Audit Report on Financial Statements
issued by an Independent Auditor

BANCO COOPERATIVO ESPAÑOL, S.A.
Annual Accounts and Directors' Report
for the year ended
December 31, 2024.

Building a better working world

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AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of BANCO COOPERATIVO ESPAÑOL, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of Banco Cooperativo Español, S.A. (the Company), which comprise the balance sheet as at December 31, 2024, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2024 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 1 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

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Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of impairment losses for credit risk of the loan and advance portfolio to customers at amortized cost	
Description	The loan and advance portfolio to customers at amortized cost of the Company as of December 31, 2024, presents a net value, after valuation adjustments, of 1,275,603 thousand euros, including impairment corrections for credit risk amounting to 16,824 thousand euros (see note 9 of the accompanying financial statements). The estimation of impairment losses for credit risk of the loan and advance portfolio is a significant and complex estimation. Note 2.e) of the accompanying financial statements details the principles and criteria applied by the Company for estimating these impairment losses, which are carried out either individually or collectively. The methods used for estimating impairment losses have a high component of judgment, incorporating elements such as the classification of transactions based on their risk, the identification and classification of impaired exposures or those with a significant increase in risk, the realizable value of associated collateral, and, in the case of individual estimations, the assessment of the borrowers' repayment capacity based on the future evolution of their businesses. In this context, the Company uses, for collective analysis, the impairment loss estimation model established in Circular 4/2017 of the Bank of Spain, based on the experience and information that the Bank of Spain has of the sector, as well as specific calculation methodologies for estimating individual impairments. Additionally, the Company is exposed to risks derived from the macroeconomic and geopolitical environment, which have been heightened by various factors in recent years, increasing the uncertainty around the variables considered by the Company in quantifying impairment losses, such as the future performance of its clients' businesses, the realizable value of collateral associated with granted operations, or the macroeconomic variables considered. Consequently, as described in note 10, the Company has recorded the adverse effects arising from this situation by supplementing the impairment losses resulting from the model established in Circular 4/2017 of the Bank of Spain with the amounts deemed necessary to reflect the particular characteristics of certain exposures. For all these reasons, the estimation of impairment losses for credit risk of the loan and advance portfolio to customers at amortized cost has been considered a key matter in our audit.

Our response

Our audit approach included the analysis and evaluation of the internal control environment associated with the processes of estimating impairment losses for credit risk, as well as performing substantive procedures for both individually and collectively estimated losses.

Our procedures related to the analysis and evaluation of the internal control environment focused on performing, among others, the following procedures:

- Evaluating the adequacy of the various policies and procedures to applicable regulatory requirements.
- Reviewing the procedures established in the loan approval process to assess the collectability of loans and advances based on the debtor's payment capacity and financial information.
- Reviewing the procedures established for the periodic monitoring of credit operations, mainly those related to the updating of financial information, periodic review of the debtor's file, and monitoring alerts established by the Company to identify credit operations under special surveillance or impaired.
- Evaluating the design of relevant controls established for the management and valuation of collateral associated with credit operations.

Additionally, we performed, among others, the following substantive procedures:

- Regarding the estimation of individually determined impairment losses, we reviewed a sample of operations to evaluate their proper classification and the assumptions used by Management to identify and quantify impairment losses, including the financial situation of the debtor, forecasts of future cash flows, and, where applicable, the valuation of collateral.
- Regarding the estimation of collectively determined impairment losses, we reviewed a sample of operations to evaluate the segmentation and classification of such operations, by verifying certain attributes included in the databases, such as the age of overdue payments, the existence of refinancing, or the value of collateral, among others, considering the effects that may have resulted from the economic downturn. In addition to the above, we recalculated the estimation of collectively determined credit risk losses, replicating the model that considers coverage percentages according to the segmentation and classification of operations established by the Company, and, where applicable, the discounts to be applied to the value of associated collateral as established in Circular 4/2017 of the Bank of Spain.
- Regarding the estimation of additional impairment losses required by the model established in Circular 4/2017 of the Bank of Spain, we reviewed the control framework implemented by Management for estimating such impairment losses and performed checks on the criteria and assumptions used by Management for making this estimate.

In addition to the above, we assessed whether the information detailed in the notes to the accompanying annual financial statements is adequate, in accordance with the criteria established in the financial reporting framework applicable to the Company.

Valuation of Financial Instruments at Fair Value

Description

As of December 31, 2024, the Company has financial assets and liabilities recorded at fair value on the balance sheet amounting to Euros 4,201,323 thousand and Euros 2,365,604 thousand, respectively, of which Euros 1,989,858 thousand and 2,365,604 thousand, respectively, have been valued by the Bank using various valuation techniques due to the lack of a quoted market price in an active market, as described in note 2.c) of the accompanying financial statements. These financial assets and liabilities for which there is no available market price are classified, for valuation purposes, in levels 2 and 3 of the fair value hierarchy as defined in note 23 of the accompanying financial statements.

The valuation techniques used include the use of mathematical valuation models that take into account the specific characteristics of the asset or liability being valued and the various types of risks associated with the asset or liability. However, the inherent limitations of the developed valuation models and possible inaccuracies in the assumptions and parameters required by these models may result in the estimated fair value of a financial asset or liability not exactly matching the price at which the asset or liability could be delivered or settled on the valuation date. As far as possible, the valuations thus obtained are cross-checked with other sources such as valuations obtained by business teams and/or other market participants.

We have considered the estimation of the fair value of financial assets and liabilities for which there is no available market price as a key audit matter because it involves a high degree of judgment by Management, whether in determining the model and/or in estimating the assumptions and parameters used.

Our response

Our audit approach included the analysis and evaluation of the internal control environment associated with the processes for estimating the fair value of financial instruments, as well as performing detailed testing.

Our procedures related to the analysis and evaluation of the internal control environment focused on performing, among others, the following procedures:

- We obtained an understanding of the processes established by Management for the valuation of these financial instruments.
- We have assessed the design and implementation of the relevant controls established by the Company in the above process and their operating effectiveness.

As for the detailed tests, they mainly consisted of the following:

- We evaluated the reasonableness of the most significant valuation models used by the Company, as well as the significant assumptions applied, especially those inputs that are not directly observable in the market, such as interest rates, issuer credit risk, volatility, and correlations, among others. For this purpose, we involved our financial instrument valuation specialists.

- For a sample of financial instruments valued at fair value for which there is no available market price, we evaluated their appropriate classification for valuation purposes in the fair value hierarchy, the adequacy of the applied valuation criterion, and the reasonableness of their valuation by comparing it with an independent valuation performed by our financial instrument valuation specialists. In the case of derivatives and debt instruments, we compared the assumptions used with those estimated independently by our valuation specialists.

We evaluated whether the information detailed in the notes to the financial statements is adequate, in accordance with the criteria established in the financial reporting framework applicable to the Company.

Automated Financial Information Systems

Description	The continuity of the Company's business processes is highly dependent on its technological infrastructure, which is outsourced to a service provider. Access rights to the various systems are granted to the Company's employees for the purpose of enabling the development and fulfilment of their responsibilities. These access rights are relevant as they are designed to ensure that changes to applications are authorised, monitored and implemented appropriately, and are key controls to mitigate the potential risk of fraud or error as a result of application changes. In this context, it is critical to assess issues such as the organisation and governance framework, which should enable adequate management of technological risks that may affect information systems, as well as controls over physical and logical security and the maintenance, development and operation of systems, databases and applications used in the financial reporting process. We have therefore considered the risks associated with information technology as a key issue in our audit
Our response	In the context of our audit, with the involvement of our IT specialists, we assessed the Company's internal control environment in relation to the key operating systems, databases and applications involved in the financial reporting process. In this respect, our work consisted mainly of testing general controls over access to systems, change management and application development, application security, and the application controls established in the key processes for the preparation of financial information. Among other procedures, we reviewed the Independent Expert Report on the Description of Controls, Design and Operating Effectiveness in the Technology Environment (ISAE 3402) for the year 2024, issued by an independent expert, from whom we obtained confirmation of his training, technical capability and independence.

Other information: management report

The other information refers exclusively to the 2024 management report, the preparation of which is the responsibility of the Company’s directors and is not an integral part of the financial statements.

Our audit opinion on the annual financial statements does not cover the management report. Our responsibility regarding the management report, as required by the regulatory standards governing audit activities, consists of:

a. Verifying only that the non-financial information statement has been provided in the manner required by applicable regulations, and reporting any deviations from this requirement.

b. Evaluating and reporting on the consistency of the remaining information included in the management report with the financial statements, based on our knowledge of the entity obtained during the audit of those financial statements. We also evaluate and report whether the content and presentation of this part of the management report comply with the applicable regulatory requirements. If, based on our work, we conclude that there are material misstatements, we are obligated to report them.

Based on the work performed as described above, we have verified that the information mentioned in point (a) above is provided in the manner required by applicable regulations. Furthermore, we have confirmed that the remaining information contained in the management report is consistent with the financial statements for the year 2024, and its content and presentation comply with the applicable regulatory requirements.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 1 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 audit regulations 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 financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company 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 audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to 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 with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on April 11, 2025.

Term of engagement

The annual general shareholders' meeting held held on June 22, 2023, appointed us as auditors for a period of 3 years, starting from the fiscal year ending on December 31, 2023.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(Signature on the original in Spanish)

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Héctor Martín Díaz
(Registered in the Official Register of Auditors under No. 21679)

April 11, 2025

Banco Cooperativo Español, S.A.

Annual accounts and directors' report for the year ended 31 December 2024

(Free translation from the original in Spanish.
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BANCO COOPERATIVO ESPAÑOL, S.A.

Balance Sheets at 31 December 2024 and 2023

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

ACTIVE	NOTE	Thousands of euros 2024	Thousands of euros 2023
Cash, cash balances at central banks and other demand deposits	5	**2,900,705**	**3,289,434**
Financial assets held for trading	6	**1,653,368**	**1,808,651**
Derivatives		1,635,843	1,755,067
Equity instruments		3,115	3,070
Debt securities		14,410	50,514
Memorandum item: loaned or pledged as collateral with right of sale or pledge		-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	7	**1,652**	**1,134**
Equity instruments		1,651	1,128
Debt securities		-	5
Loans and advances		1	1
Customers		1	1
Memorandum item: loaned or pledged as collateral with right of sale or pledge		-	-
Financial assets at fair value with changes in other comprehensive income	8	**2,402,828**	**1,471,312**
Equity instruments		59,163	60,756
Debt securities		2,343,665	1,410,556
Memorandum item: loaned or pledged as collateral with right of sale or pledge		*362,179*	*578,311*
Financial assets at amortized cost	9	**6,150,845**	**7,000,518**
Debt securities		2,753,147	3,247,860
Loans and advances		3,397,698	3,752,658
Credit institutions		2,039,163	2,413,028
Customers		1,358,535	1,339,630
Memorandum item: loaned or pledged as collateral with right of sale or pledge		*432,475*	*1,796,350*
Derivatives - hedge accounting	15	**143,475**	**90,161**
Investments in subsidiaries, joint ventures and associates	10	**6,748**	**6,749**
Dependents		6,748	6,749
Tangible assets	11	**5,098**	**1,900**
Property, plant and equipment		5,098	1,900
Own use		5,098	1,900
Memorandum item: Acquired under lease		*3,196*	*69*
Intangible assets	12	**4,575**	**2,422**
Other intangible assets		4,575	2,422
Tax assets	20	**27,547**	**25,451**
Current tax assets		476	-
Deferred tax assets		27,071	25,451
Other assets	14	**39,702**	**6,423**
Other assets		39,702	6,423
Non-current assets and disposable groups of items classified as held for sale		-	-
TOTAL ASSETS		**13,336,543**	**13,704,155**

BANCO COOPERATIVO ESPAÑOL, S.A.

Balance Sheets at 31 December 2024 and 2023

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

LIABILITIES	NOTE	Thousands of euros	
		2024	2023
Financial liabilities held for trading	6	**1,613,939**	**1,747,898**
Derivatives		1,613,939	**1,747,898**
Financial liabilities at amortized cost	13	**10,139,302**	**10,475,912**
Deposits		8,809,932	**9,191,095**
Central banks		-	**55,423**
Credit institutions		6,542,326	**6,806,447**
Clientele		2,267,606	**2,329,225**
Debt securities		179,756	**29,480**
Other financial liabilities		1,149,614	**1,255,337**
Memorandum item: subordinated liabilities		-	-
Derivatives - hedge accounting	15	**751,665**	**721,021**
Provisions	16	**5,553**	**2,784**
Pension and other post-employment defined benefit obligations		-	-
Pending legal issues and tax litigation		4,846	**1,966**
Commitments and guarantees granted		707	**818**
Tax liabilities	20	**10,611**	**9,645**
Current tax liabilities		2,224	**2,127**
Deferred tax liabilities		8,387	**7,518**
Other liabilities	14	**25,842**	**28,595**
TOTAL LIABILITIES		**12,546,912**	**12,985,855**

BANCO COOPERATIVO ESPAÑOL, S.A.

