
Total	**77,008**	**77,685**

	Thousands of euros	
	2022	2021
Liabilities		
Financial liabilities at amortised cost	85,029	56,986
Total	**85,029**	**56,986**
Net Position	**(8,021)**	**20,699**

The net amount of exchange differences recognised on the consolidated statement of profit or loss totalled €6,466 thousand at 31 December 2022 (€3,817 thousand at 31 December 2021).

At 31 December 2022 and 31 December 2021 no amount was booked as "Exchange differences" under "Accumulated other comprehensive income" in "Equity".

Auditors' fees

The fees paid for the statutory audit and other services provided by the audit firm and others related to the Group at 31 December 2022 and 31 December 2021 are as follows:

2022	Thousands of euros			
Entity	**Audit fees**	**Audited-related fees**	**Other services**	**Total**
KPMG	1,373	535	25	1,933

2021	Thousands of euros			
Entity	**Audit fees**	**Audited-related fees**	**Other services**	**Total**
KPMG	1,251	483	48	1,782

The audit fees recognised under the "Audit fees" heading include those for: the audit of the separate and consolidated annual financial statements of Banco de Crédito Social Cooperativo, S.A., and the other Rural Savings Banks comprising the Group and subsidiaries. "Audit-related fees" comprise the fees charged to issue comfort letters, for translation and limited reviews, and for other work to meet the regulatory requirements of the Group. "Other services" comprise the fees for other reviews not related with the audit and concerning non- financial information.

Abandoned balances and deposits

In accordance with the matters indicated in Article 18 of Act 33/2003, of 3 November 2003, on public institution finances, the balances and deposits at the Group that have been abandoned in accordance with that article were zero at 31 December 2022; 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 2021).

Customer Service

This section fulfils Article 17.2 of Order ECO/734/2004 of 11 March 2004 on customer service departments and the customer ombudsman of financial institutions (hereinafter the Order) under which a summary of the annual report explaining the development of its functions by the Customer Service Department should be included in the annual report.

In compliance with Act 44/2002, of 22 November 2002, on Measures to Reform the Financial System, the Order and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from the sales and operating areas, to attend to and resolve complaints and claims that may be filed by Group customers with respect to their interests and legally recognised rights.

All the Grupo Cooperativo Cajamar financial entities listed in Annex 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 2022.

Noteworthy is the number of proceedings initiated in 2022 amounting to 7,144, including 195 files with the Bank of Spain Institutions' Conduct Department and eight with the Investor Services Office of the National Securities Market Commission. No complaints or claims have been filed with the Directorate-General of Insurance and Pension Funds.

Proceedings initiated in respect of claims against entities break down as follows:

Entities	Percentage
Cajamar Caja Rural, S.C.C. (a)	95.7%
Caixa Rural Altea, S.C.C.V. (a)	0.8%
Caixa Rural de Callosa de Sarria, C.C.V. (a)	0.3%
Caixa Rural de Turís, C.C.V. (a)	0.1%
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	0.1%
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)	0.3%
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)	0.0%
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)	0.2%
Caja Rural San Jose de Burriana, C.C.V. (a)	0.3%
Caja Rural San José de Nules, S.C.C.V. (a)	0.2%
Caja Rural San Roque de Almenara, S.C.C.V. (a)	0.0%

Further to this summary, the main ways in which the claims were dealt with in 2022 were: 67% in favour of the entities; 15% in favour of the claimant; the Customer Service Department issued no decision on the claims filed in 16% of cases; and 2% 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	41.0%
Deposit transactions and payment accounts	24.0%
Payment instruments and services	16.0%
Other banking products/services	2.0%
Miscellaneous	17.0%

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

Reason	Percentage
Commission and fees	42.0%
Information and documentation	7.0%
Processing	3.0%
Disagreement	22.0%
Interests	6.0%
Contractual modifications and resolutions	2.0%
Fraud	4.0%
Miscellaneous	14.0%

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 recast text of the Corporate Enterprises Act, as per the wording thereof stipulated in Act 31/2014, of 3 December 2014, amending the recast text of the Corporate Enterprises Act in order to improve corporate governance and enhance the transparency of public limited companies, the directors have reported to the Bank that during 2022, they and the persons related to them, as defined in Article 231 of the recast text of the Corporate Enterprises Act:

- Have not carried out transactions with the Group, not taking into account ordinary operations conducted under standard business conditions and of little relevance, being understood as those not requiring disclosure for the purposes of presenting fairly the equity, financial position and the results of the entity.
- Have not used the Group's name or invoked their status as directors to improperly influence the performance of private operations.
- Have not made use of corporate assets, including confidential company information for private purposes.
- Have not taken advantage of the Group's business opportunities.
- Have not obtained benefits or remuneration from parties other than the Group or its associates in the performance of their duties, excepting cases of mere courtesy.
- Have not performed activities on their own account or for others that involved effective competition, whether specific or potential, with the Group or which otherwise placed them in a situation of ongoing conflict with the Group's interests.

30. Subsequent events

Irrespective of the information set out in the accompanying consolidated annual accounts, from 31 December 2022 to 2 March 2023, the date on which the accompanying consolidated annual accounts were authorised for issue by the Group's Board of Directors, there were no significant events that must be disclosed in the notes to the accompanying consolidated annual accounts in order for them to give a true and fair view of the Group's consolidated equity, consolidated financial position, consolidated results, changes in consolidated equity and consolidated cash flows.

Appendix I Breakdown of investments at 31 December 2022

Details of Group entities whose balance sheets and statements of profit or loss are fully consolidated are as follows:

				% shareholding			Thousands of euros						
									Equity				
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Group companies													
Cajamar Caja Rural, S.C.C. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Credit cooperative	64.30%	-	-	-	-	44,117,111	3,251,583	146,526	56,205	(10,910)	(10,163)
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Credit cooperative	0.61%	-	-	-	-	332,263	7,798	24,959	446	(12)	(32)
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Credit cooperative	0.43%	-	-	-	-	241,417	9,527	12,976	321	(27)	(8)
Caixa Rural de Turís, C.C.V. (a)	Plaza de la Constitución, 2. Turís. Valencia.	Credit cooperative	0.17%	-	-	-	-	66,134	2,036	6,828	127	(6)	(31)
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Credit cooperative	0.09%	-	-	-	-	72,231	1,167	3,778	70	(2)	1
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	Credit cooperative	0.15%	-	-	-	-	145,693	3,943	4,334	114	(8)	(17)
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Mayor, 10. Villarreal. Castellón.	Credit cooperative	0.60%	-	-	-	-	489,091	17,127	14,934	444	(46)	12
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Credit cooperative	0.42%	-	-	-	-	244,096	4,563	18,025	310	(8)	(51)
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Credit cooperative	0.18%	-	-	-	-	117,854	3,108	6,575	133	(7)	(18)
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Credit cooperative	0.23%	-	-	-	-	144,359	2,143	9,696	172	(3)	(12)
Caja Rural de Torrent, S.C.C. (a)	Avda. Al Vedat, 3. Torrent. Valencia.	Credit cooperative	1.06%	-	-	-	-	660,410	15,734	39,537	804	(32)	(87)
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Credit cooperative	0.24%	-	-	-	-	103,831	5,376	6,128	169	(21)	(5)
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 6, Chilches. Castellón.	Credit cooperative	0.10%	-	-	-	-	39,042	2,187	2,616	69	(7)	(0)
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Vilafames. Castellón.	Credit cooperative	0.06%	-	-	-	-	30,976	524	2,421	43	(1)	(4)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Credit cooperative	0.26%	-	-	-	-	111,952	4,517	9,729	199	(15)	10
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Credit cooperative	0.50%	-	-	-	-	244,843	5,434	21,059	378	(12)	29
Caja Rural San José de Nules, S.C.C.V. (a)	C/ Mayor, 66. Nules. Castellón.	Credit cooperative	0.22%	-	-	-	-	147,986	7,235	4,826	221	(20)	(1)
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Credit cooperative	0.08%	-	-	-	-	46,628	1,144	2,994	59	(2)	(5)
Alquileres Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	610	5,259	1,235	(435)	352	(407)	-
BCC Eurovía Informática, A.I.E. (a)	Avda. de la Innovación, 1 (PITA). Almería.	Rendering of technology services	-	99.00%	1.00%	100.00%	3	765	3	-	-	-	-
BCC Gestión Integral de Infraestructuras, A.I.E. (a)	Avenida Nuestra Señora de Montserrat, número 11, Almería.	Rendering of general services	-	98.00%	2.00%	100.00%	3	240	3	-	-	-	-
BCC Operaciones y Servicios Administrativos, S.L.U. (a)	Plaza 3 de abril, 2, Almería.	Operational, management and	-	-	100.00%	100.00%	12	1,364	12	36	435	-	-
BCC Recursos Humanos y contact Center, S.L.U. (a)	Avda. de la Innovación, 1 (PITA). Almería.	HR advisory services and consulting	-	-	100.00%	100.00%	41	563	4	116	124	-	-
Cajamar Mediación Operador de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance brokerage	-	-	100.00%	100.00%	60	11,418	60	229	213	-	-
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	-	100.00%	100.00%	1,539,326	3,597,411	60	1,640,949	(75,874)	(2,087)	(23,721)
Cimentados3, S.A.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	-	710,017	60	-	(80,320)	(1,632)	-
Cimenta Desarrollos Inmobiliarios, S.A.U.	Plaza de Juan del Águila Molina, 5. Almería.	Real estate development	-	100.00%	-	100.00%	37,816	49,714	60	(3)	(4,462)	42,271	-
Inmuebles Alameda 34, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Real estate development	-	-	100.00%	100.00%	6,982	34,351	16,250	(8,125)	52	(1,224)	-
Sunaria Capital, S.L.U. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Holding company	-	100.00%	-	100.00%	4,023	7,431	3,000	600	1,013	-	-
Plataforma Tierra, S.A.U.	Puerta Purchena, 10, Edificio de las Mariposas. Almería.	Innovation, digitization and development in the agri-food sector	-	100.00%	-	100.00%	-	2,516	60	-	(983)	(514)	-
CIM-MED I, S.A.U.	Paseo de la Castellana, 87. Madrid.	Real estate development	-	100.00%	-	100.00%	98	99	100	(1)	(1)	-	-
FV La Cañada de Tabernas, S.L.U.	Avenida Nuestra Señora de Montserrat, número 11, Almería.	Design, construction and operation of energy producing farms	-	100.00%	-	100.00%	761	5	3	-	(12)	14	-
FV Turrillas Matanegra, S.L.U.	C/ Muñoz Fernández 4, 5º A. Granada.	Design, construction and operation of energy producing farms	-	100.00%	-	100.00%	761	6	3	-	(12)	15	-
							1,590,497	**51,777,072**	**3,366,058**	**1,971,307**	**(99,194)**	**25,299**	**(34,102)**

Details of associates accounted for using the equity method at 31 December 2022 are as follows:

Company	Domicile	Business	% mutualisation	% shareholding Direct	Indirect	Total	Net book value	Assets	Equity Capital	Reserves	Profit/(loss)	Other items	Other equity
Associates													
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Integrated pest control	-	-	22.19%	22.19%	376	1,707	1,920	13	(8)	(227)	-
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.90%	-	49.90%	6,604	146,820	9,015	8,918	6,845	(5,049)	(5,598)
Cajamar Vida, S.A. de Seguros y Reaseguros (c)	Plaza de Juan del Águila Molina, 5. Almería.	Insurance business	-	49.00%	-	49.00%	13,578	714,748	9,015	36,238	71,694	(66,262)	(25,291)
GCC Consumo Establecimiento Financiero de Crédito, S.A. (e)	Paseo de los Melancólicos, 14. Madrid.	Specialised credit institution (EFC)	-	49.00%	-	49.00%	34,643	779,652	70,294	10,098	13,796	406	-
Giesmed Parking, S.L.	Calle Almagro, 3, 5º izquierda. Madrid.	Property sales.	-	-	20.00%	20.00%	695	4,842	3	449	596	3,472	-
Habitat Utiel, S.L.	C/ Pascual y Genil, 17. Valencia	Real estate development	-	-	25.00%	25.00%	2	383	6	-	-	(3)	-
Murcia emprende S.C.R., S.A. (f)	C/ Alfaro, 1. Murcia.	Venture capital	-	-	22.06%	22.06%	858	3,945	2,557	3	1,925	(605)	8
Parque Científico- Tecnológico de Almería, S.A. (e)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	Management of commercial premises	-	-	30.11%	30.11%	8,152	36,232	31,066	(606)	88	(11,535)	-
Promociones Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Real estate development	-	-	24.50%	24.50%	-	3,262	12	130	(4)	(7)	-
Renovables la Unió, S.C.P.	C/ Mar,22. Valencia.	New technologies	-	-	40.00%	40.00%	84	210	210	-	-	-	-
Promontoria Jaguar, S.A.	C/ Serrano, 26. Madrid	Activities of holding companies	-	-	20.00%	20.00%	9,389	126,898	60	8,442	(5,787)	46,887	-
							74,381	**1,818,699**	**124,157**	**63,685**	**89,143**	**(32,923)**	**(30,882)**

(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, S.L.
(f) Company audited by Grant Thornton Corporación, S.L.P.

Appendix I Breakdown of investments at 31 December 2021

Details of Group entities whose balance sheets and statements of profit or loss are fully consolidated are as follows:

				% shareholding			Thousands of euros						
									Equity				
Company	Domicile	Business	% mutualisation	Direct	Indirect	Total	Net book value	Assets	Capital	Reserves	Profit/(loss)	Other items	Other equity
Group companies													
Cajamar Caja Rural, S.C.C. (a)	Plaza de Juan del Águila Molina, 5. Almería.	Credit cooperative	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. (a)	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 the agri-food sector	-	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:

Company	Domicile	Business	% mutualisation	% shareholding			Net book value	Assets	Equity				Other equity
				Direct	Indirect	Total			Capital	Reserves	Profit/(loss)	Other items	
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	-	-	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, S.L.

Appendix II Details of branches by geographical area

Province		Nº branch offices 2022	Nº branch offices 2021
ANDALUCIA		230	238
	Almería	98	106
	Cádiz	10	9
	Córdoba	8	8
	Granada	19	19
	Huelva	5	5
	Jaén	7	7
	Málaga	73	74
	Sevilla	10	10
ARAGÓN		5	5
	Huesca	2	2
	Zaragoza	3	3
ASTURIAS		3	3
BALEARES		21	21
CANARIAS		41	45
	Las Palmas	27	31
	Santa Cruz de Tenerife	14	14
CANTABRIA		2	2
CASTILLA LA MANCHA		15	15
	Albacete	6	6
	Ciudad Real	4	4
	Cuenca	3	3
	Guadalajara	1	1
	Toledo	1	1
CASTILLA LEÓN		61	61
	Avila	4	4
	Burgos	3	3
	León	10	10
	Palencia	10	10
	Salamanca	2	2
	Segovia	2	2
	Soria	1	1
	Valladolid	26	26
	Zamora	3	3
CATALUÑA		34	34
	Barcelona	25	25
	Gerona	3	3
	Lérida	1	1
	Tarragona	5	5
COMUNIDAD VALENCIANA		263	280
	Alicante	70	71
	Castellón	51	52
	Valencia	142	157
EXTREMADURA		4	4
	Badajoz	3	3
	Cáceres	1	1
GALICIA		7	6
	A Coruña	3	3
	Ourense	1	1
	Pontevedra	2	1
	Lugo	1	1
LA RIOJA		2	2
MADRID		35	35
MURCIA		113	115
NAVARRA		4	4
PAIS VASCO		1	1
	Álava	1	1
CEUTA		1	1
MELILLA		1	1
		843	873

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:
2.