Balance Sheets at 31 December, 2024 and 2023

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

EQUITY	NOTE	Thousands of euros	
		2024	**2023**
Shareholders' equity	18	**780,921**	**713,645**
Capital	18.1	163,630	154,070
Paid-in capital		163,630	154,070
Share premium	18.2	85,972	85,972
Retained earnings	19	470,067	432,429
Revaluation reserves	19	-	-
Other reserves	19	(3,961)	(6,039)
Profit for the year	3	65,213	47,213
(-) Interim dividends	3	-	-
Accumulated other comprehensive income	17	**8,710**	**(4,655)**
Items that will not be reclassified to profit or loss		6,461	6,906
Fair value changes of equity instruments measured at fair value through other comprehensive income		6,461	6,906
Items that may be reclassified to profit or loss		2,249	(2,251)
Hedging derivatives. Cash flow hedge reserve [effective portion].		3,517	1,394
Fair value changes of debt instruments measured at fair value through other comprehensive income		(1,268)	(3,645)
TOTAL EQUITY		**789,631**	**718,300**
TOTAL LIABILITIES AND EQUITY		**13,336,543**	**13,704,155**

MEMORANDUM ITEM: Off-balance sheet exposures

Loan commitments given	21	660,508	650,157
Financial guarantees given	21	46,330	44,925
Other commitments given	21	234,221	274,076

BANCO COOPERATIVO ESPAÑOL, S.A.
Income Statements for the years ended
31 December 2024 and 2023

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

	NOTE	Thousands of euros	
		2024	**2023**
Interest income	24.a)	565,218	461,514
Financial assets at fair value with changes in other comprehensive income		56,458	66,009
Financial assets at amortized cost		244,891	187,011
Other interest income		263,869	208,494
(Interest expense)	24.b)	(482,921)	(403,979)
INTEREST MARGIN		**82,297**	**57,535**
Dividend income	25	13,006	9,817
Fee and commission income	26	34,194	32,946
(Fee and commission expenses)	26	(16,268)	(16,449)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	27	319	(768)
Financial assets at amortized cost		1	-
Other financial assets and liabilities		318	(768)
Gain or (-) loss on financial assets and liabilities held for trading, net	27	11,550	10,928
Other gains or (-) losses		11,550	10,928
Gains or (-) losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	27	2,411	(2,739)
Other gains or (-) losses		2,411	(2,739)
Gains or (-) losses on financial assets and liabilities at fair value through profit or loss, net		-	1,662
Gains or (-) losses resulting from hedge accounting, net	27	(1,317)	109
Exchange differences [gain or (-) loss], net	27	1,145	1,547
Other operating income	28	11,334	5,682
(Other operating expenses)	28	(2,209)	(4,072)
GROSS MARGIN		**136,462**	**96,198**
(Administrative expenses)	29	(36,496)	(31,301)
(Personnel expenses)		(23,470)	(20,480)
(Other administrative expenses)		(13,026)	(10,821)
(Depreciation and amortisation)	11 and 12	(3,464)	(3,138)
(Provisions or (-) reversal of provisions)	30	(2,884)	(124)
(Impairment or (-) reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or (-) losses on modification)	31	(7,567)	1,689
(Financial assets at fair value through other comprehensive income)		(719)	(493)
(Financial assets at amortized cost)		(6,848)	2,182
Gains or (-) losses on derecognition of non-financial assets, net	10	(8)	-
Gains or (-) losses from non-current assets and disposable groups of items classified as held for sale not eligible for discontinued operations		-	(452)
PRE-TAX PROFIT OR (-) LOSS FROM CONTINUING OPERATIONS		**86,043**	**62,872**
(Tax expense or (-) income on income from continuing operations)	20	(20,830)	(15,659)
RESULT FOR THE YEAR	3	**65,213**	**47,213**
EARNINGS PER SHARE (In euros)			
Basic	3	*23.95*	*18.42*
Diluted	3	*23.95*	*18.42*

BANCO COOPERATIVO ESPAÑOL, S.A.

Statements of Recognised Income and Expense for the years ended 31 December 2024 and 2023

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

	Thousands of euros	
	2024	**2023**
Profit for the year	**65,213**	**47,213**
Other comprehensive income	**4,054**	**19,325**
Items that will be reclassified to profit or loss	(446)	5,076
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Non-current assets and disposable groups of items held for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(773)	6,954
Gains or (-) losses resulting from hedge accounting for equity instruments measured at fair value through other comprehensive income, net	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
Income tax relating to items that will not be reclassified	327	(1,878)
Items that may be reclassified to profit or loss	4,500	14,249
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]	2,679	83
Valuation gains or (-) losses taken to equity	2,679	83
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	3,395	20,186
Valuation gains or (-) losses taken to equity	3,767	19,461
Transferred to profit or loss	(372)	725
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Income tax on items that can be reclassified into gains or (-) losses	(1,574)	(6,020)
Total comprehensive income for the year	**69,267**	**66,538**

BANCO COOPERATIVO ESPAÑOL, S.A.

Statements of Total Changes in Equity
for the years ended 31 December 2024 and 2023

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

	Thousands of euros										
	Capital	**Additional paid-in capital**	**Issued equity instruments other than capital**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(-) Treasury stock**	**Income for the year**	**(-) Interim dividends**	**Other cumulative other comprehensive income**	**Total**
Balance at 31 December 2023	**154,070**	**85,972**	**-**	**432,429**	**-**	**(6,039)**	**-**	**47,213**	**-**	**4,655**	**718,300**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Opening balance 1/1/2024	**154,070**	**85,972**	**-**	**432,429**	**-**	**(6,039)**	**-**	**47,213**	**-**	**4,655**	**718,300**
Total comprehensive income for the period	-	-	-	-	-	-	-	**65,213**	-	**4,054**	**69,267**
Other changes in shareholders' equity	**9,560**	**-**	**-**	**37,638**	**-**	**2,079**	**-**	**(47,213)**	**-**	**-**	**2,064**
Issuance of common stock	9,560	-	-	(9,560)	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to partners)	-	-	-	(15)	-	-	-	-	-	-	(15)
Transfers between components of shareholders' equity	-	-	-	47,213	-	-	-	(47,213)	-	-	-
Other increases or (-) decreases in shareholders' equity	-	-	-	-	-	2,079	-	-	-	-	2,079
Balance at 31 December 2024	**163,630**	**85,972**	**-**	**470,067**	**-**	**(3,960)**	**-**	**65,213**	**-**	**8,709**	**789,631**

BANCO COOPERATIVO ESPAÑOL, S.A.

Statements of Total Changes in Equity
for the years ended 31 December 2023 and 2022

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

	Thousands of euros										
	Capital	**Additional paid-in capital**	**Issued equity instruments other than capital**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(-) Treasury stock**	**Profit for the year**	**(-) Interim dividends**	**Other cumulative other comprehensive income**	**Total**
Balance at 31 December 2022	**144,735**	**85,972**	**-**	**397,877**	**-**	**(7,469)**	**-**	**43,898**	**-**	**(14,670)**	**650,343**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Opening balance 1/1/2023	**144,735**	**85,972**	**-**	**397,877**	**-**	**(7,469)**	**-**	**43,898**	**-**	**(14,670)**	**650,343**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,213**	**-**	**19,325**	**66,538**
Other changes in shareholders' equity	**9,335**	**-**	**-**	**34,552**	**-**	**1,430**	**-**	**(43,898)**	**-**	**-**	**1,419**
Issuance of common stock	9,335	-	-	(9,335)	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to partners)	-	-	-	(11)	-	-	-	-	-	-	(11)
Transfers between components of shareholders' equity	-	-	-	43,898	-	-	-	(43,898)	-	-	-
Other increases or (-) decreases in shareholders' equity	-	-	-	-	-	1,430	-	-	-	-	1,430
Balance at 31 December 2023	**154,070**	**85,972**	**-**	**432,429**	**-**	**(6,039)**	**-**	**47,213**	**-**	**4,655**	**718,300**

BANCO COOPERATIVO ESPAÑOL, S.A.

Statements of Cash Flows for the years ended 31 December 2024 and 2023
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	NOTE	Thousands of euros	
		2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES		**(347,124)**	**3,006,078**
Profit for the year		65,213	47,213
Adjustments to obtain cash flows from operating activities		31,860	17,109
Amortization	11 y 12	3,464	3,138
Other adjustments		28,396	13,971
Net increase/decrease in operating assets		18,179	1,881,013
Financial assets held for trading		155,283	(69,148)
Non-trading financial assets mandatorily measured at fair value through profit or loss		(518)	2,186
Financial assets designated at fair value through profit or loss		-	137,366
Financial assets at fair value with changes in other comprehensive income		(925,378)	2.,441,768
Financial assets at amortized cost		842,107	(709,449)
Other operating assets		(53,315)	78,290
Net increase/decrease in operating liabilities		(439,923)	1,077,360
Financial liabilities held for trading		(133,959)	82,081
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities at amortized cost		(336,609)	1,082,576
Other operating liabilities		30,645	(87,297)
Income tax collections/payments		(22,453)	(16,617)
CASH FLOWS FROM INVESTING ACTIVITIES		**(44,188)**	**58,140**
Payments		(44,188)	(2,489)
Tangible assets	11	(4,826)	(712)
Intangible assets	12	(3,988)	(1,777)
Investments in subsidiaries, joint ventures and associates		-	-
Other business units		-	-
Non-current assets and liabilities that have been classified as held for sale		-	-
Other payments related to investing activities		(35,374)	-
Collections		-	60,629
Tangible assets		-	-
Intangible assets		-	-
Investments in subsidiaries, joint ventures and associates		-	-
Other business units		-	-
Non-current assets and liabilities that have been classified as held for sale		-	1,176
Other collections related to investing activities		-	59,453
CASH FLOWS FROM FINANCING ACTIVITIES		**2,583**	**(38,183)**
Payments		(20)	(38,183)
Dividends		(20)	(16)
Subordinated liabilities		-	-
Amortization of own equity instruments		-	-
Acquisition of own equity instruments		-	-
Other payments related to financing activities		-	(38,167)
Collections		2,603	-
Subordinated liabilities		-	-
Issuance of own equity instruments		-	-
Disposal of own equity instruments		-	-
Other collections related to financing activities		2,603	-
EFFECT OF EXCHANGE RATE VARIATIONS			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(388,729)**	**3,026,035**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**3,289,434**	**263,399**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2,900,705**	**3,289,434**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Cash	5	442	475
Cash equivalent balances at central banks	5	2,860,623	3,249,873
Other financial assets	5	39,640	39,086
Less: Bank overdrafts repayable on demand		-	-

BANCO COOPERATIVO ESPAÑOL, S.A.

Notes to the Financial Statements

31 December 2024

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

1. Introduction, Basis of Presentation and Other Information

a) Introduction

Banco Cooperativo Español, S.A. (hereinafter the Bank or the Entity) is a private-law entity subject to the rules and regulations applicable to banks operating in Spain. The Bank was incorporated on 31 July 1990 and operates from its office located at Calle Virgen de los Peligros No. 4, in Madrid.

At 31 December 2024 and 2023, the Bank is part of the Grucajrural Group (hereinafter, the Group), the parent of which is Grucajrural Inversiones, S.L. Until 31 December 2017, the Bank was the parent of a group of financial institutions whose activity it controlled directly or indirectly, and together with which it formed the Banco Cooperativo Español Group, which is currently a financial sub-group of the Grucajrural Group.

The Bank is a member of the Deposit Guarantee Fund for Credit Institutions regulated by Royal Decree-Law 16/2011, of October 14, 2011. It is also registered in the Special Registry of Banks and Bankers under number 0198.

b) Basis of Presentation of the Financial Statements

The accompanying annual accounts for 2024 have been prepared in accordance with Banco de España Circular 4/2017 of 27 November 2017 and other provisions of the financial reporting framework applicable to the Bank, to give a true and fair view of the equity and financial position of the Bank at 31 December 2024 and the results of its operations and its cash flows for the year then ended.

On January 1, 2018, Bank of Spain Circular 4/2017 for credit institutions, on public and reserved financial reporting standards and financial statement models, came into force. The publication of Circular 4/2017 updated Circular 4/2004 and its successive amendments. The objective of said Circular was to adapt the accounting regime of Spanish credit institutions to the changes in the European accounting system derived from the adoption of two new International Financial Reporting Standards (IFRS), specifically "IFRS 15 - Revenue from Contracts with Customers" and "IFRS 9 - Financial Instruments".

The Bank has opted to present separate statements, one reflecting the components of profit or loss, entitled the “income statement”, and another reflecting the components of other comprehensive income for the year, based on profit or loss for the year, entitled the “statement of recognised income and expense”, using the name given by Banco de España Circular 4/2017.

The Bank's financial statements have been prepared by the Bank's Board of Directors so as to give a true and fair view of its net worth and financial position at 31 December 2024 and of the results of its operations and cash flows generated during the year then ended.

The annual accounts have been prepared on the basis of the individual accounting records of the Entity. The Board of Directors considers that the annual accounts for 2023 will be approved by the Shareholders at the Annual General Meeting without significant changes.

The annual accounts for 2023 were approved by the Shareholders at the Annual General Meeting held on June 20, 2024.

c) Accounting principles and valuation standards

The generally accepted accounting principles and measurement criteria described in note 2 “Significant Accounting Policies” were applied in the preparation of the annual accounts. There are no mandatory accounting principles which have not been applied that would have a significant effect on the preparation of the annual accounts.

However, the operations of the Entity and the rest of the Grucajrural Inversiones, S.L. Group are managed on a consolidated basis, irrespective of the individual allocation of the corresponding assets and liabilities. Consequently, the individual annual accounts of Banco Cooperativo Español, S.A. at 31 December 2024 and 2023 do not reflect changes in equity resulting from the application of consolidation or equity accounting criteria, as applicable, to financial investments corresponding to subsidiaries, or transactions carried out within the Group, which are reflected in the consolidated annual accounts.

d) Responsibility for the information and estimates

The information contained in the annual accounts of Banco Cooperativo Español, S.A. is the responsibility of the Directors of the Entity.

The Bank’s annual accounts for 2024 and 2023 include estimates made by Senior Management, which were later ratified by the Directors, to quantify certain assets, liabilities, income, expenses and commitments reported therein. These estimates basically refer to the following:

- Impairment losses on certain assets (Notes 8 and 9).

- The assumptions used in the actuarial calculation of post-employment benefit liabilities and commitments (Note 2 (r)).

- The useful lives of tangible and intangible assets (Notes 11 and 12).

- The fair value of certain financial assets not listed on organized markets (Notes 6, 7, 8 and 9).

- Estimates for the calculation of other provisions (Note 16).

- Calculation of income tax and deferred tax assets and liabilities (Note 20).

The above-mentioned estimates are based on the best information available at 31 December 2024 regarding the events analysed. However, future events may require these estimates to be significantly increased or decreased in subsequent years. Any such changes would be applied prospectively in accordance with the provisions of Banco de España Circular 4/2017, recognising the effects of the change in estimates in the related income statement.

e) Comparability of information

The information contained in these annual accounts referring to 31 December 2023 is presented solely and exclusively for comparative purposes with the information relating to 31 December 2024, and therefore does not constitute the Bank's annual accounts for 2023

f) Capital management objectives, policies and processes

On January 1, 2014, 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, together with European Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the taking up of the business of credit institutions and their prudential supervision, entered into force. Both texts constitute the transposition into European legislation of the new solvency regulations known as Basel III (BIS III), regulating the solvency levels and composition of the computable resources with which credit institutions must operate.

On February 5, 2014, Bank of Spain Circular 2/2014, of January 31, 2014, on various regulatory options contained in Regulation (EU) 575/2013 of the European Parliament and of the Council, of June 26, 2013, on prudential requirements for credit institutions was published in the Official State Gazette (BOE) and was subsequently amended by Bank of Spain Circular 3/2014, of July 30, 2014. Its objective was to establish, from the options that the European Regulation attributes to the national authorities, which and to what extent the consolidable groups of credit institutions and Spanish credit institutions had to comply with immediately upon the entry into force of the new solvency regulatory framework.

That same year, Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions was published, the main objective of which is to adapt the Spanish legal system to the regulatory changes imposed at the international and European Union level, continuing the transposition initiated in Royal Decree 14/2013, of November 29, and recasting in a single text the main rules on the regulation and discipline of credit institutions.

This legislative process continued with the publication in 2015 of Royal Decree 84/2015, of February 13, implementing Law 10/2014, the purpose of which was not only the culmination of the regulatory development of the aforementioned Law, but also the recasting, in a single text, of the rules with regulatory rank for the regulation and discipline of credit institutions. To this end, both the provisions on credit institutions of Royal Decree 216/2008, of February 15, on the equity of financial institutions, which must remain in force after the entry into force of Regulation (EU) 575/2013, and the duly adapted content of Royal Decree 1245/1995, of July 14, on the creation of banks, cross-border activity and other matters relating to the legal regime of credit institutions, were incorporated into a single text.

Also, on February 9, 2016, Circular 2/2016, dated February 2, of the Bank of Spain, on supervision and solvency was published, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) 575/2013, with respect to the options not exercised in Circulars 2/2014 and 3/2014 of the Bank of Spain. Additionally, Circular 2/2016 developed some aspects of the transposition of Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011, regarding the additional supervision of the competent authority, the European Central Bank or the Bank of Spain according to the allocation and distribution of competences established in Regulation (EU) 1024/2013 and Regulation (EU) 468/2014 of the European Central Bank of 16 April 2014.

On November 2, 2017, Bank of Spain Circular 3/2017 of October 24 was published in the Official State Gazette (BOE), amending Circular 2/2014 to bring its content into line with the guidelines issued by the European Central Bank in the framework of the prudential supervision of credit institutions and the exercise of the permanent and transitional options that Regulation (EU) 575/2013 attributes to the competent authority.

On April 26, 2019, Regulation (EU) 2019/630 of the European Parliament and of the Council, of April 17, which amended Regulation (EU) No. 575/2013 regarding the minimum coverage of losses arising from doubtful exposures, entered into force. That same year, on November 1, Circular 3/2019, of October 22, of the Bank of Spain was published, exercising the power conferred by Regulation (EU) 575/2013 to define the significance threshold for past-due credit obligations.

On June 7, 2019, Regulation EU 2019/876 of the European Parliament and of the Council was published in the Official Journal of the European Union, amending Regulation (EU) 575/2013 as regards leverage ratio, net stable funding ratio, own funds and eligible liabilities requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures and reporting and disclosure requirements. On the same date, Directive (EU) 2019/878 of the European Parliament and of the Council was published, amending Directive 2013/36/EU as regards exempt entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

On June 26, 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council of June 24 amending Regulation (EU) No. 575/2013 and Regulation (EU) 2019/876 as regards certain adaptations made in response to the COVID-19 pandemic was published in the Official Journal of the European Union.

On December 23, 2021, Bank of Spain Circular 5/2021, dated September 22, 2021, was published in the Official State Gazette (BOE). This Circular develops the new macroprudential tools introduced in the Spanish legislation on credit institutions: a sectoral component of the countercyclical capital buffer (CSCCA), limits on sectoral concentration and limits and conditions on the granting of loans and other transactions.

On April 6, 2022, Bank of Spain Circular 3/2022, dated March 30, was published, which in the area of supervision and solvency of credit institutions introduced changes in the reporting obligations and in the thresholds for the application of the principle of proportionality in the remuneration policy and in the exercise of regulatory options contained in Circular 2/2014.

Finally, on January 1, 2025, the bulk of the articles of the new Capital Regulation (Regulation (EU) 2024/1623) (hereinafter CRR III), which amends Regulation (EU) No. 575/2013, entered into force. This legislative initiative introduces certain changes to the methodology for calculating and reporting capital requirements with the main objective of reducing variability and improving the comparability of weighted assets. At the date of formulation of these annual accounts, the application of this new Regulation is expected to result in a reduction of the weighted assets for credit risk and operational risk and an increase for the credit valuation adjustment risk, with no relevant impact in net terms on the Bank's capital ratios.

The aforementioned legal texts constitute the basic regulations governing the minimum capital that Spanish credit institutions must maintain at year-end 2024, the manner in which such capital must be determined, as well as the various capital and liquidity self-assessment processes that must be carried out and the public information that must be disclosed to the market.

The minimum solvency level required by current regulations is calculated as the quotient between the computable equity of Banco Cooperativo Español, S.A. and its risk-weighted assets. The highest quality equity is called CET1 (Common Equity Tier 1 or ordinary tier 1 capital) and is mainly composed of capital and reserves, from which a number of items are deducted, including mainly intangible assets and a certain amount of holdings in financial sector entities as well as deferred tax assets that depend on future returns.

Ranking behind CET1, AT1 (Additional Tier 1 Capital) essentially comprises certain instruments with a high capacity for loss absorption as they are ranked only ahead of Shareholders in the event of liquidation or resolution.

Lastly, T2 (Tier 2 capital) comprises loss-absorbing instruments, only ranking behind Tier 1 capital but subordinate to ordinary creditors, as well as provision surpluses eligible as Tier 2 capital under Regulation (EU) No. 575/2013.

Risk-weighted assets are determined according to the exposure of Banco Cooperativo Español, S.A. to credit and dilution risk (based on the assets, commitments and other off-balance sheet items associated with these risks, and in line with their amounts, characteristics, counterparties, guarantees, etc.), counterparty risk, position and settlement risk relating to items held for trading, currency risk and gold position risk (based on the global net position in foreign currency and the net position in gold), operational risk, and so-called credit valuation adjustment (CVA) risk.

These regulations require entities to meet stringent capital requirements, among which the following are noteworthy:

- The setting of minimum requirements (Pillar 1), establishing three levels of capital: common equity Tier 1, Tier 1 and total capital, with minimum required ratios of 4.5%, 6% and 8%, respectively.

- A capital conservation buffer and a countercyclical buffer, continuing the Basel III regulatory framework in order to mitigate the procyclical effects of financial regulation, establishing the obligation to maintain a capital conservation buffer of 2.5% of common Common Equity Tier 1 capital for all financial institutions and a countercyclical capital buffer specific to each institution based on its exposures, over Common Equity Tier 1 capital.

- A systemic risk and entity buffer, applicable to both global systemically important entities and other systemically important entities in order to mitigate existing systemic or macroprudential risks, so as to protect the financial system from shocks that could have serious negative consequences on the financial system and the real economy of a Member State.

- In addition, specific tasks are conferred to the European Central Bank with respect to policies related to the prudential supervision of credit institutions. This regulation allows the competent authorities to impose capital requirements in addition to the minimum Pillar 1 capital requirements to cover other risks not covered by Pillar 1, known as Pillar 2 capital requirements (P2R), which are supplemented by Pillar 2 guidance (P2G) to cover additional unexpected losses under stressed conditions.

- The requirement that financial institutions calculate and publish a leverage ratio, defined as the institution's Tier 1 capital divided by total assumed exposure not adjusted for risk, is intended to prevent institutions from holding assets in excessive proportion to their level of capital. The minimum level to be met in this ratio is 3%.

Within this context, and pursuant to article 68.2.a) of Law 10/2014, following the supervisory review and evaluation process (SREP) carried out by the competent authority, the Bank of Spain communicated its decision regarding the prudential capital requirements applicable to Grucajrural Inversiones Group, of which Banco Cooperativo Español is a part. This decision requires the maintenance as from 1 January 2024 of a total phase-in capital ratio of no less than 9.375% of its total risk exposure (the same percentage as that required in 2023), to which must be added the combined capital buffer requirements, which at 31 December 2024 stood at 2.84% of the Bank's total risk exposure. In addition to the aforementioned quantitative requirement of the total capital ratio to be maintained, there is a qualitative requirement (capital composition) whereby a CET1 ratio of no less than 5.27% and a tier 1 capital ratio equal to or greater than 7.03% must be maintained, and the combined buffer requirements must also be covered with the highest quality capital (CET1).

On 24 February 2020 the Banco de España Executive Committee agreed to grant Banco Cooperativo Español exemption from compliance with the individual obligations set out in article 6.1 of Regulation (EU) no. 575/2013, because it is a subsidiary of a mixed financial holding company (Grucajrural Inversiones, S.L.). For the granting of this exception, which encompasses capital requirements, large exposures and leverage, the Banco de España has particularly taken into account the Bank’s and its Parent's willingness to restore the Bank's capital if required and not change its business model.

The principle established by the Directors of Banco Cooperativo Español in relation to the management of its equity consists of operating with a level of solvency above that established by the applicable regulations, appropriate to the risks inherent to its activity and the environment in which it operates. The objective is to achieve maximum efficiency in the management of equity, so that, together with other profitability and risk variables, the consumption of equity is considered a fundamental parameter in the analysis associated with the Group's investment decisions. In order to meet this objective, the Group has a series of equity management policies and processes which are characterized by:

- The Directors and Senior Management are actively involved in the strategies and policies affecting the Group's capital management. The objective is to maintain robust solvency ratios of adequate quality, consistent with the Group's risk profile and business model.

- The Group has an Integral Risk Management unit that monitors and controls the solvency ratios, ensuring compliance with the applicable regulations and that the decisions taken by the different areas and units of the Entity are consistent with the objectives set for the purpose of complying with minimum capital requirements. In this sense, there are contingency plans to ensure compliance with the limits established in the applicable regulations.

- In the Group's strategic and commercial planning, as well as in the analysis and monitoring of its operations, the impact of these operations on the Group's computable equity and the profitability-risk ratio is considered as a key factor in decision-making.

- In accordance with solvency regulations, the Group has a process for self-assessment of its capital and liquidity. This process is made up of a set of solid and exhaustive strategies and procedures which, among other aspects, make it possible to permanently evaluate and maintain the amounts, types and distribution of its capital to cover, according to their nature and level, all the risks to which it is or may be exposed.

As part of its risk management, the Group continuously identifies, measures, monitors and mitigates the risks to which its activity is exposed, incorporating the findings into the capital self-assessment process. This process entails estimating current and future eligible capital and capital requirements (under different scenarios) according to the risks inherent in its business, the economic environment in which it operates, risk governance, management and control systems, its strategic business plan, the quality or composition of available capital and actual opportunities for raising additional capital, should this prove necessary. To that end, once the Group has calculated its minimum capital under Basel’s Pillar 1, it reviews and assesses the other risks and factors not considered therein which should be taken into account due to their importance, and it estimates the capital needed to cover all of the risks while maintaining an adequate buffer with respect to the regulatory minimum capital under Pillar 1.

This process ensures an adequate relationship between the risk profile of the entities making up the Group and the capital they effectively hold, both in absolute terms and in terms of the composition and distribution among the various legally separate entities, and is formally recorded in the following documents (subject to review at least once a year), which have been approved by the Boards of Directors of the Bank and of the Group’s Parent:

- Risk Appetite Framework, which defines the Group’s appetite vis-à-vis the risks it is prepared to assume in conducting its activity. Besides the capital and leverage targets, this document determines the risk tolerance, i.e. the maximum deviation from the targets defined that the Group considers acceptable.