Province	Name	Scope of action	Date of power-of-attorney
ALICANTE			
	ALBERTO SANCHEZ SANCHEZ	HONDON DE LAS NIEVES Y LA ROMANA	19/12/2019
	ESTER CONCA FLOR	BENEIXAMA-AVENIDA VILLENA	01/09/2021
	JUAN EMILIO CANTUS MAFE	EL VERGER-MAYOR	17/11/2021
	MARCELINO PEDRO ERN AGUD	SELLA-PL.MAYOR,RELLEU-PL.MAYOR Y TORREMANZANAS-MAYOR	28/12/2016
	ROBERTO DALIA CIRUJEDA	ALFAFARA-BANCAL DEL CLOT Y FONTANARS ALFORINS-L'ALQUERIA	18/04/2017
	VICTORIA LOPEZ BANON	MONOVAR	22/12/2022
	RUBEN LEAL MIRETE	BIAR - PL. CONVENTO	30/01/2020
ALMERIA			
	AGUSTIN MUNOZ EXPOSITO	ILLAR, ALICUN, TERQUE Y HUECIJA	04/03/2013
	ANTONIA MOLINA ARTERO	VOLANTE PROVINCIA DE ALMERIA	17/11/2021
	ANTONIO JAVIER BELMONTE GOMEZ	GERGAL Y NACIMIENTO	28/07/2021
	CORINA VEGA VIAS	GUAZAMARA	04/03/2019
	DOMINGO JESUS GUILLEN GARCIA	CHIRIVEL	06/04/2018
	ENCARNACION PARDO MOLINA	PECHINA	22/12/2021
	GABRIEL FRANCISCO RUBIO MARTINEZ	BEDAR Y TABERNO	20/01/2016
	GREGORIO TORRENTE MARTINEZ	MARIA	28/09/2016
	JOSE ANTONIO BENITEZ ROMERO	ORIA	28/12/2016
	JOSE ANTONIO ESPINOSA TORRES	PUBLO BLANCO- NIJAR Y CABO DE GATA	28/12/2016
	JOSE ANTONIO GODOY GARCIA	PATERNA DEL RIO, ALCOLEA, FONDON Y BAYARCAL	28/12/2016
	JOSE LUIS EGEA VENTEO	ALBOLODUY, FELIX Y RIOJA	12/06/2018
	JUAN JOSE CAPEL JURADO	INSTINCION, OHANES Y PADULES	05/04/2022
	JOSE ANTONIO JIMENEZ RUEDA	SERON	22/12/2022
	JUAN ALFREDO MUNOZ HERNANDEZ	PURCHENA	22/12/2022
	PEDRO ANTONIO CABRERA CASTILLO	VELEZ BLANCO	22/12/2022
	JOSE JESUS PATERNA MOTOS	CANTORIA	22/12/2022
	MACARENA GIL SORIA	ABRUCENA	28/07/2021
	MARIA CRISTINA LALINDE LLANO	LA ALFOQUIA Y ALMANZORA	07/03/2017
	MIGUEL MANAS CABEZAS	ULEILA DEL CAMPO	03/08/2017
	ROQUE MIRAS NAVARRO	FINES	16/01/2018
	KARINA DIAZ DURO	ZURGENA	13/06/2019
	TAMARA MOLINA ALCAIDE	SUSTITUTA EN ABRUCENA	26/07/2022
AVILA			
	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	SAN SEBASTIAN DE LA GOMERA	16/12/2020
CASTELLON			
	CARLOS RODRIGO BALMES	SALSADELLA-MAYOR Y CATI-PL. DE DALT	28/09/2016
	CONSUELO FABREGAT FERRER	CANET LO ROIG-SAN VICENTE Y ROSELL-MAESTRA SAIZ	28/12/2016
	DAVID GARCIA GIL	LA POBLA TORNESA-MOLI DE FOC Y VISTABELLA-RAMON SALVADOR	28/12/2016
	FERNANDO TRAVER SALES	ELS IBARSOS-AV. DE LA RAMBLA Y SIERRA ENGARCERAN-LA FUENTE	28/12/2016
	FRANCISCO JOSE LOPEZ SANFELIU	MONTANEJOS	21/04/2021
	GUSTAVO GALLEN PRADES	VILLAHERMOSA DEL RIO Y FIGUEROLES-SAN BLAS	29/01/2019
	JAVIER MESTRE CERVERA	FORCALL-PL. MAYOR	04/12/2018
	MARCO ANTONIO FABREGAT EDO	CINCTORRES-SAN ROQUE	12/07/2017
	MARIA PILAR TRAVER VIDAL	CULLA-RECAREDO GARCIA Y BENLLOCH-ADYUTORIO	22/12/2021
	MARIA TERESA TRAVER TRAVER	TALES-SAN JOSE	22/12/2021
	MONICA MIGUEL PORCAR	COSTUR-EN MEDIO Y USERAS-CALVARIO	28/12/2016
	ANGEL GOMEZ MARQUES	LA LLOSA-PL. ESPANA	17/11/2021
	DAVID PEREZ GIL	BENASSAL	22/12/2022
	YOLANDA MATEO PEREZ	SONEJA-MAYOR Y VIVER-SAN FRANCISCO	30/01/2020
CUENCA			
	DANIEL LLORIA MARTINEZ	ALIAGUILLA y TALAYUELAS	28/09/2016
MALAGA			
	ALFONSO VERA MORA	SIERRA YEGUAS	18/09/2020
	DANIEL BRAVO CARMONA	VILLANUEVA DE TAPIA	12/01/2023
	FRANCISCO JAVIER MUNOZ ARLANDI	ISTAN Y BENAHAAVIS	23/05/2019
	FRANCISCO JAVIER ROMERO BARROSO	VILLANUEVA DEL TRABUCO	17/11/2021
	INES MEDIAVILLA LOPEZ	CANETE LA REAL	17/11/2021
	ISABEL BERLANGA MONTERO	CASARABONELA	30/01/2020
	JOAQUIN JOSE ATENCIA LOPEZ	RIOGORDO Y TOTALAN	28/06/2018
	JOSE ANTONIO MATEOS COZAR	CORTES DE LA FRONTERA	30/01/2020
	JOSE SANCHEZ MENDEZ	EL BURGO	19/12/2019
	JULIA GALLARDO MADRID	SUSTITUTA VILLANUEVA DEL TRABUCO	12/01/2023
	RAQUEL BERBEL CAPILLA	ALCAUCIN, EL BORGE E IZNATE	04/03/2013
	YOLANDA BEJAR LUQUE	ALFARNATE Y COMARES	28/12/2016
	ALICIA GOMEZ MORENO	TORROX	22/12/2022
MURCIA			
	ANTONIO LOPEZ VIVANCOS	SANTO ANGEL	28/10/2021
	CAROLINA GARCIA MARTINEZ	EL PARETON	17/11/2021
	DIEGO VALERA PUCHE	ALJUCER	04/12/2018
	FRANCISCO MIGUEL MARTINEZ CAMPILLO	ISLA PLANA	28/07/2021
	FRANCISCO ORCAJADA CASTILLO	LA ALGAIDA	17/11/2021
	FRANCISCO TOMAS MIRA PEREZ	GUADALUPE	30/01/2020
	GONZALO SEIQUER GIL	MONTEAGUDO	30/01/2020
	JOSE IGNACIO ORTIZ VICENTE	TORREALTA	19/05/2020
	JUAN MUNOZ CLEMENTE	MIRANDA	25/11/2020
	MAXIMILIANO MARTINEZ CANO	CASILLAS	17/11/2021
	MIGUEL ANGEL GIMENEZ PEREZ	ZARCILLA DE RAMOS	23/05/2019
	PEDRO ANTONIO PEREZ FERNANDEZ	SUSTITUTO EN LA PROVINCIA DE MURCIA	30/01/2020
	PEDRO GASPAR NICOLAS CASES	MURCIA-LOS DOLORES	17/01/2019
	PEDRO JOSE VIDAL GARCIA	LA ALCAYNA	04/12/2018
	ENRIQUE GARCIA SANCHEZ	LOS GARRES	04/12/2018
	SALVADOR MANUEL CAMPILLO NAVARRO	ALUMBRES	19/05/2020
	JOSE MARIA TERUEL GOMEZ	ARCHIVEL	22/12/2022
	GUILLERMO GONZALEZ CARRILLO	ALGEZARES	05/09/2022
	JESUS GONZALEZ PALAZON	BLANCA	22/12/2022
PALENCIA			
	CESAR CASAS MARTINEZ	DUENAS	19/12/2020
	MARIA PILAR GUTIERREZ FRANCO	BALTANAS	19/12/2019
	EDUARDO PARDO GARCIA	CERVERA DE PISUERGA	12/06/2018
	MIGUEL PEREZ RODRIGUEZ	OSORNO Y HERRERA DE PISUERGA	04/12/2018
VALENCIA			
	ALBERTO RUANA COTINO	LA POBLA DE FARNALS-PAIS VALENCIA	25/09/2018
	ALFONSO JIMENEZ LOPEZ	MARINES Y SERRA	05/10/2017
	ANTONIO AVENDANO CABALLERO	MONTESA-SAN VICENTE	18/09/2020
	CARLOS VIDAL MICO	CASTELLO DE RUGAT-SAN VICENTE	19/05/2020
	CARMEN FERRANDO SISTERNES	RIOLA-SAN CRISTOBAL	16/12/2020
	DANIEL CLEMENTE ALBALAT	CHELVA-MANCOMUNIDAD ALTO TURIA Y TITAGUAS-FUENTE	01/09/2021
	DIEGO AGUADO SORIA	CATADAU-PL. ESPANA	19/05/2020
	EDUARDO ENRIQUE GUZMAN MARTI	PROVINCIA DE VALENCIA	30/09/2020
	ENRIQUE TORMO ORTS	ANTELLA-PINTOR ABRIL	17/01/2019
	FRANCISCO MEDINA ORTAL	EL PERELLO-ESCUELAS	25/02/2020
	JESUS VICENTE RODENAS CARRETERO	CAUDETE DE LAS FUENTES Y SIETE AGUAS	28/12/2016
	JOSE ANGEL MOMPO ARELLANO	BELGIDA-SAN ISIDRO Y ALFARRASI-JUAN FERRI BATALLER	27/02/2019
	JOSE ANTONIO BLASCO ROVIRA	ALFARP-NUEVA	12/03/2020
	JOSE ANTONIO SANZ MARTINEZ	PRONVINCIA DE VALENCIA	01/08/2018
	JOSE ENRIQUE PLANCHADELL HERRERO	LLAURI-LA FONT Y FAVARA	06/04/2018
	JOSEP ANTONI GARCIA MIRAGALL	PROVINCIA DE VALENCIA	25/02/2020
	JUSTO MANUEL RUIZ MEGIAS	VILLARGORDO DEL CABRIEL Y CUEVAS DE UTIEL-VIRGEN DE LORETO	03/08/2017
	MANUEL GASCON CALVO	ESTIVELLA-PL. JERONIMO MONSORIU	27/08/2020
	MARIA CARMEN SAEZ SANCHEZ	CARPESA-GARCES Y YATOVA	22/12/2021
	MARIA ELENA BLASCO CALATAYUD	MACASTRE-PL. ARBOLES Y ALBORACHE	05/10/2017
	MARIA JOSE MOROS PEREZ	LOSA OBISPO-REYES CATOLICOS	06/04/2018
	MARIA VICENTA SANMARTIN GIL	BOLBAITE-CANALEJAS	19/12/2019