- Capital Contingency Plan, which outlines the plan of action with respect to potential adverse effects in the event of a capital shortfall, when capital falls below the threshold stipulated in the Risk Appetite Framework. The Capital Contingency Plan aims to facilitate the return to a robust capital position within the Group in the event of a potential moderate crisis wherein the threshold is surpassed. In this respect, the Board of Directors of the Bank and/or of the Group's Parent considers the application of extraordinary measures that would enable the desired levels to be recovered.

- Recovery Plan, which sets the solvency and leverage indicator levels below the Group's risk tolerance before the occurrence of any possible regulatory non-compliance, which would entail the implementation of corrective measures for crisis situations. The plan also defines the range of measures and the enforceability of each one.

The Bank's eligible own funds at 31 December 2024 and 3and the related capital and leverage ratios are shown in the following table:

	Thousands of euros	
	2024	**2023**
Capital	163,630	154,071
Share premium	85,972	85,972
Reserves	466,106	426,389
Profit/(loss) for the year	65,213	47,213
Valuation adjustments	8,710	4,655
Deductions	(9,457)	(7,463)
Temporary adjustments	-	-
Common Equity Tier 1 (CET 1) capital	**780,174**	**710,837**
Additional Tier 1 items	-	-
Tier 1 capital	**780,174**	**710,837**
Tier 2 items	-	-
Tier 2 capital	-	-
Total eligible own funds	**780,174**	**710,837**
Credit, counterparty, dilution and delivery risk	137,360	114,749
Price, currency and commodity position risk	6,191	10,223
Operational risk	16,826	14,168
Credit valuation adjustment risk	14,010	13,684
	174,387	**152,824**
Total own funds requirement	**605,787**	**558,013**
Surplus	**35.79**	**37.21**
Capital ratio (%)	**35.79**	**37.21**
Tier 1 capital (%)		
	9,779,397	9,723,497
Leverage exposure	**7.98**	**7.31**

At 31 December 2024 and 2023, as well as during those years, the Bank's eligible shareholders' equity exceeded those required by the regulations and the authority in the exercise of its supervisory powers over credit institutions.

Lastly, a reconciliation of the Bank's regulatory capital and its book equity is as follows:

	Thousands of euros			
	2024		2023	
	Regulatory capital	Net book equity	Regulatory capital	Net book equity
Capital	163,630	163,630	154,071	154,071
Share premium	85,972	85,972	85,972	85,972
Reserves	466,106	466,106	426,389	426,389
Profit for the year	65,213	65,213	47,213	47,213
Valuation adjustments	8,710	8,710	4,655	4,655
Deductions	(9,457)	-	(7,463)	-
Temporary adjustments	-	-	-	-
Common Equity Tier 1 capital (CET1)	**780,174**	**789,631**	**710,837**	**718,300**

On April 30, 2024, and as part of the process of preparing the resolution plan for the Grucajrural Group in order to comply with Article 44 of Law 11/2015, the Bank of Spain as the preventive resolution authority, formalized an official communication with the Bank establishing the minimum requirement for own funds and eligible liabilities ("MREL").

In application of this article, the Bank is required to maintain an MREL of not less than 5.48% of the leverage ratio exposure and 18.27% of the total amount of the risk exposure.

The elements of the Bank's MREL-eligible liabilities at 31 December 2024 are composed of the regulatory capital figure and other eligible liabilities (780,174 and Euros 401,0003 thousand, respectively). The latter correspond basically to deposits made by the Bank's Parent Company amounting to Euros 400,000 thousand (classified under the "Customer deposits" caption in the balance sheet -Note 13-) whose maturity is indefinite and can be cancelled, in whole or in part, with a prior notice of 1 year and 5 days.

g) Deposit Guarantee Fund for Credit Institutions, National Resolution Fund and Single Resolution Fund

<u>Deposit Guarantee Fund for Deposits in Credit Institutions</u>

The Bank is a member of the Deposit Guarantee Fund for Credit Institutions (hereinafter, FGDEC). In 2024, the FGDEC did not require contributions to be made to the Fund and, therefore, no expenses were incurred in this connection in 2024 (in 2023 the contribution amounted to Euros 107 thousand and was recorded under "Other operating expenses" in the accompanying statements of income) (see Note 28).

With respect to ordinary contributions, Royal Decree 1012/2015 of 6 November 2015, which develops Law 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment firms, was published on 7 November 2015. This legislation amends Royal Decree 2606/1996 of 20 December 1996 on deposit guarantee funds for credit institutions. The amendments include a change in the definition of assets of the DGFCI, indicating that the Management Committee will determine the annual contributions of the institutions that participate in the fund based on the criteria established in Article 6 of Royal Decree-Law 16/2011 of 14 October 2011 on the formation of the DGFCI.

In accordance with the applicable accounting regulations, the expense is recognised when the payment obligation exists, which is 31 December of each year.

The basis for calculating the contributions that the entities must make to each sub-fund will be as follows:

- In the case of contributions to the deposit guarantee compartment, guaranteed deposits, as defined in Article 4.1 of Royal Decree 2606/1996.

- In the case of contributions to the securities guarantee compartment, 5 per cent of the quotation value on the last trading day of the year, on the corresponding secondary market, of the guaranteed securities, as defined in Article 4.2, existing at the end of the fiscal year. When the latter include securities and financial instruments not traded on a Spanish or foreign secondary market, their calculation basis shall be given by their nominal value or redemption, whichever is more appropriate to the type of security or financial instrument in question, unless another more significant value has been declared or is recorded for the purposes of their deposit or registration.

Single Resolution Fund

Article 67 of Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 created the "Single Resolution Fund" as an essential element of the Single Resolution Mechanism (SRM), initiated with Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014.

This Fund began to operate on 1 January 2016 and is managed by the Single Resolution Board, which is also in charge of calculating the contributions to be made by the credit institutions and investment firms defined in Article 2 of the Regulation. The contributions are to be calculated in accordance with the rules defined in Commission Delegated Regulation (EU) 2015/63 of 21 October 2014, which completes Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to the financing mechanisms of the resolution.

In accordance with Article 103 of Directive 2014/59/EU, the available financial means to be taken into account to reach the target level for the Single Resolution Fund may include irrevocable payment commitments which are fully backed by collateral of low-risk assets unencumbered by any third-party rights, at the free disposal and earmarked for exclusive use by the resolution authorities for the purposes specified in the Directive. The share of irrevocable payment commitments shall not exceed 30% of the total amount of ex ante contributions raised.

In 2024, the Bank's contribution amounted to Euros 10 thousand through a contribution of Euros 10 thousand recorded under "Other operating expenses" in the accompanying income statement (see Note 28). In 2024, there was no disbursement on the irrevocable commitment deposit with the Central Bank of France (in 2023, the contribution amounted to Euros 3,419 thousand and the irrevocable commitment deposit amounted to Euros 962 thousand).

At 31 December 2024 and 2023, the total amount of the irrevocable commitment made to the Central Bank of France amounted to Euros 4,720 thousand and is recorded under "Financial Assets at Amortized Cost - Loans and Advances to Credit Institutions" in the balance sheet

On 11 December 2015, the FROB notified the Bank in writing that in view of the Single Resolution Fund (SRF) coming into operation on 1 January 2016, as of that date the Single Resolution Board (SRB) would be responsible both for administering that Fund and for calculating the contributions thereto

On February 1, 2016, the Bank, through the FROB, sent a letter to the SRB detailing the items and balances held with the Rural Savings Bank Shareholders that, in its opinion, should be taken into account (for elimination) when determining its ex ante contribution to the URF for the 2016 fiscal year.

On April 26, 2016, the Bank received notification, through the FROB, of the decision adopted by the SRB in relation to the ex ante contribution to the Bank's URF for the 2016 financial year, which amounted to €8,857 thousand (€7,529 thousand paid directly on June 23, 2016 and €1,328 thousand as irrevocable payment commitments).

As balances whose elimination was requested in the Bank's written request of 1 February 2016 were not taken into account in calculating this contribution, on 29 June 2016 the Bank lodged an appeal with the Court of Justice of the European Union's General Court in Luxembourg requesting annulment of the SRB's decision regarding the settlement for the Bank's ex ante contribution for 2016. On 28 November 2019 the European General Court (EGC) passed judgment annulling, with regard to Banco Cooperativo Español, S.A., the decision of the SRB in its executive session of 15 April 2016 on the 2016 ex ante contributions to the Single Resolution Fund ((SRB/ES/SRF/2016/06).

On 19 March 2020 the SRB issued a decision whereby it determined a new settlement for the Bank for the ex ante contribution to the SRF for 2016, for the same amount as the cancelled contribution and making it effective retroactively to 2016. This new settlement was appealed on 10 August 2020 before the European General Court. The Court has yet to hand down its decision at the date of these annual accounts.

In relation to the ex ante contribution to the SRF for 2019, on 9 July 2019 the Bank filed an appeal for annulment before the European General Court as it understood that in the calculation of this contribution the SRB should have applied rules for Institutional Protection Schemes (IPS), as in 2018 the Bank was already included in an IPS together with various shareholder rural savings banks. The Court has yet to hand down its decision at the date of these annual accounts.

h) Minimum reserve ratio

At 31 December 2024, and throughout 2024, the Bank complied with the minimum reserve ratio stipulated in applicable legislation, Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003.

i) Environmental impact

In light of its activity, the Entity does not have any liabilities, expenses, assets, provisions or contingencies of an environmental nature that could be significant with respect to its equity, financial position or financial performance. Therefore, no specific disclosures relating to environmental issues are included in the notes to the accompanying annual accounts.

The Group's consolidated directors' report includes the Consolidated Non-financial Information Statement, which provides information on environmental, personnel and human rights issues, as well as due diligence and sustainability topics.

j) Institutional protection scheme

On 29 December 2017 the rural savings banks affiliated with the Spanish Association of Rural Savings Banks (hereinafter the Savings Banks) entered into a Framework Agreement with the aforementioned Association, the Bank's Parent (Grucajrural Inversiones, S.L.) and the Bank, the purpose of which was to set up a "cooperative institutional protection scheme" (hereinafter IPS) within the Caja Rural Group, as well as certain other arrangements. These agreements envisaged, among others, the following milestones:

- Promote the advancement of the statutory and conventional framework of the Association, so as to modernise and reinforce it, replacing the support mechanisms currently in place with an institutional protection scheme (IPS) as envisaged in article 113.7 of Regulation (EU) No 575/2013 (CRR). The IPS shall be formed by the 29 Savings Banks affiliated with the Association at the date of the Framework Agreement, Grucajrural Inversiones, S.L. and Banco Cooperativo Español, S.A. (hereinafter the IPS members).

- Constitute a fund to provide any financial support that may be addressed through the IPS, which shall be sustained by contributions from the IPS members. This fund shall be administered and controlled by the Association, directly or indirectly, through one or more vehicles.

On 1 March 2018 the Spanish Association of Rural Savings Banks ("AECR") held its general assembly, during which all of the affiliated Savings Banks approved the creation of the IPS. To this end, they also approved the AECR's new statutes, the IPS regulation, the IPS disciplinary regime, certain technical notes relating to measurement of the solvency and liquidity of the IPS members, the general risk policy, and a new agreement regulating economic relations within the Caja Rural Group.

For the purposes envisaged in (i) article 113.7 of the CRR and (ii) in the legislation regulating contributions to the Deposit Guarantee Fund, Banco de España acknowledged the IPS as an institutional protection scheme meeting the definition provided in article 113.7 of the CRR on 23 March 2018.

Creation of the aforementioned SIP has led to the recording of the commitment assumed for the creation of the fund to cover the financial support purposes that may be met within the SIP, which has not entailed an expense in 2024 (Euros 385 thousand at 31 December 2023 recorded under the heading "Other operating expenses" in the accompanying income statement) (see Note 28).

k) Information on payment deferrals made to suppliers. Third additional provision. "Duty of information" of Law 15/2010, of July 5, 2010.

Pursuant to Law 15/2010 of 5 July 2010, which amends Law 3/2004 of 29 December 2004 containing measures to combat late payments in commercial transactions, as developed by the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 on disclosures in the notes to the annual accounts on the average supplier payment period in commercial transactions, in view of the activities in which the Bank is engaged, the information on late payments essentially reflects payments to service providers and sundry suppliers, rather than payments to depositors and holders of securities issued by the Bank, which have been settled in strict compliance with the legal and contractual terms established in each case, for both on-demand and deferred payments.

Information on the Bank's deferrals of payments to suppliers is presented below:

	2024	2023
	Days	
Average supplier payment period	20.84	21.25
Transactions paid ratio	20.27	21.02
Transactions payable ratio	138.53	89.22
	Thousands of euros	
Total payments made	78,630	68,064
Total payments outstanding	377	229

- Information on invoices paid within the maximum period stipulated by legislation on late payments is as follows:

	2024	2023
Monetary volume paid in euros (thousands of euros)	75,026	63,866
As a percentage of total monetary payments to suppliers	95.4%	93.8%
Number of invoices paid	9,044	8,750
As a percentage of total number of invoices paid to suppliers	91.8%	89.5%

- In view of the activities in which the Bank is engaged, the information on late payments essentially reflects payments to service providers and sundry suppliers, rather than payments to depositors and holders of securities issued by the Bank, which have been settled in strict compliance with the legal and contractual terms established in each case, for both on-demand and deferred payments.

The “average supplier payment period” is understood as the time elapsed between the delivery of goods or the provision of services by the supplier and the effective payment of the operation.

***l)* Seasonal nature of income and expenses**

The most significant operations conducted by the Bank are fundamentally the activities typically befitting financial institutions. Therefore, its operations are not significantly affected by seasonal factors within the year.

m) **Subsequent events**

Notwithstanding the matters mentioned in these notes to the annual accounts, between 31 December 2024 and the date on which the Board of Directors of the Bank authorised the annual accounts for issue, no significant events occurred that must be included in the annual accounts in order to give a true and fair view of the Bank's equity, financial position and financial performance, as well as its cash flows.

n) **Guarantee of Company Guarantee**

At its meeting on 27 September 2018, the Board of Directors of Grucajrural Inversiones, S.L. (hereinafter, the Parent) resolved that, should Banco Cooperativo Español, S.A. be declared definitively insolvent as a result of either a final court resolution handed down within insolvency proceedings or a final administrative resolution, the Company would undertake to meet payment of any of the outstanding creditor claims of Banco Cooperativo Español, S.A.

For these purposes, definitive insolvency is understood to be the declaration of liquidation of Banco Cooperativo Español, S.A. as a result of a court or administrative resolution.

The effectiveness of the guarantee is subject to the resolutive condition consisting in the withdrawal by the competent authority at any time and for any circumstance of the exemption from the obligation to comply with the individual capital requirements and to the limits to large exposures on an individual basis, as provided for in Article 7.2 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

o) **Regulatory changes**

During 2024, no amendments to Circular 4/2017 have entered into force with an impact on the Bank's annual accounts.

However, in application of the provisions of standard 31 on "Accounting hedges" of Bank of Spain Circular 4/2017, the Bank has opted to apply, as from 31 December 2024, the hedge accounting criteria contained in sections 3 to 27 of said standard, criteria that are adapted to the accounting regime on hedges established by IFRS 9. Until that date, the Bank had been applying the criteria contained in paragraphs 28 to 42 of that standard, criteria that coincided with those established in IAS 39.

As established in the Circular, the new accounting framework maintains the three types of accounting hedges - fair value, cash flow and net investment in a foreign operation - but introduces hedge accounting that is more flexible and aligned with risk management compared to the criteria set out in IAS 39.

The Bank, in application of the criteria set forth in sections 3 to 27 mentioned above, has adapted its accounting policies and processes to the new standards, which have been approved by the pertinent governing bodies. The adoption of the new accounting framework for hedge accounting has not had any quantitative impact on the financial statements. Note 2.d) describes the key points to consider arising from the transition to the aforementioned standards.

2. Accounting principles, policies and valuation criteria applied

The following accounting principles and policies and valuation criteria have been applied in the preparation of these financial statements:

a) Going concern

The Bank has prepared these financial statements for the year 2024 on a going concern basis.

b) Accrual principle

The accompanying annual accounts, except for the statement of cash flows, have been prepared on an accruals basis, irrespective of collections and payments.

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.

I. Initial recording of financial instruments

Financial instruments are initially recognised in the balance sheet when the Bank becomes party to the contract that generates them, in accordance with the terms therein. Specifically, debt instruments such as loans and cash deposits are recognised from the date that a legal right to receive or a legal obligation to pay cash arises, respectively. Derivatives are generally recognised from the trade date.

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market contracts or forward currency sale and purchase contracts, are recognised on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. In particular, cash transactions in currency markets are recognised at the settlement date; equity instruments traded on Spanish secondary securities markets are recognised at the trade date, and debt securities traded on Spanish secondary securities markets are recognised at the settlement date.

II. Derecognition of financial instruments

A financial asset is derecognised from the balance sheet when any of the following circumstances arise:

- The contractual rights over the cash flows have expired; or

- The financial asset and substantially all the risks and rewards associated therewith are transferred, or although these are neither substantially transferred nor retained, control over the financial asset is transferred.

A financial liability is derecognised from the balance sheet when the obligations arising therefrom have expired or when it is redeemed by the Bank with the intention either to resell it or to cancel it.

III. Fair value and amortized cost of financial instruments

The fair value of a financial instrument on a given date is the amount for which it could be bought or sold on that date between two knowledgeable, willing parties in an arm's length transaction. The most objective and usual reference for the fair value of a financial instrument is the price that would be paid for it in an organized, transparent and deep market ("quoted price" or "market price").

When there is no market price for a given financial instrument, its fair value is estimated based on the price established in recent transactions involving similar instruments and, in the absence thereof, on valuation models sufficiently contrasted by the international financial community, taking into consideration the specific peculiarities of the instrument to be valued and, especially, the different types of risks associated with the instrument.

Specifically, the fair value of financial derivatives traded on organized, transparent and deep markets included in the trading portfolios is assimilated to their daily quotation and if, for exceptional reasons, their quotation cannot be established on a given date, they are valued using methods similar to those used to value derivatives not traded on organized markets.

The fair value of derivatives not traded in organized markets or derivatives traded in shallow or transparent organized markets is the sum of the future cash flows arising from the instrument, discounted to present value at the valuation date ("present value" or "theoretical close"), using methods recognized by the financial markets: "net present value" (NPV), option pricing models, or others, in the valuation process.

Amortized cost is understood to be the acquisition cost of a financial asset or liability plus or minus (as the case may be) the principal and interest repayments and plus or minus, as the case may be, the portion taken to the income statement, using the effective interest rate method, of the difference between the initial amount and the redemption value of these financial instruments. In the case of financial assets, the amortized cost also includes adjustments to their value due to impairment.

The effective interest rate is the discount rate that exactly matches the initial value of a financial instrument to all its estimated cash flows for all items over its remaining life. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate established at the time of acquisition, adjusted, where applicable, by the commissions and transaction costs that, in accordance with the provisions of Bank of Spain Circular 4/2017, must be included in the calculation of the effective interest rate. In financial instruments at floating interest rates, the effective interest rate is estimated in a manner analogous to fixed interest rate transactions, being recalculated at each review date of the contractual interest rate of the transaction, taking into account the changes that the future cash flows of the transaction have undergone.

A summary of the different valuation techniques used by the Bank to measure financial instruments categorised as “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” and “Derivatives – Hedge accounting” under balance sheet assets, and “Financial liabilities held for trading”, “Financial liabilities designated at fair value through profit or loss” and “Derivatives – Hedge accounting” under balance sheet liabilities, at 31 December 2024 and 2023 is as follows:

	%			
	2024		**2023**	
	Active	**Liabilities**	**Active**	**Liabilities**
Quoted price in active markets	52.64	-	40.10	-
Internal valuation models	47.36	100.00	59.90	100.00
	100.00	**100.00**	**100.00**	**100.00**

The main techniques used by the "internal valuation models" are as follows:

- The present value method is used in the valuation of financial instruments that allow for static hedging (mainly forwards and swaps).

- The Black-Scholes model is applied to certain plain vanilla derivative products (calls, puts, caps/floors).

- The Monte Carlo simulation method is used for the remaining derivative financial instruments.

- The effect of credit risk on fair value is calculated based on the credit curves for issuers with different credit ratings and economic sectors.

Credit Valuation Adjustment ("CVA") and Debit Valuation Adjustment ("DVA") are incorporated in the valuations of derivative products, both assets and liabilities, to reflect the impact on the fair value of the counterparty's and the Company's own credit risk, respectively.

The adjustments to be made are calculated by estimating the exposure ("Exposure At Default"), the probability of default ("Probability of Default") and the loss given default ("Loss Given Default"), for all derivative products on any underlying, at the legal entity level (all counterparties under the same ISDA/CMOF contract) to which the Bank has exposure.

As a general rule, the calculation of CVA is the product of the positive expected exposure by the probability of default of the counterparty. Similarly, DVA is calculated as the product of the negative expected exposure by the probabilities of default and multiplying the result by the LGD of the Bank. Both calculations are performed over the entire period of the potential exposure.

The data necessary to calculate the probability of default and loss given default are obtained from the credit markets (Credit Default Swaps or iTraxx Indices), applying the Entity's own data where available. For those cases in which the information is not available, a process based on the sector, rating and geography is used to assign both probabilities of default and expected losses in the event of default, calibrated directly to the market or with a market adjustment factor of the probability of default and expected historical loss.

The Bank's Directors consider that the financial assets and liabilities recorded in the balance sheet, as well as the results generated by these financial instruments, are reasonable and reflect their market value (see Note 23).

IV. Classification and measurement of financial assets and liabilities

Circular 4/2017 contains three main classification categories for financial assets: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

- A financial asset should be classified, for valuation purposes, in the financial asset portfolio at amortized cost if both of the following conditions are met:

  - The financial asset is held within the framework of a business model whose objective is to hold financial assets to obtain contractual cash flows; and

  - The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest, the latter basically being consideration for the time value of money and the credit risk associated with the borrower.

- A financial asset shall be classified in the financial asset account at fair value through other comprehensive income if both of the following conditions are met:

  - The financial asset is held under a business model whose objective is achieved by obtaining contractual cash flows from the financial assets and the sale; and - The financial asset is held under a business model whose objective is achieved by obtaining contractual cash flows from the financial assets and the sale.

- The contractual terms of the financial asset give rise, at specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- A financial asset must be classified in the portfolio of financial assets at fair value through profit or loss whenever, due to the entity's business model for its management or the characteristics of its contractual cash flows, it is not appropriate to classify it in any of the portfolios described above.

Within the portfolio of financial assets mandatorily at fair value through profit or loss, financial assets held for trading shall include all assets that meet any of the following characteristics:

- They are originated or acquired with the purpose of selling them in the near term.

- They are part of a group of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking.

- They are derivatives that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments.

However, the entity may irrevocably elect, at the time of initial recognition, to include in the portfolio of financial assets at fair value through other comprehensive income, investments in equity instruments that should not be classified as held for trading and that would be classified as financial assets mandatorily at fair value through profit or loss. This option will be exercised on an instrument-by-instrument basis.

Similarly, an entity may elect, at initial recognition and irrevocably, to designate any financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces any measurement or recognition inconsistency (also referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities, or recognizing their gains and losses, on different bases.

Business model for financial asset management

In relation to the above, the business model should be understood as the way in which the entity manages its financial assets to generate cash flows. In particular, the business model may consist of holding the financial assets to receive its contractual cash flows, selling these assets or a combination of both objectives.

The business model is determined considering how groups of financial assets are managed together to achieve a particular business objective. In other words, the business model does not depend on the Entity’s intentions for an individual instrument, but rather should be determined for a group of instruments.

Characteristics of contractual cash flows of the financial assets

Similarly, depending on the characteristics of its contractual cash flows, a financial asset should be classified at the initial moment in one of the following two categories:

a) Those whose contractual terms give rise, at specified dates, to cash flows consisting solely of payments of principal and interest on the principal amount outstanding.

b) Other financial assets.

All financial assets are initially recorded at fair value plus, in the case of financial instruments that are not classified at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the instruments.

Except for trading derivatives other than economic and accounting hedges, all changes in the value of financial assets arising from the accrual of interest and similar items are recorded under "Interest income" in the income statement for the period in which the accrual occurs (see Note 24 (a)). Dividends received from companies other than subsidiaries, joint ventures or associates are recorded under "Dividend income" in the income statement for the period in which the right to receive them arises (see Note 25).

Changes in valuations occurring after initial recognition for reasons other than those mentioned in the preceding paragraph are treated as described below, depending on the categories in which the financial assets are classified.

- Financial assets included in the "Financial assets at amortized cost" category are measured at amortized cost. The amortized cost is the amount at which the financial instrument was initially valued, less principal repayments, plus or minus, as the case may be, the portion charged to the income statement, using the effective interest rate method, of the difference between the initial amount and the redemption value at maturity and less any reduction in value due to impairment recognized directly as a reduction in the amount of the asset or through an allowance account.

- Financial assets recorded under the category "Financial assets at fair value through other comprehensive income" are valued at fair value. Subsequent changes in this valuation (capital gains or losses) are recorded temporarily at their amount, net of the related tax effect, under "Accumulated other comprehensive income" in the balance sheet. The amounts recorded under this heading will continue to form part of the Entity's equity until the asset in which they originate is removed from the balance sheet or until the existence of an impairment in the value of the financial instrument is determined.

  When a debt instrument at fair value through other comprehensive income is derecognized from the balance sheet, the cumulative gain or loss in equity is reclassified to profit or loss for the period, with a balancing entry in the income statement under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net". On the other hand, when an equity instrument at fair value through other comprehensive income is derecognized from the balance sheet, the amount of the gain or loss recorded in accumulated other comprehensive income is not reclassified to the income statement, but to a reserve item.

Financial assets that are equity instruments whose fair value cannot be reliably estimated, as well as derivatives that have those instruments as underlying asset and are settled by delivering them, are valued at cost, net of possible impairment losses, calculated in accordance with the criteria explained above.