Province	Name	Scope of action	Date of power-of-attorney
	MIGUEL TOMAS SALOM CANAS	ALCANTERA DE XUQUER-JAUME ROIG	04/12/2018
	NICOLAS CARRION GARCIA	REAL-COOP. LLAURADORS	27/02/2019
	PASCUAL CARRATALA MINGUEZ	GAVARDA-PL. AYUNTAMIENTO Y SUMACARCER-PL. L'ERA	19/05/2017
	SALVADOR NAVARRO FERRER	BENIMODO	22/12/2021
	VICENTE JUAN MOLLA PEREZ	CHELLA-SAN ANTON Y BICORP-AVDA. DE LA CARRETERA	04/12/2018
	VICENTE LUIS PARRA MARTINEZ	JARAFUEL	28/09/2016
	MARIA CONSUELO FERRER BRAVO	LA POBLA DEL DUC	22/12/2022
	MARIA ISABEL MARTINEZ NAVARRO	SAN ANTONIO DE REQUENA	22/12/2022
	JOSE CARLOS PASCUAL RECIO	ALBUIXECH	22/12/2022
	MARIA ISABEL CANO GABALDON	COFRENTES	22/12/2022
	JOSE BALLESTEROS COLOM	VENTA DEL MORO	22/12/2022
	SERGIO YUSA RODRIGO	TUEJAR	22/12/2022
	JOAQUIN SANJUAN BATALLER	ADOR	22/12/2022
	MARIA ISABEL CLARAMUNT RAGA	EL PALMAR-CAUDETE	22/12/2022
	ALBERTO RODRIGUEZ LOPEZ	SERRADA	19/05/2017
	ALEJANDRO PUERTAS DEL OLMO	CAMPASPERO	04/12/2018
	ANDRES HERNANDEZ MAESTRO	COGECES DEL MONTE	04/12/2018
	ANTONIO RODRIGUEZ FERRIO	MOJADOS	04/12/2018
	CESAR HERGUEDAS RECIO	PEDRAJAS DE SAN ESTEBAN	25/09/2018
	CRISTOBAL MARTIN HURTADO	ALAEJOS	07/03/2017
	DIANA GONZALEZ LOZANO	VOLANTE PROVINCIA VALLADOLID	09/10/2019
	FRANCISCO JOSE GARCIA DIEZ	RUEDA	28/12/2016
	JORGE GANAN FERNANDEZ	PUENTEDUERO Y ALDEAMAYOR	28/12/2016
	NOEMI RODRIGUEZ ALLENDE	CIGALES Y MOTA DEL MARQUES	28/12/2016
	PEDRO REDONDO SANCHEZ AVILA	FUENSALDANA Y VILLANUBLA	28/12/2016
	JESUS ANGEL QUIJADA LERONES	CARPIO	18/11/2020
	RAUL CALZADA ALVAREZ	BOECILLO	18/04/2017

3. **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 2022 the Group did not maintain agreements with persons authorised to recruit customers or to promote and market operations and services.

Appendix IV Details of the main metrics of the Group's financial institutions at 31 December 2022

Group companies	Assets	Liabilities	Equity	Net interest income	Gross income	Operating profit/(loss)	Profit/(loss) before tax	Profit/(loss) for the period
	Thousands of euros							
Cajamar Caja Rural, S.C.C	44,117,111	40,683,871	3,433,240	475,647	846,573	183,390	60,848	56,205
Caja Rural de Torrent, S.C.C.	660,410	604,454	55,956	6,166	11,643	1,485	1,003	804
Caixa Rural Vila-Real, S.C.C.	489,091	456,619	32,471	4,331	7,908	324	564	444
Caixa Rural Altea, S.C.C.V.	332,263	299,103	33,159	3,925	7,862	714	575	446
Caja Rural San Jose de Burriana, C.C.V.	244,843	217,955	26,888	2,054	4,000	529	475	378
Caja Rural San José de Nules, S.C.C.V.	147,986	135,725	12,261	1,785	4,314	1,417	201	221
Caixa Rural de Callosa de Sarria, C.C.V.	241,417	218,628	22,789	3,044	4,097	444	392	321
Caja de Crédito de Petrel, Caja Rural, C.C.V.	244,096	221,256	22,840	2,137	3,878	612	401	310
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	145,693	137,326	8,367	1,759	2,610	253	140	114
Caja Rural de Cheste, S.C.C.	144,359	132,362	11,996	1,517	1,834	222	216	172
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	111,952	97,512	14,440	1,069	2,908	286	247	199
Caja Rural de Alginet, S.C.C.V.	117,854	108,062	9,792	1,094	1,808	126	171	133
Caja Rural de Villar, C.C.V.	103,831	92,185	11,646	1,045	1,618	220	206	169
Caixa Rural de Turís, C.C.V.	66,134	57,179	8,954	694	1,168	193	159	127
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	72,231	67,215	5,016	535	712	87	88	70
Caja Rural San Roque de Almenara, S.C.C.V.	46,628	42,438	4,189	490	781	80	73	59
Caja Rural San Isidro de Vilafamés, C.C.V.	30,976	27,991	2,984	171	346	54	54	43
Caja Rural la Junquera de Chilches, C.C.V.	39,042	34,178	4,864	426	582	83	84	69

Appendix IV Details of the main metrics of the Group's financial institutions 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

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

Annual Banking Report

(Year 2022)

GRUPO COOPERATIVO CAJAMAR

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

Overview

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 2022 describes the Entity's nature, corporate purpose and registered office. The most relevant aspects of that information are set out below:

a.1) Nature of the Entity:

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

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

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

The Bank, as Parent under the terms established in the aforementioned Regulatory Agreement of Grupo Cooperativo Cajamar, exercises all the powers delegated to it in the Group and issues mandatory instructions to all Members. It must also act, at all times, under the principles of independence, impartiality, professionalism and technical rigour.

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

At 31 December 2022, 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. Particularly, Article 78 of that law 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	General assembly date	Bank of Spain authorisation date
Entidad	Fecha Celebración Asamblea	Fecha Autorización del Banco de España
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 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 under securities market legislation, prioritising the financial demands of partners. They may lend to non-partners up to the limit 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 prevailing legal provisions.

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 Spain.

Appendix II to the consolidated annual accounts for 2022 provides details of branches by geographical location.

b) Turnover

At 31 December 2022 Grupo Cooperativo Cajamar's turnover amounted to €1,074.15 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 2022.

At 31 December 2022, the net return on the Group's assets was 0.13%, understood as the ratio of net profit after tax (€80.0 million) to total assets (€62,314.49 million).

c) Number of full-time employees

At 31 December 2022 there were 6,209 full-time employees all working within Spanish territory.

d) Gross profit before taxes

At 31 December 2022, the Group recorded a gross profit before taxes of €73.22 million.

e) Corporate income tax

The Group recorded tax income of €6.78 million at 31 December 2022. Applying this figure, less the expense arising from mandatory contributions to the Cooperative Development Fund, the Group made a net profit after tax of €80.0 million.

f) Grants and public aid received

At 31 December 2022 the Group has not received any grants and/or specific public aid or aid related to banking. Certain insignificant grants related to continuous personnel training have been received.

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

Consolidated Directors' Report

(Year 2022)

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

Macroeconomic environment

- In an economic climate affected by the war in Ukraine and its repercussions for industries in Europe, the energy crisis, inflation, interest rates and the value of the euro against the dollar, Spanish **GDP** grew by 5.5% in the year in terms of volume, the same figure as 2021.

- Year-on-year GDP growth in the fourth quarter was 2.7%, compared with 4.8% in the third quarter, with domestic demand accounting for 0.6% (2 points less than in the previous quarter) and exports accounting for 2.1% (down one point).

- The economy is expected to grow less in 2023, by 1.3%, driven by domestic demand, with exports contributing very little. The slowdown in growth from last year will be most notable in private spending, investment and foreign trade, while public spending will begin to grow again after shrinking in 2022.

- The consumer price index (**CPI**) stood at 5.7% at the end of December (6.5% in 2021), peaking at 10.8% in July. Tourist packages and food were the sectors that contributed most to this increase, while energy prices are now coming down, resulting in core inflation of over 7.0%. The Harmonised Index of Consumer Prices (HICP) was 5.5% for the year in Spain, compared with 9.2% for the European Union.

- The **average number of people registered with the social security system** rose by 471,360, a less pronounced increase than in 2021 but boosting the numbers in work to a record 20.3 million, driven once again by third-party employees, while the numbers of self-employed workers was similar to the year before.

- **Unemployment** continued to drop, with 2,837,653 people out of work at the end of the year, the best figure since 2007. Joblessness fell across all sectors, principally services, with 171,212 fewer people out of work, despite the uncertain economic climate.

- The **unemployment rate** continued to go down, to 12.87% at the end of the year compared to 13.33% in 2021, and the lowest year-end figures since 2008, despite rising by 0.2 percentage points in the final quarter.

- The **12-month Euribor** rose by more than anyone predicted. The rate had been negative since February 2016 but 2022 saw the highest annual increase ever, up 3.52 percentage points from -0.50% in December 2021 to 3.02%. The **3-month Euribor** fared similarly, closing the year at 2.06% compared with -0,58% in December 2021. Inflationary pressures are now easing off and inflation rates are expected to peak in mid-2023.

- In order to act as a brake on inflation, the **ECB** interest rate, which had been 0% since 2016, also broke with expectations, rising four times in the second half of the year to 2.5%, the highest rate since 2008. In July it went up by 0.5%, in September to 1.25%, in October to 2.0% and in December to 2.5%. The **Fed**, meanwhile, has been even more aggressive in tackling inflation, with seven interest rate rises in the year to close at 4.5%.

- The **euro**, harder hit by the war in Ukraine and the energy crisis, dipped below the **dollar** for the first time in over 20 years, hitting a low of 0.95 in September. However, it did begin to recover from the third quarter, closing the year at 1.06, boosted mainly by the ECB's more moderate interest rate rises compared with those announced by the US Federal Reserve.

- The **IBEX-35** closed the year down by 5.6% at below 8,300 points, losing some of the ground recovered the year before. Nevertheless, it fell by less than the other European indices, and much less than the main US index, the S&P 500, which lost 19.2% in a difficult year for investors worldwide, facing issues including the war in Ukraine, inflation, interest rate rises and COVID-19 restrictions in China.

- The **NPL ratio of other resident sectors** fell to 3.68% in November 2022 compared to 4.29% in December 2021. The decrease in non-performing loans was more pronounced than in 2021, down -13.6% in November, while lending increased by 0.6%.

- The **banking sector** closed the year strongly, with the six banks in the IBEX-35 expected to exercise greater influence over the index, with the addition of Unicaja, and grow their profits significantly, which is no surprise given the rises in interest rates. Despite lower lending volumes, with healthier balance sheets, tighter cost containment and, above all, higher interest rates, Spanish banks reported better margins than in previous years, and stronger earnings than the rest of the European banking sector. Results are therefore likely to improve from 2023 onward, although issues to be taken into account include the banking tax and the potential for rising NPLs as families and businesses lose spending power.

- In spite of events in the year, the economy has proved more resilient than expected, reducing the likelihood of recession. Growth will slow in 2023, affected by rising prices, greater uncertainty, slowing employment and higher interest rates, while inflation is expected to ease, provided gas supplies are maintained. Once the NGEU funds become available, and the uncertainty recedes, economic activity will pick up, driving stronger growth from 2024, provided geopolitical tensions do not become more widespread and there is no return to full lockdown policies.