- Financial assets recorded under the headings "Financial assets not held for trading mandatorily measured at fair value through profit or loss", "Financial assets designated at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income" are measured subsequent to their acquisition at fair value. Changes in fair value are recorded directly in the income statement, distinguishing, for instruments other than derivatives, between the portion attributable to accrued returns on the instrument, which is recorded as interest or dividends depending on their nature, and the remainder, which is recorded as gains or losses on financial transactions. Accrued interest on debt instruments is calculated using the effective interest rate method.

- Liabilities with changes in results. This portfolio of financial liabilities is further subdivided into two:

    - Financial liabilities held for trading: these are financial liabilities issued with the intention of repurchasing them in the near future, short positions in securities and derivative instruments provided they are not hedging instruments.

    - Financial liabilities designated at fair value through profit or loss: hybrid financial liabilities that, not being part of financial liabilities held for trading, are required to be measured entirely at fair value.

- Financial liabilities at amortized cost: this category of financial instruments includes those financial liabilities that have not been included in any of the previous categories.

  Liabilities issued by the Bank which, having the legal nature of equity, do not qualify for classification as equity, are classified as financial liabilities at amortized cost, unless the Bank has designated them as financial liabilities at fair value through profit or loss if they qualify.

  The financial liabilities included in this category are initially measured at fair value, adjusted by the amount of the transaction costs that are directly attributable to the issue of the financial liability, which are recognized in the income statement by applying the effective interest rate method as defined in Bank of Spain Circular 4/2017, until maturity. Subsequently, they are valued at amortized cost, calculated by applying the effective interest rate method defined in the aforementioned Circular.

  The interest accrued on these securities, calculated by applying the effective interest rate method, is recorded under "Interest expense" in the income statement. Exchange differences on securities included in this portfolio denominated in currencies other than the euro are recorded in accordance with the provisions of Note 2-n. The financial liabilities included in this category hedged in fair value hedging transactions are recorded in accordance with the provisions of Note 2-d.

Notwithstanding the foregoing, financial instruments that should be considered as non-current assets and disposal groups of items that have been classified as held for sale in accordance with the provisions of Rule thirty-four of Bank of Spain Circular 4/2017, are presented recorded in the financial statements in accordance with the criteria explained in Note 2.e

d) **Financial derivatives and accounting hedges**

Derivatives are instruments that allow all or part of the credit and/or market risks associated with balances and transactions to be transferred to third parties, using interest rates, certain indices, prices of certain securities, different currency cross rates or other similar references as underlying items.

All derivatives are recorded in the balance sheet at their fair value from their contracting date. If their fair value is positive, they are recorded as an asset, and if their fair value is negative, they are recorded as a liability. At the trade date, it is understood that, unless there is evidence to the contrary, their fair value is equal to the transaction price. Changes in the fair value of derivatives from the trade date are recorded with a balancing entry in the income statement under "Gains or losses resulting from hedge accounting, net". Specifically, the fair value of standard financial derivatives included in the trading portfolios is assimilated to their daily quotation and if, for exceptional reasons, their quotation cannot be established on a given date, they are valued using methods similar to those used to value "Over the Counter" (hereinafter, OTC) derivatives. The fair value of OTC derivatives is the sum of the future cash flows arising from the instrument, discounted to the valuation date ("present value" or "theoretical close"), using methods recognized by the financial markets: "net present value" (NPV), option pricing models or others.

Derivatives that have equity instruments as their underlying whose fair value cannot be determined in a sufficiently objective manner and which are settled by delivery of those instruments are measured at cost of acquisition.

I. Hedges accounting

At 31 December 2024, as mentioned in Note 1.o), the Bank has decided to transition to the criteria set out in paragraphs 3 to 27 of standard 31 on "Accounting hedges" of Circular 4/2017 (hereinafter IFRS 9 criteria), replacing those set out in paragraphs 28 to 42 of that standard (hereinafter IAS 39 criteria), for accounting hedge accounting.

Financial derivatives are a key tool in the management of economic (and accounting) hedges, since they allow the Bank to mitigate mainly the risks associated with the volatility of interest rates, exchange rates and inflation (see Note 34).

- Interest rate risk: includes the impact that mismatches between the evolution of fixed and floating interest rates can have on results, through their effect on net interest income and on the valuation of instruments carried at fair value, as well as on the equity value of an entity.
- Exchange rate risk: is defined as the possibility of experiencing impacts on solvency, equity and results as a consequence of fluctuations in exchange rates, due to positions denominated in foreign currencies.
- Inflation risk: refers to the impact that the inflation index/rate (e.g. CPI), to which a given bond is referenced, may have on future cash flows, affecting the real value of such flows and, consequently, the bond's profitability.

To hedge these risks, the Bank uses the following hedging instruments:

- Interest rate derivatives to convert interest rate exposures to fixed or floating rates.
- Exchange rate derivatives to convert foreign currency exposures to the entity's currency.
- Inflation derivatives to convert inflation rate risk to interest rate risk (either at a fixed rate or at a floating rate).

In order to improve the alignment between risk management and its presentation in the financial statements, the Bank has decided to apply, in replacement of IAS 39 criteria, IFRS 9 criteria for hedge accounting at 31 December 2024.

New aspects introduced by IFRS 9 standards

The main changes introduced by IFRS 9 are as follows:

- Flexibility in the items that can be hedged (e.g., making it possible to hedge net positions, aggregate positions and specific risk components in non-financial items).
- Eliminates the strict 80-125% effectiveness range requirement, allowing qualitative prospective assessments if there is an economic relationship between the hedged item and the hedging instrument and the credit risk does not exert a dominant effect on changes in the value of the hedged item or the hedging instrument.
- It introduces the "cost of hedging" (as forward points and basis spread), which can be recognized in other comprehensive income, thus reducing volatility in the income statement.

It allows the rebalancing of hedges without the need for discontinuations in hedge accounting to the extent that the relationship between the hedging instrument and the hedged item is adjusted.

Designation of hedging relationships

In order for these economic hedges to be recognized as accounting hedges, they must meet certain requirements established by the standard. These requirements include the clear identification of the hedged items and the hedging instruments, the assessment of the effectiveness of the hedge over time, and adequate documentation supporting the entity's intention to manage its risk through these instruments. Only when these criteria are met can financial derivatives be accounted for as accounting hedges, allowing an accounting treatment that more appropriately reflects the entity's risk management strategy (see Note 34).

When the Bank designates a transaction as a hedge, it does so from the initial moment of the transactions or instruments included in such hedge, documenting such hedge transaction in an adequate manner. The documentation of these hedging transactions adequately identifies the hedging instrument or instruments and the hedging instrument or instruments, in addition to the nature of the risk to be hedged, as well as the criteria or methods followed by the Bank to assess the effectiveness of the hedge throughout the duration of the hedge, taking into account the risk to be hedged.

The Bank only considers as hedging transactions those that are considered to be highly effective over the term of the hedge. A hedge is considered highly effective if, during the expected life of the hedge, changes in the fair value or cash flows attributed to the hedged risk in the hedging transaction of the hedged financial instrument or instruments are almost entirely offset by changes in the fair value or cash flows, as the case may be, of the hedging instrument or instruments.

The Bank has entered into fair value hedges, i.e. hedges that hedge the exposure to changes in the fair value of financial assets and liabilities or unrecognized firm commitments, or an identified portion of such assets, liabilities or firm commitments, attributable to a particular risk and provided that they affect the income statement, and cash flow hedges, i.e. hedges of changes in the estimated cash flows arising from financial assets and liabilities and highly probable transactions that an entity expects to carry out (see Note 15).

Effectiveness of hedges

At 31 December 2024, following IFRS 9 criteria, effectiveness is assessed prospectively by means of a qualitative analysis of the main components, in order to ensure that the hedging relationship meets all requirements:

- There is an economic relationship between the hedged item and the hedging instrument (e.g. nominal, maturity date, interest rate, etc.).
- The credit risk does not have a dominant effect on changes in the value of the hedged item or the hedging instrument (e.g. assessment of the bond *rating*, the existence of netting agreements, collateralization and netting in vaults, etc.).
- The hedge ratio is aligned with the economic relationship between the hedged item and the hedging instrument and is consistent with the amount of risk hedged by the Bank.

Accordingly, micro hedge accounting -until the transition date- and macro hedge accounting maintain the application scheme under IAS 39, so that their effectiveness is evaluated both retrospectively and prospectively, so that it remains within a range between 80% and 125%.

Hedge ineffectiveness, defined as the difference between the change in value of the hedging instrument and the hedged item in each period attributable to the hedged risk, is recognized in the income statement.

Such ineffectiveness will be mainly generated by the following reasons: mismatches in the critical terms, use of different discount curves between the hedging instrument and the hedged item, designation of a hedging relationship after the inception date of the hedging derivative.

Hedge accounting interruption

The Bank discontinues hedge accounting when the hedging instrument matures or is sold, when the hedging transaction no longer qualifies as a hedge or when the hedge is revoked as a hedge.

However, if a hedge no longer meets the hedge ratio requirement, but the risk management objective is maintained, the Bank will evaluate adjusting the hedge ratio to again meet the effectiveness requirements. This practice is known as rebalancing the hedge ratio.

Accounting for accounting hedging operations

Changes occurring after the hedge designation, in the valuation of financial instruments designated as hedged items and financial instruments designated as accounting hedging instruments, are recorded as follows:

- In fair value hedges, differences in the fair value of the derivative and the hedged instrument attributable to the hedged risk are recognized directly under "Gains (losses) arising from hedge accounting, net" in the income statement; using as balancing entry the balance sheet captions under which the hedged item is recorded ("Derivatives - hedge accounting") or the hedged item, as appropriate, except in the case of interest rate hedges, in which case the differences in value are recognized under "Interest income and similar income" or "Interest expense" in the statements of income (see Note 24).

  As an exception to the general accounting under IFRS 9, for fair value hedges on equity instruments recorded at fair value with changes in other comprehensive income, the differences arising in the fair value of the derivative are recorded in "Accumulated other comprehensive income", thus allowing the impact on the result for the period to be minimized.

- In cash flow hedges, differences in value arising on the effective portion of the hedged items are temporarily recorded under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives - Hedging derivatives. Cash flow hedges (effective portion)" in the balance sheet, with a balancing entry under "Derivatives - hedge accounting" on the assets or liabilities side of the balance sheet, as appropriate. These differences are recognized in the income statement at the time the gains or losses on the hedged item are recognized in profit or loss, at the time the forecast transactions are executed or at the maturity date of the hedged item. Almost all of the Bank's cash flow hedges are interest rate and inflation hedges of financial instruments and, therefore, their differences in value are recognized under "Interest and similar income" or "Interest expense" in the statement of income (see Note 24).

- Differences in the value of the hedging instrument corresponding to the ineffective portion of cash flow hedging transactions are recorded directly under "Gains (losses) arising from hedge accounting, net" in the income statement (see Note 27).

  As a novelty in IFRS 9 criteria with respect to IAS 39 criteria, the *hedging cost* associated with derivatives, which includes the *forward* points (the separation of the forward and spot elements of a forward contract), the *basis spread* (the foreign currency exchange rate differential) and the time value (the separation of the intrinsic value and the time value of an option contract), may be recorded in "Accumulated other comprehensive income" provided that they are excluded within the hedging relationship. This allows a better alignment between the costs of hedging instruments and their effect on the hedged item.

In addition, the Bank has certain derivative financial instruments, with the purpose of mitigating certain risks inherent to its activity, which do not meet the conditions to be considered as hedging transactions. In particular, the Bank has contracted certain swaps transactions through which it hedges the interest rate risk of the transactions to which they relate. These derivative instruments are accounted for by the Bank as trading derivatives.

e) Impairment of the value of financial assets

The carrying value of financial assets is generally adjusted against the income statement when there is objective evidence that an impairment loss has occurred, which occurs:

1. In the case of debt instruments, understood as loans, advances other than loans and debt securities, when after their initial recognition an event occurs or the combined effect of several events occurs that entails a negative impact on their future cash flows.

2. In the case of equity instruments, when after their initial recognition, an event occurs or the combined effect of several events occurs that implies that their book value will not be recoverable.

In this regard, among the situations that, if they occur, are considered by the Bank as objective evidence that a financial instrument may be impaired, and that give rise to a specific analysis of such financial instruments in order to determine the amount of their possible impairment, are those indicated in Rule 29 of Bank of Spain Circular 4/2017. Among these situations that constitute for the Bank objective evidence of the possible impairment of a financial instrument are the following:

a) Significant financial difficulties of the issuer or the obligor.

b) Disappearance of an active market for the instrument in question due to financial difficulties of the issuer.

c) Significant changes in the issuer's results compared to the data collected in budgets, business plans or objectives.

d) Significant changes in the expectations of compliance with the technical objectives applicable to the issuer's products

e) Significant changes in the market for the issuer's equity instruments or its products or potential products.

f) Significant changes in the global economy or in the economy of the environment in which the issuer operates.

g) Significant changes in the technological or legal environment in which the issuer operates.

h) Significant changes in the results of comparable entities or in the deductible valuations of the global market.

i) Internal problems of the investee related to fraud, commercial conflicts, litigation or changes in management or strategy.

A simple decline in the fair value of the instrument below its carrying amount may be an indication of impairment, but is not necessarily objective evidence that an impairment loss has occurred. Objective evidence of impairment exists when the fair value of the instrument experiences a significant or prolonged decline below its carrying amount.

Likewise, there will be objective evidence of impairment when the issuer has entered, or is likely to enter, insolvency proceedings.