Business performance

- The entire organisation of the Grupo Cooperativo Cajamar (henceforth, the Group) is firmly committed to the efficient management of poorly performing assets. Consequently its NPL ratio is better than the sector average, with a comfortable coverage ratio.

- At the close of 2022 the Group was healthier and more solvent, complying fully with all supervisory requirements, thanks to the generation of profits and the growth of the business, in a year in which, after two years of pandemic, the unexpected outbreak of war in Ukraine fundamentally changed the outlook for financial institutions.

- The Group's **first issue of senior preferred debt** in a social format, amounting to €500 million maturing after four years, was very well received by the markets. Issued as a sustainable bond, it will allow the Group to provide financing to businesses operating in the social economy and to projects to encourage social and economic development, while boosting its MREL ratio, enabling it to meet the buffer building requirement a year before it becomes binding on 1 January 2025.

- **On-balance sheet retail funds** continued to grow, as in previous years, thanks to a 6.1% year-on-year growth in **sight deposits**, although in the last quarter of the year savers were beginning to show renewed interest in traditional term deposits as short-term interest rates rose. This trend is likely to become more pronounced in the next year as the yields on these deposits improve.

- The 3.9% increase in **on-balance sheet retail funds** to €40,250 million allowed the Group's share of the highly competitive deposits market to improve both nationally and in the main regions where it operates, consolidating its position among the top ten Spanish banks and as a key example for southern Europe of the Spanish cooperative banking model.

- Socio-political and economic uncertainty were reflected in the fixed income and equity markets, leading to a decline in the market for equity holdings in investment funds and pension plans. The Group's marketing campaigns for its investment funds in the second half of the year meant it suffered less than the sector average, keeping **off-balance sheet funds** at the same level as in 2021, up 0.6% at €6,446 million.

- **Performing loans to customers** grew faster in the year, by 6.4% compared with 5.3% in 2021, driven by economic growth and the Group's commitment to business funding, especially in strategic sectors, in particular agri-food, where the Group's market share is over 15%. At year-end the Group's performing loan book stood at €35,936 million and it was more diversified and profitable. The stronger growth of the investment business compared with deposits pushed the **LTD** ratio to 88.1% and the **business gap** to €4,911 million.

- Although household spending power is being eroded by high inflation and more expensive variable rate mortgages, mitigated in part by government policies, the proactive management of arrears and the sale of loan books has meant the volume of **non-performing assets** fell by 22.7%, even more than in the previous year, significantly reducing the average age of the Group's NPLs. As a result, its **NPL ratio** improved by almost a percentage point to 2.6% compared with a sector average of 3.7%, with an **NPL coverage ratio** of 68.4%.

- In line with the pattern for previous years, the Group has achieved its two main goals in respect of its non-performing asset balance: reducing the net stock of **foreclosed assets** by 28.3% to €573 million, thanks to active marketing to private individuals together with the sale of portfolios, and boosting the **foreclosed assets coverage ratio** by 4.1 percentage points to 61.3%.

- Successful asset and liability management has resulted in the Group enjoying a comfortable liquidity position, with an LCR of 148.8% and an NSFR of 128.5%. There was also a lower take-up of the ECB's auctions, reducing the volume of **wholesale financing** by 5.2%.

- In the latter part of the year, reflecting the Group's strong performance, the ratings agencies S&P and DBRS both changed their outlook for the Group to positive. On 25 November 2022 S&P ratified Grupo Cajamar's credit rating of 'BB' for long-term debt and 'B' for short-term debt, while on 19 December 2022 DBRS maintained its rating of 'BB (High)' for long-term debt and 'R-3' for short-term debt.

Branches and staff

- At the end of 2022, the Group had an average workforce of 5,301 employees offering specialised, professional services in a network of 843 **branches** throughout Spain, 30 less than in the previous year.

- Reflecting its cooperative nature and its commitment to the social economy, the Group has six mobile units, which deliver services to 43 towns and villages in sparsely populated areas in the province of Almeria and the autonomous community of Valencia, as well as 174 agencies serving locations 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 2022 certificate, based on aspects including professional people management, working environment, attracting talent, learning, welfare, diversity and inclusion.

- It also has the Equality Seal in recognition of the Group's work to promote equal opportunities in respect of employees' working conditions, its organisational models, and other aspects such as services and advertising.

Share capital

- More than 100,000 new members have placed their trust in the Group, bringing the number of cooperative members up to 1,659,650. The **Group's share capital** at 31 December 2022 was €3,427 million, up 6.3% on the previous year.

Risk management

- Note 6 of the Risk Management Policies and Objectives Report, which forms part of the annual accounts, provides a detailed analysis of the situation at the end of the year and how the Bank managed in 2022 the different types of risk to which it is exposed (credit, market, liquidity, interest rate, operational and currency).

Results

- This year represented a turning point for the Group as operating revenues began to grow, as did the Banks' earnings, thanks to the rapid rise of interest rates in the second half of the year, going from negative to positive in response to severe inflationary pressures.

- The Group reported **profit for the year** of €80 million, up 27.7% on the previous year, having achieved its targets for banking business revenues and for containing operating expenses, while strengthening coverage for credit risk and non-performing assets.

- The profits generated in the year were sufficient to strengthen the Group's equity, with yields on capital that fulfil the interests of its 1.7 million members, and to contribute to the Education and Development Fund that invests in the sustainable development of the region.

- In addition to higher turnover, customer recruitment rates and customer margins improved, and with interest rates no longer negative, lending yields grew to push **net interest income** up by 4.5% to €703 million.

- **Commissions** are another key component of gross income, growing by 17.5% in the year, faster than in the previous year, thanks to the improving economy and trade, which were still affected by the tail-end of the COVID-19 crisis in 2021, and to our growing customer base, with customer loyalty nurtured through the sale of products and services, together with effective strategic alliances between the Group and providers of insurance and consumer services and investment funds. All of this, in turn, helped improve the **results of Group investees**.

- Despite improving net interest income and commissions, the **gross margin** shrank by 21.6% to €1,074 million due to lower extraordinary revenues than in 2021, when sales from the fixed income portfolio were recognised under **Gains and losses on financial assets and liabilities**. Excluding this item for the purposes of comparison, the **gross margin** would have increased by 7.5%.

- Improved operating revenues were complemented by continued efforts to minimise operating expenses as a percentage of average total assets during the year, containing growth to just 1.1%, well below inflation (which hit double figures in the summer) through tight control of administrative expenses and improving the profitability of the commercial network.

- In a year in which non-performing loans were reduced by 22.7% and net foreclosed assets by 28.3%, the Group has allocated €323 million to allowances for **impairment losses on financial and non-financial assets.** This will ensure a comfortable level of coverage for credit risk and non-financial assets in the light of the downgraded growth forecasts for the next year from various official bodies and social agents and likely increases in interest rates and inflation that could affect household incomes and their ability to meet payment commitments.

- Although the Group's direct exposure to customers from Russia and Ukraine is negligible, given persisting high levels of uncertainty, it has added €75 million to the provisions for expected losses made during the COVID-19 pandemic as a buffer against the impact of the crisis on borrowers from the worst affected sectors.

Solvency

- **Eligible capital** at 31 December 2022 was 1.6% higher than in 2021 at €3,960 million, of which €3,360 million is CET1, reflecting the high quality of the Group's own funds.

- This increase in eligible capital, due mainly to higher cooperative capital and earnings, boosted the **phased-in CET1** ratio to 13.50% (13.25% fully loaded) and the **phased-in capital adequacy ratio** to 15.91% (15.67% fully loaded). Both ratios have gone up by 0.21 percentage points in the year, easily meeting the requirements established in the supervisory review evaluation process (SREP).

- CET1 is €1,266 million above the requirement of 8.41% imposed by the supervisor for the year, while the capital adequacy ratio exceeds the 13.0% requirement by €725 million.