For debt instruments measured at amortized cost, as well as other exposures involving credit risk, such as loan commitments, financial guarantees and other commitments given, the amount of impairment losses incurred is equal to the negative difference between their carrying amount and the present value of their estimated future cash flows. In the case of quoted debt instruments, their market value may be used as a substitute for the present value of future cash flows, provided that it is sufficiently deep to be considered representative of the value that could be recovered by the Bank.

Impairment losses on debt instruments at amortized cost are recognized against an allowance account that reduces the carrying amount of the asset, while those at fair value through other comprehensive income are recognized against the Entity's equity. Impairment losses on exposures involving credit risk other than debt instruments are recorded on the liability side of the balance sheet as a provision. Impairment losses for the period are recognized as an expense in the income statement.

Subsequent reversals of previously recognized impairment losses are immediately recorded as income in the income statement for the period in which the recovery occurs.

Objective evidence of impairment is determined individually for all significant impaired debt instruments and collectively for groups of debt instruments that are not individually significant. When a particular instrument cannot be included in any group of assets with similar risk characteristics, it is analyzed exclusively on an individual basis to determine whether it is impaired and, if so, to estimate the impairment loss. Therefore, impairment is broken down, depending on the way in which it is calculated, into

- Specific value adjustments for financial assets, estimated on an individual basis: cumulative amount of hedges made for doubtful assets that have been estimated on an individual basis.

- Specific value adjustments for financial assets, estimated collectively: cumulative amount of collective impairment calculated for debt instruments classified as doubtful with immaterial amounts whose value has been impaired on an individual basis and for which the entity uses specific coverage by applying collective coverage percentages based on the age of the defaults in accordance with the provisions of Annex 9 of Bank of Spain Circular 4/2017, and its subsequent amendments.

- Collective value adjustments for incurred but not reported losses: amount of the collectively estimated generic hedge for debt instruments rated as normal or normal under special surveillance.

The collective evaluation of a group of financial assets to estimate their impairment losses is performed as follows:

- Debt instruments are included in groups with similar credit risk characteristics, indicative of the debtors' ability to pay all amounts, principal and interest, in accordance with the contractual terms. The credit risk characteristics considered for grouping assets are, among others, the type of instrument, the debtor's sector of activity, the geographical area of activity, the type of guarantee, the age of past-due amounts and any other factor that is relevant to the estimation of future cash flows.

- Future cash flows of each group of debt instruments are estimated for instruments with credit risk characteristics similar to those of the respective group.

- The impairment loss for each group is the difference between the carrying amount of all debt instruments of the group and the present value of their estimated future cash flows.

Debt instruments not included in the portfolio of financial assets held for trading, as well as off-balance sheet exposures, are classified, based on the insolvency risk attributable to the customer and the transaction, in the following categories: normal risk (Phase 1), normal risk under special surveillance (Phase 2), doubtful risk due to the holder's default (Phase 3), doubtful risk due to reasons other than the holder's default (Phase 3) and default risk. For debt instruments not classified as normal risk or normal risk under special surveillance and individually significant, specific individually estimated allowances for impairment are estimated on the basis of the Bank's and the industry's experience, taking into account the age of the unpaid amounts, the collateral provided and the economic situation of the customer and, if applicable, of the guarantors. Since the Bank has not developed internal methodologies, for the remaining debt instruments, the specific or generic coverages estimated collectively are estimated using the parameters established by the Bank of Spain in Annex 9 of Bank of Spain Circular 4/2017 (alternative solutions), and which consider the type of collateral of the transaction, the segment of the credit risk and the age of the past-due amounts.

The Entity classifies as normal risk those transactions for which its credit risk has not increased significantly since initial recognition. The allowance for impairment is equal to the expected credit losses over twelve months. Interest income is calculated by applying the effective interest rate to the gross carrying amount of the transaction

The Entity classifies as normal risk under special surveillance those transactions for which its credit risk has increased significantly since initial recognition, but do not present an event of default. The allowance for impairment is equal to the expected credit losses over the life of the transaction. Interest income is calculated by applying the effective interest rate to the gross carrying amount of the transaction. Also classified as normal risks under special surveillance are all holders declared in insolvency proceedings for which classification as doubtful risk is not appropriate because 25% of the credits affected by the insolvency proceedings have been satisfied or two years have elapsed since the approval of the creditors' agreement, provided that the agreement is being faithfully complied with and there are no doubts as to the repayment of all debts.

For the determination of the significant increase in the credit risk of transactions classified as normal under special surveillance the Entity relies on the indicators established in Annex 9 of Circular 4/2017, of the Bank of Spain.

As for refinanced or restructured transactions, their credit rating takes into consideration the payment behavior over an extended period, the granting of grace periods, the provision of effective additional guarantees and the capacity to generate funds, among other factors, which determine the classification of doubtful risks or normal risk in special surveillance.

The refinancing or restructuring of transactions that are not current on payments will not interrupt their classification as doubtful, unless there is reasonable certainty that the customer can meet its payment on schedule or new effective guarantees are provided and, in both cases, at least the ordinary interest receivable is collected.

The amount of financial assets that would be in an irregular situation were it not for the fact that their conditions have been renegotiated is not significant with respect to the annual accounts considered as a whole. The transactions identified by the Bank as refinancing or restructuring are mainly aimed at improving the coverage of these transactions by means of additional collateral. For these transactions and for fiscal years 2024 and 2023 there are no significant differences between the carrying value of those derecognized and the fair value of the new assets. Likewise, the aforementioned transactions do not entail a delay or decrease in the allowance for impairment that would be required if they had not been modified, given that, at the date of modification, if necessary, they were already impaired and the Bank had already set up, prior to the formalization of this type of transactions, the corresponding allowance for bad debts.

Similarly, debt instruments not valued at fair value through profit or loss and off-balance sheet exposures, regardless of the customer, are analyzed to determine their credit risk based on country risk. Country risk is understood to be the risk incurred by customers resident in a given country due to circumstances other than normal commercial risk.

In addition to the specific individually and collectively estimated hedges for impairment indicated above, the Entity hedges the inherent incurred losses of the remaining debt instruments not measured at fair value through profit or loss and off-balance sheet exposures classified as normal and normal risk under special surveillance through a collectively estimated generic hedge for incurred but not reported losses. Since the Bank has not developed internal methodologies for collective estimates, it uses the alternative solutions listed in Annex 9 of Circular 4/2017, which consider the type of collateral of the transaction, the credit risk segment and the age of past due amounts

The carrying amount of debt instruments carried at amortized cost is adjusted for impairment with a charge to the income statement for the period in which the impairment becomes evident and the recovery of previously recognized impairment losses, if any, is recognized in the income statement for the period in which the impairment is reversed or reduced. In the event that the recovery of any recorded amount is considered remote, it is removed from the balance sheet, although the Entity may take the necessary actions to attempt to collect the amount until its rights have been extinguished definitively by expiration, forgiveness or other causes. The remaining amount of transactions with amounts written off (partial write-off) is classified in its entirety in the corresponding category according to the credit risk attributable to the holder.

The amount of impairment losses incurred on debt securities and equity instruments included under "Financial assets at fair value through other comprehensive income" is equal to the positive difference between their acquisition cost, net of any principal repayment, and their fair value.

For debt securities, when there is objective evidence that the decline in fair value is due to impairment, unrealized losses recognized directly in "Accumulated other comprehensive income" in equity are recognized immediately in the income statement. If all or part of the impairment losses are subsequently recovered, their amount is recognized the income statement for the period of recovery. For equity instruments classified under this caption, all changes in value, including impairment losses or reversals of impairment, are recorded under "Accumulated other comprehensive income" in Shareholders' equity.

In the case of debt and equity instruments classified under "Non-current assets and disposal groups classified as held for sale", losses previously recorded in equity are considered realized and recognized in the income statement on the date of classification.

f) Acquisition and sale of assets with a resale or repurchase agreement

Purchases (sales) of financial instruments with a non-optional commitment to repurchase them at a specific price ("repos") are recorded in the balance sheet as financing granted (received) depending on the nature of the related debtor (creditor), under the caption "Financial assets at amortized cost" ("Financial liabilities at amortized cost").

Differences between the purchase and sale prices are recorded as financial interest over the life of the contract

g) Investments in subsidiaries, joint ventures and associates

I. Group entities

Group entities are those over which the Bank has control. An entity controls an investee when it is exposed, or has the right, to variable returns from its involvement in the investee and has the ability to influence those returns through the power it exercises over the investee.

In order to be considered dependent, the following must be present:

- Power: An investor has power over an investee when the investor has existing rights that give it the ability to direct the relevant activities, i.e. those that significantly affect the investee's returns.

- Returns: An investor is exposed, or entitled, to variable returns from its involvement in the investee when the returns earned by the investor from such involvement may vary depending on the economic performance of the investee. The investor's returns may be only positive, only negative or both positive and negative.

- Relationship between power and returns: An investor controls an investee if the investor not only has power over the investee and is exposed, or entitled, to variable returns from its involvement in the investee, but also the ability to use its power to influence the returns it earns from such involvement in the investee.

Investments in entities of the Banco Cooperativo Español, S.A. Group are presented in these financial statements under "Investments in subsidiaries, joint ventures and associates" in the balance sheet and are stated at acquisition cost, net of any impairment losses on these investments.

Dividends accrued during the year on these investments are recorded under "Dividend income" in the statement of income.

At 31 December 2024 and 2023 there are no significant restrictions on the ability of the entities of the Banco Cooperativo Español, S.A. Group to transfer funds to the parent entity, either in the form of dividends or repayment of loans or advances.

II. Associates

Associates are entities over which the Bank is in a position to exercise significant influence, but not control or joint control, usually because it holds 20% or more of the voting rights of the investee.

Investments in associates are presented in these annual accounts under “Investments in subsidiaries, joint ventures and associates” in the balance sheet and are measured at cost of acquisition, net of any possible impairment losses.

Dividends accrued in the year on these investments are recognised under “Dividend income” in the income statement.

Relevant information on Banco Cooperativo Español, S.A. Group companies is provided in Appendix I.

III. Impairment Calculation

The Bank estimates and recognises impairment losses on the equity instruments that constitute investments in Group companies and associates, which for the purposes of preparing these annual accounts are not considered financial instruments, as follows: when, in accordance with Circular 4/2017, there is evidence of impairment of these investments, the amount of this impairment is estimated as the negative difference between their recoverable amount (calculated as the higher of the fair value of the investment, less costs to sell, and its value in use, which is defined as the present value of the cash flows expected to be received from the investment as dividends and proceeds from its sale or other disposal) and their carrying amount.

Impairment losses on these investments and possible reversals of such losses are recorded with a charge or credit, respectively, to "Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures or associates" in the statement of income.

h) Tangible assets

Property, plant and equipment for own use are stated at acquisition cost, restated in accordance with certain legal standards and revalued as permitted by the new accounting standards, less accumulated depreciation and, if any, less any impairment losses.

Depreciation of all property, plant and equipment is calculated on a straight-line basis over the following years of estimated useful life, it being understood that the land on which the buildings and other structures are located has an indefinite life and, therefore, is not depreciated.

The annual depreciation charge for property, plant and equipment is recognized with a balancing entry in the income statement and is basically equivalent to the following depreciation rates, determined on the basis of the average years of estimated useful life of the various groups of assets:

	% Annual	**Estimated useful life (years)**
Real Estate	2	50
Furniture and fixtures	6-10	16.7-10
Computer equipment	16-33	6.3-3

The Bank reviews the depreciation method and useful life of each tangible asset at least at each year end.

Repair and maintenance costs which do not improve the related assets or extend their useful life are expensed when incurred.

i) Intangible assets

Intangible assets are considered to be identifiable non-monetary assets, albeit without physical appearance, that arise as a result of a legal transaction or have been developed internally by the Bank. Only those intangible assets whose cost can be reasonably objectively estimated and from which the Bank considers it probable that future economic benefits will flow to the Bank are recognized.

Intangible assets are initially recognized at acquisition or production cost and subsequently measured at cost less accumulated amortization and any impairment losses.

j) Leases

I. Finance leases

Finance leases are considered to be those transactions in which substantially all the risks and rewards incidental to ownership of the leased asset are transferred.

When the Bank acts as lessor of an asset, the sum of the present values of the amounts received by the lessee plus the guaranteed residual value, usually the exercise price of the lessee's purchase option at the end of the contract, is recorded as financing lent to third parties and is therefore included under "Financial assets at amortized cost" in the balance sheet.

When the Bank acts as lessee, it presents the cost of the leased assets in the balance sheet, according to the nature of the leased asset, and, simultaneously, a liability for the same amount (which will be the lower of the fair value of the leased asset or the sum of the present values of the amounts payable to the lessor plus, if applicable, the exercise price of the purchase option). These assets are depreciated using criteria similar to those applied to property, plant and equipment for own use.

In both cases, financial income and expenses arising from these contracts are credited and charged, respectively, to the income statement so that the return remains constant over the life of the contracts.

II. Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards incidental to the leased asset remain with the lessor.

When the Bank acts as lessor, it presents the acquisition cost of leased assets under "Tangible assets" in the balance sheet. These assets are depreciated in accordance with the policies established for similar tangible assets for own use and income from lease contracts is recognized in the income statement on a straight-line basis.