- Following the Group's placement of €500 million of senior preferred debt eligible for MREL purposes, MREL as a percentage of TREA is 20.47% (8.19% relative to LRE), compared with 18.24% last year, above the interim objective to be reached by 1 January 2022 of 16.53% relative to TREA (5.31% as a percentage of LRE).

- The fully-loaded leverage ratio stood at 5.31% at 31 December 2022 while the phased-in ratio was 5.40%, well above the 3.0% requirement.

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

In the field of Digital Business we continue to undertake projects designed to improve remote channels and customer service, achieve greater efficiency in the services provided and innovate in the use of the new technologies available in our sector.

Ares Project

Since 2019 the Group's new core banking division has been managing, administering and monitoring the commercial network's processes and financial activities, combining the latest technological innovations to meet the financial needs of our customers quickly, efficiently and securely.

- **New Ares functions:** During the year the system's architecture has been completed and 36 improvements are being introduced, soon to be finalised. This solid, modern platform incorporates the standard technologies required by our business for today's market and is designed to deal with current and future volumes of transactions thanks to the capacity and high degree of scalability offered by the new core. New features:
    - Mortgage agreements.
    - Task management from file.
    - Preloading of commission rates.
    - Notifications and direct access to pending action from structural operations.
    - Automatic email notifications of changes in status.

New remote banking services

- **"Grupo Cajamar" app.**
    - New functions:
        - Customers can view documents related to them or their products and send documents needed by the institution to provide a service.
        - Bills can be paid by credit card.
        - Pensions can be paid into the customer's account before the official payment date.
        - Account holder and average balance certificates can be issued.
        - ApplePay can be activated on Mastercard.
    - Information has been included on products not previously appearing in the app: insurance policies, pension plans, leasing lines and reverse factoring lines.
    - Improvements in contracts for consumer loans: A joint borrower can be included and an "Agrupa" loan can be requested.

- Improved communication with customers: Push notifications can include images and customers receive a notification when there is a response to a request or query sent through the "My Manager" service.

- **Online banking.**
    - New mortgage application function, including simulation with different types of mortgage, according to data entered by the customer.
    - Rectification of card operations in which customers consider they have been defrauded or have not received the product or service promised by the seller.
    - Investment fund search and comparison utility.
    - Details of remittances shown on the signature pad.
    - Infographics giving step by step explanations of the transactions most frequently carried out by elderly customers.
    - Improvements in the contracting processes for consumer loans, the Wefferent pack, current accounts and accounts in foreign currency.
    - Joint credit card holders can view details of previous and forthcoming settlements.
    - The number of authorised signatories for an account has been increased.
- **Notification to customers that they have documents pending signature.**
- **New Cajamarte website.** Website set up to show Cajamar's art collection.
- **ATMs.** New functions include checking tax payments, supplementary benefits, obtaining proof of payment of bills, checking passbook transactions, amounts shown instantly on the home screen, payment of pending card bills in cash, paying in cheques, withdrawals for blind users, and viewing tax withholdings.

Remote digital management and support

- **Creation of and improvements to new digital scorecards.** Dynamic reports using the Qlik app, incorporating business vision.
- **Digital product and service catalogue.** Tool for obtaining information on products and services in digital and remote channels.
- **Protocol for notifying customers in the event of problems**. Customers are informed if there are problems with digital channels or they are not fully functional.
- **Bill barcode reader.** New service for companies.
- **Reverse factoring files.** First review before the policy is registered.
- **Single dispatcher.** Pilot scheme with four regional centres (Almería, Valencia, Catalonia and Centre) to deal with all queries submitted by customers via their walls and act as dispatcher.

Digital culture and awareness-raising

- **Internal and external digital events:**
    - Cycle of monthly online capsules (Switch On-Off) about digitalisation and its influence on society.
    - Discussions on topics of interest to young people.
    - Internal digital business cycle "Cosicas Digitales".
    - Joint organisation with Vodafone of an event with a live audience, looking at 5G and focusing on the dissemination of new technologies and the creation of new business opportunities.

- **Corporate Culture:** Meetings of senior management with cultural ambassadors to transmit our corporate culture. Formulation of challenges to assess the level of corporate culture through surveys.

- **Digital Selling - SalesNavigator** Creation of new business opportunities via a digital tool. New project structure with teams and coaches, meetings with both groups to communicate the strategies to be followed, so that business targets can be fully met.

- **Digital observatory.** Comparative, analytical, technical and ongoing benchmarking reports and studies of new developments, especially in the digital field. Reports will be produced in response to both in-house and external requests, taking other traditional and new institutions in the sector as a benchmark in order to identify aspects that could be improved and present action plans that can be implemented in our institution.

Open banking

- **PSD2 Project:** Certification of version 1.8 of the HUB with Redsys finalised and services for cancelling single and recurring payments using API activated. The SCA multi-level signature mechanism has been developed for joint accounts where different types of transfer are made.

- **Account aggregation service**: Development of API service for aggregating accounts at more than 30 institutions (Redsys Hub + ING) with circuits for user authorisation and consent, retrieval of details, balances and transactions with functions for managing them.

- **Payment initiation service:** Development of an API service for requesting SEPA payment orders (normal, instant, international and instant international) from aggregated accounts or any other institution listed for the service, and for checking payment status.

- **Analysis for launching initiatives in 2023:** Integrating services developed in channels outside the Group, API service for advances on reverse factoring and PFM financial health (monitoring income/expenditure, saving with targets, recommendations, etc.) using our own aggregation and classification solutions with Afinitas.

Digital fraud prevention

- **Development of anti-fraud monitoring and attack pattern analysis**, with a view to increasing our ability to detect suspicious card/digital transactions and prevent possible security breaches.

- **Activation of a digital scoring system** for the institution in order to increase the effectiveness of alerts received regarding suspicious transactions, while identifying false positives involving our users more reliably, thus improving the customer experience.

- Introduction of two fraud prevention systems linked to card and digital transactions:

    - **VRM (Visa).** System for monitoring international ecommerce card transactions and procedures for establishing rules based on attacks, with very positive results, blocking fraudulent transactions worth over 1 million euros.

    - **Active Defense (Revelock)**. System for monitoring and tracking fraudulent digital transactions, establishing rules for information and for limiting access and transactions, which has enabled us to block attacks targeting our customers and detect access from infected devices. The system was introduced in April and has performed very well in eliminating threats.

- **As part of the institution's security policy, regular activation of a plan to establish appropriate digital banking limits** for customers, always from the viewpoint of digital security. This year, a new plan was activated to protect users of telephone banking.

- Initiatives to promote a culture of digital security include:

    - **Warnings and security recommendations corresponding to each attack recorded**, which also constitute a notification in the event of complaints or legal proceedings against the institution.

    - **Specific internal training and participation in WeARE and Contact Centre events**, in order to promote basic digital security recommendations, plus measures undertaken by branches.

- **Public external training.**

- **Progress with the Artificial Intelligence project**, applied to external fraud with cooperation and concept proofs for digital fraud recorded during the year, which will be further developed and extended in 2023.

- **Improved communication with customers affected by fraud involving cards/card transactions**, with a view to informing them of possible incidents, measures taken and the service alternatives they may need in specific situations, and the ongoing improvement plan with various projects in 2023.

Marketing Policy

New marketing tools and technological systems were developed in 2022 to nurture customer loyalty, including:

- **Launch of a new product for leasing equipment**, extending the business product portfolio.

- **Improvements to the system for Risk-adjusted Return on Capital (RAROC) pricing and rate concession.** Incorporation of new products within the RAROC perimeter, introduction of improvements and automatic systems to streamline rate penalties.

- **Launch of a new multi-channel distribution model for insurance and pension plans.** This project will improve our customers' experience, showcasing the products available and giving them the option of multi-channel contracting.

- **Digital signing of insurance contracts.** Policyholders can deal with pre-contractual and contractual documentation using their mobile phones and sign these documents with their device.

- **Creation of the role of Foreign Trade Specialist** to provide support to our customers for this type of product.

- **Customers' earnings.** The earnings information models for centres and customers have been unified.

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 did not change during 2022.

Subsequent events

Irrespective of the information set out above and in the consolidated annual accounts, from 31 December 2022 to 2 March 2023, the date on which the accompanying consolidated annual accounts were authorised for issue by the Group's Board of Directors, there were no significant events that must be disclosed in the 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, 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 and continuing the process of digital and technological transformation.
- Exhaustively control administrative expenses.
- Retain a comfortable liquidity position by efficiently managing its assets and liabilities.

Sustainability Report –Non-Financial Information Statement

In compliance with Law 11/2018 of 28 December on Non-Financial Information and Diversity – amending the Commercial Code, the recast Capital Companies Act approved by Legislative Royal Decree 1/2010 of 2 July and Law 22/2015 of 20 July on Auditing – the Cajamar Cooperative Group has prepared, in a report separate from this Consolidated Group Directors' Report, a non-financial information statement, which contains the information referred to in the aforementioned regulations. Said statement of non-financial information is part of this directors' report and is available on the Grupo Cooperativo Cajamar website in the section on Corporate Information – Sustainability - Sustainability Report, under the heading "Grupo Cooperativo Cajamar Sustainability Report".

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	Average total assets (ATMs)	Average of the end-of-quarter figures since the previous December, inclusive.
2	Business gap	Difference between the numerator and the denominator of the Loan to deposits ratio
3	Debt securities from customers	Portfolio of senior debt securities of big enterprises
4	Foreclosed assets (gross)	Amount of foreclosed real estate assets, excluding real estate investments.
5	Foreclosed assets (net)	Foreclosed assets (gross) - Total foreclosed assets coverage
6	Foreclosed assets coverage ratio (%)	Foreclosed assets coverage / Foreclosed assets (gross).
7	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
8	Gross loans	Loans to customers (gross) + Other loans (monetary market transactions through counterparties) + Debt securities from customers.
9	Gross loans and advances to customers	Outstanding balance of loans and advances to customers (public authorities, other financial corporations, non-financial corporations and households) - Other loans (money market transactions with counterparties) + Provisions for loans and advances to customers
10	Group's share capital	Capital + Equity instruments issued other than capital - Treasury shares
11	Impairment losses on financial assets	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
12	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.

	Measure	Definition and method of calculation
13	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)
14	Non-performing loans	Non-performing assets - loans and advances to customers, and other financial assets - loans and advances to customers in arrears
15	NPL coverage ratio (%)	Provisions for loans and advances to customers / Non-performing loans.
16	NPL ratio (%)	(Non-performing loans + Non-performing contingent exposures) / (Gross loans and advances to customers + Contingent liabilities).
17	Off-balance sheet funds	Mutual funds, pension plans, savings insurance and Fixed-equity income held by customers.
18	On-balance sheet retail funds	Demand accounts, time deposits and other funds (e.g. customer repos, retail promissory notes, etc.).
19	Operating expenses	Staff expenses + Other general administrative expenses + Depreciation and amortisation.
20	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).
21	Performing loans to customers	Loans to customers (gross) – Non-performing loans.
22	Provisions for loans and advances to customers	Impairment of loans and advances + Impairment of other financial assets loans and advances
23	Wholesale funds	Bonds and other instruments + subordinated liabilities + senior debt + money market transaction + liabilities with credit institutions + ECB auctions

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO FINANCIAL REPORTING (ICFRS)

1. Control environment

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 Group's internal control function, the internal audit function and risk management; as well as discussing with the external auditors the significant weaknesses found during audits. Particularly, with respect to the information and internal control systems:
    - Verifying the adequacy and integrity of the internal control systems.
    - Being familiar with and supervising the preparation and completeness of financial information relating to the Company and Group; reviewing compliance with legislative requirements and the proper application of accounting standards.
    - Regularly reviewing internal control and risk management systems, so that the main risks are identified, managed and adequately reported.
- Supervising the process of preparing and presenting regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

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 Finance Division is responsible for ensuring that the organisational structure meets the requirements for an 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 its intranet, specify the organisational structure, defining the management units and areas and the people responsible for them.

The financial information is prepared by the General Finance Division, which is responsible for setting criteria and policies in accordance with applicable laws and regulations in each case and for generating financial information and reports. This BCC department is responsible for the financial information of the Banks and the Group and for the 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 and Tax). 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 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 day-to-day conduct of employees, managers and members of the Group's governing body. In particular, there is a specific section on financial information and recording operations.

The Code covers aspects such as professional conduct, which must be guided by legality, loyalty and good faith, personal dignity, non-discrimination, confidentiality, integrity, transparency, objectivity, responsibility, efficiency, quality, professionalism, security and environmental protection.

This document is available on the 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, and even anonymously, report violations of the Code of Conduct as well as financial and accounting irregularities or irregular or fraudulent activities of any kind with the organisation. This allows employees to report financial and accounting irregularities to 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 ICFRS.
- 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 Group's social responsibility vision and the professional development of its employees in order to strengthen their financial education and ensure they are qualified to advise customers.

There is also an Annual Training Plan that contains the courses to be offered to the branch network and Central Services. Specifically, there are certain mandatory internal training courses that cover the following topics: market abuse, anti-money laundering, personal data protection, insurance law, MiFID, occupational risk prevention, crime risk prevention, cybersecurity and cyber risk awareness, conflicts of interest and equal opportunities. The courses are offered by Central Services personnel. In addition to the above courses classified as mandatory, employees involved in the preparation of financial information may receive specialist accounting/financial training at the request of their area managers.

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 identifying 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.

The process of identifying material and/or relevant areas of the Group's financial information in order to identify the risks associated with them, takes into account the types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

The Group has also implemented another tool for reviewing and supervising financial reporting, which ensures that certain controls are applied to ensure that disclosures are reliable and transparent. This process is supported by various qualitative and quantitative considerations that are taken into account in assessing or determining the relative importance of each financial statement to be disclosed, so as to decide on the frequency of review. This review policy will generally cover the following aspects:

a) Whether the preparation criteria are consistent with applicable laws and regulations (technical and accounting standards).
b) Analysis and justification of 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) Assessment of the impact of any accounting-inventory differences in the statement.
g) Inventory of the variables used in preparing the statement and definition of controls to ensure data quality.

In particular, define any additional controls that may be required from time to time, such as comparisons for simulations or estimates, information samples, etc.
In its "Financial Statements Risk Map" manual the Group has set out the qualitative and quantitative criteria that define the Review Policy for the various financial statements to be disclosed to the market.

The Accounting and Tax 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 to 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 accounting 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 General Finance 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 approving the Board of Director'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 Plan 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, 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 Finance 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
- 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 a 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 Accounting and Tax Division is responsible for aggregating, standardising and reporting the information using common systems and applications. The Financial Information Control Office, which reports to the Accounting Control Area, is responsible for reviewing the information.

BCC's Financial Reporting area is responsible for ensuring the quality of the information to be incorporated and already 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 (IMS), 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 implementation. 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 2022 included a review of the Group's year-end accounting 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 established in auditing laws and the Technical Auditing Standards. It will also act as a liaison between the external auditor and the Board of Directors.

The 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

However, this policy does not provide details of the channels for communicating and sharing information with, 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 points a) and b), although none of them are published on its website before each General Assembly. 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 Assembly the option for shareholders to delegate and exercise their right to vote by electronic means.

While it has the resources to do so, BCC also does not deem it necessary, given its capital structure and the location of its shareholders, to broadcast its General Assembly 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 Assemblies 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 (77%) are proprietary and independent directors, while executive directors only make up 23%.

At 31 December 2022, female directors constituted 31% 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.