On January 1, 2019, Circular 2/2018 came into effect, which includes changes to lessee accounting. The single lessee accounting model requires the recognition of assets and liabilities for all lease contracts. The standard provides two exceptions to the recognition of lease assets and liabilities, which can be applied in cases of short-term contracts and those whose underlying asset is of low value.

The lessee must recognize in assets a right of use representing its right to use the leased asset, which is recorded under "Tangible assets - Property, plant and equipment for own use" in the balance sheet (see Note 11), and a lease liability representing its obligation to make lease payments, which is recorded under "Financial liabilities at amortized cost - Other financial liabilities" in the balance sheet (see Note 13).

At the lease commencement date, the lease liability represents the present value of all outstanding lease payments. The liabilities recorded in this caption of the balance sheet are measured subsequent to their initial recognition at amortized cost, which is determined in accordance with the "effective interest rate" method.

Rights of use are initially recorded at cost. This cost includes the initial valuation of the lease liability, any payments made prior to the commencement date less lease incentives received, all initial direct expenses incurred, as well as an estimate of expenses to be incurred by the lessee such as expenses related to the removal and dismantling of the underlying asset. Assets recorded in this caption of the balance sheet are valued subsequent to their initial recognition at cost less:

- Accumulated depreciation and accumulated impairment; and - Accumulated depreciation and accumulated impairment.

- Any revaluation of the related lease liability.

Interest expense on lease liabilities is recognized in the income statement under "Interest expense" (see Note 24 (b)). Variable payments not included in the initial valuation of the lease liability are recorded under "Administrative expenses - Other administrative expenses" (see Note 29).

Depreciation is calculated by applying the straight-line method to the acquisition cost of the assets over the life of the lease contract. Depreciation of tangible assets is recorded under "Depreciation and amortization" in the income statement (see Note 11).

In the event of choosing one of the two exceptions not to recognize the right of use and the related liability in the balance sheet, the related lease payments are recognized in the income statement, over the lease term or on a straight-line basis or in another manner that best represents the structure of the lease transaction, under "Other operating expenses - Other operating expenses" (see Note 28).

Income from sub-leases and operating leases is recognised under “Other operating income” in the income statement (see Note 28).

The new standard substantially carries forward the lessor accounting requirements from the previous standard. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The lessor's accounting model requires that, from inception, leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred. Leases that are not finance leases are considered operating leases.

In operating leases, if the entities act as lessors, they present the acquisition cost of the leased assets under "Tangible assets - Property, plant and equipment - Assigned under operating leases" in the balance sheet (see Note 11). These assets are depreciated in accordance with the policies adopted for similar tangible assets for own use and the income and expenses arising from the lease contracts are recognized in the income statement, on a straight-line basis, under "Other operating income" and "Other operating expenses", respectively (see Note 28).

In the case of sale and leasebacks at fair value, profit or loss on the sale is recognised, for the part effectively transferred, in the income statement at the transaction date.

k) Exchanges of assets

An "exchange of assets" is understood to be the acquisition of tangible and intangible assets in exchange for the conveyance of other non-monetary assets or a combination of monetary and non-monetary assets. For the purpose of the accompanying annual accounts, foreclosures of assets in settlement of amounts due to the companies from third parties do not constitute an exchange of assets.

Items received in an exchange of assets are measured at fair value, provided that this exchange operation could be understood to have commercial substance, as defined in applicable regulations, and when the fair value of the asset received, or the asset given up, can be estimated reliably. The fair value of the instrument received is determined as the fair value of the asset given up, plus, where applicable, the fair value of any monetary consideration given, except when there is much clearer evidence of the fair value of the asset received.

In exchanges of assets that do not meet the requirements described above, the asset received is recognised at the carrying amount of the asset given up, plus any monetary consideration paid or committed on acquisition.

l) Offsetting of balance

Receivables and payables may only be used to offset each other (and are therefore presented in the balance sheet at the net amount) if they derive from transactions in which this possibility is specified in the contract or in compliance with a legal obligation, and provided that the balances will be settled on a net basis or the asset realised and the liability settled simultaneously.

m) Financial guarantees and related provisions made

A contract is considered a financial guarantee if it requires an entity to pay specific amounts on behalf of a third party in the event that the latter is unable to do so, irrespective of the manner in which the obligation is instrumented: security deposit, bank guarantee, irrevocable documentary credit issued or confirmed by the entity, etc.

In accordance with the provisions of Bank of Spain Circular 4/2017 and in general, the Bank considers financial guarantee contracts provided to third parties as financial instruments.

On initial recognition, the Bank records financial guarantees given under liabilities at fair value plus directly attributable transaction costs, which is generally equivalent to the premium received plus the present value of any fees and commissions and similar income to be received throughout the term of these contracts, with a balancing entry under assets in the amount of fees and commissions and similar income collected at the outset of the transactions and the present value of fees and commissions and similar income receivable. Subsequently, these contracts are recognised under liabilities at the higher of the following amounts.

- The amount determined in accordance with Circular 4/2017. In this regard, financial guarantees, whatever their holder, instrumentation or other circumstances, are analyzed periodically in order to determine the credit risk to which they are exposed and, if applicable, estimate the needs to set up a provision for them; which is determined by applying criteria similar to those established for quantifying impairment losses experienced by debt instruments valued at amortized cost.

- The amount initially recorded for these instruments, less the amortization of this amount, which is taken to the income statement on a straight-line basis over the term of these contracts.

Provisions, if any, for these instruments are recorded under "Provisions - Commitments and guarantees given" on the liability side of the balance sheet. The allocation and recovery of these provisions are recorded with a balancing entry under "Provisions or (-) reversal of provisions" in the income statement.

In the event that, in accordance with the foregoing, it is necessary to record a provision for these financial guarantees, the unearned commissions associated with these transactions, which are recorded under the caption "Financial liabilities at amortized cost - Other financial liabilities" on the liability side of the balance sheet, are reclassified to the corresponding provision.

n) Forign currency transactions

I. Functional currency

The Bank's functional currency is the euro. Consequently, all balances and transactions denominated in currencies other than the euro are considered to be denominated in "foreign currency".

II. Translation of foreign currency balances

Foreign currency balances are translated as follows:

- Monetary assets and liabilities, by application of the average official exchange rate of the Spanish spot foreign exchange market at year-end.

- Income and expenses, applying the exchange rate of the transaction date.

III. Recording of exchange differences

Exchange differences arising on translation of balances denominated in foreign currencies are recorded in the income statement (see Notes 27 and 34.5).

o) Equity instruments

Instruments issued by the Bank are considered equity capital only when the following conditions are met:

- They do not include any contractual obligation for the issuer:
  - deliver cash or other financial assets to a third party; or
  - exchange financial assets or financial liabilities with third parties under conditions that are potentially unfavorable to the Entity.
- They will or may be settled in the issuer's own equity instruments and are:
  - a non-derivative that includes no obligation for the issuer to deliver a variable number of its own equity instruments; or
  - a derivative that will be settled by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A financial instrument that does not meet the conditions of the two preceding paragraphs, even if it is a financial derivative that can or must be settled by the issuer delivering or receiving in the future its own equity instruments, is not an equity instrument.

Transactions in own equity instruments, including their issue and redemption, are recognized directly in the Entity's equity and no gain or loss is recognized as a result. The costs of any transactions involving own equity instruments are deducted directly from equity, less any related tax effect.

Changes in the value of instruments classified as equity instruments are not recognized in the financial statements; consideration received or given in exchange for such instruments is added to or deducted directly from the Entity's equity.

p) Recognition of Income and expenses

The most significant criteria used by the Bank to recognise income and expenses are summarised as follows:

I. <u>Interest income and expense and similar items</u>

As a general rule, interest income, interest expenses and similar items are recognised on an accruals basis using the effective interest method. Dividends received from other companies are recognised as income when the Bank’s right to receive them is established.

II. Commissions, fees and similar items

Fee and commission income and expenses are recognised in the income statement using criteria that vary according to their nature. The most significant are as follows:

- Those relating to financial assets and financial liabilities at fair value through profit or loss are recognised upon collection.

- Those originating from transactions or services carried out over an extended period are deferred over the term of the transactions or services.

- Those relating to the provision of a service in a single act are recognised when the single act is carried out.

III. Non-interest income and expenses

They are recognized for accounting purposes on an accrual basis.

q) Assets under management

Assets owned by third parties and managed by Banco Cooperativo Español, S.A. Group companies are not disclosed in the balance sheet. Details of the third-party assets managed by the Banco Cooperativo Español, S.A. Group at 31 December 2024 and 2023 are disclosed in note 22.

r) Post-employment benefits

The Bank recognises the present value of defined benefit pension commitments, net of the fair value of the plan assets and the past service cost, the recognition of which is deferred as explained below, in "Provisions - Pensions and other post-employment defined benefit obligations" under liabilities, or in "Other assets - Insurance contracts linked to pensions" under assets, depending on whether the difference is negative or positive, and provided that the recognition criteria set out in Banco de España Circular 5/2013 are met.

Plan assets are assets linked to a specific defined benefit commitment that will be used to directly settle these obligations. They have the following characteristics: they are not owned by the Bank, but rather by a legally separate third party not related to the Bank; they are only available to settle or finance post-employment benefits payable to employees; they can only be returned to the Bank when the remaining plan assets are sufficient to meet all obligations of the plan or of the Entity relating to current or former employee benefits or to reimburse employee benefits already settled by the Bank.

If the Bank is able to demand payment from an insurer of part or all of the disbursement required to settle the defined benefit obligation, and it is practically certain that the insurer will reimburse some or all of the disbursements required to settle the obligation, but the insurance policy does not qualify as a plan asset, the Bank recognises this reimbursement right in "Insurance contracts linked to pensions", under assets in the balance sheet. This right is treated as a plan asset in all other respects.

Actuarial gains and losses are deemed to be those arising from differences between previous actuarial assumptions and what has actually occurred in the plan and from changes in the actuarial assumptions used.

The Bank recognises any actuarial gains and losses arising on post-employment commitments with employees in the year in which they are generated or incurred, with a credit or debit to the income statement.

The past service cost, incurred due to modifications to existing post-employment benefits or on the introduction of new benefits, is recognised in the income statement on a straight-line basis over the period between the date the new commitments arise and the date these benefits are vested.

Post-employment benefits are recognized in the income statement as follows:

- The current service cost, defined as the increase in the present value of the obligations resulting from employee service in the current period, is recognised under "Administrative expenses - Personnel expenses".

- The interest cost, defined as the increase during the year in the present value of the obligations as a result of the passage of time, is recognised under "Interest expenses". When obligations are presented under liabilities net of plan assets, the cost of the liabilities recognised in the income statement is only that relating to the obligations recorded under liabilities.

- The expected return on the assets recorded on the assets side of the balance sheet allocated to hedge commitments and the gains and losses on their value, less any costs arising from their administration and taxes affecting them, under "Interest income".

Under the collective labour agreement currently in force, the Bank has undertaken to supplement the public social security system benefits accruing to certain employees, and to their beneficiary right holders, for retirement, permanent disability, death of spouse or death of parent, and other benefits.

In 2000, in application of the provisions of Royal Decree 1588/1999, the Bank externalized its pension commitments through an insurance contract signed with Seguros Generales Rural, S.A., de Seguros y Reaseguros.

Details of the present value of the Bank's post-employment benefit obligations at the 2024 and 2023 reporting dates are as follows:

	Thousands of euros	
	2024	**2023**
Present value of obligations	(1,325)	(1,124)
Fair value of plan assets	1,325	1,124
Difference Positive/(Negative)	-	-

The amount of the obligations was determined by independent actuaries applying, the following criteria:

1. *Calculation method:* "projected unit credit", which considers each year of service as generating an additional unit of benefit entitlement and values each unit separately.

2. *Actuarial assumptions used:* unbiased and mutually compatible. Specifically, the most significant actuarial assumptions considered in their calculations are as follows:

	2024	**2023**
Annual technical interest rate	3.26%	3.47%
Mortality tables	PERMF2020	PERMF2020
Expected rate of return on plan assets	3.26%	3.47%
Annual growth rate of wages (*)	N/A	N/A
Annual rate of revision of Social Security pensions (*)	N/A	N/A

(*) These assumptions are not used in the actuarial study for 2024 and 2023 since the Bank has no employees with pension rights.

In 2014, the Bank implemented a defined contribution Supplementary Social Security System through a pension plan signed with the insurance company Seguros Generales Rural, S.A., de Seguros y Reaseguros, as established in Article 45.6 of the XXIV Banking Collective Bargaining Agreement, in favour of employees a contribution of Euros 550 for 2023 and taking into account the amendment of RD 668/2023 of 18 July The same shall be made for all employees with one month's seniority and economic rights in favour of the employee in the event of leave for reasons other than retirement

s) Termination benefits

In accordance with current legislation, the Bank pays compensation to those employees whose services are discontinued without just cause. Termination benefits are accounted for as a provision for pensions and similar obligations and as personnel expenses when the Entity has clearly undertaken a commitment to dismiss an employee or group of employees before their retirement date or to compensate an employee or group of employees to encourage their voluntary departure from the company.

t) Income tax

The income tax expense for the year is recognized in the income statement except when it is the result of a transaction whose results are recorded directly in equity, in which case the corresponding tax effect is also recorded in equity.

The income tax expense for the year is determined by the tax payable with respect to the taxable income for the year, after taking into account the changes in the year arising from temporary and permanent differences, tax credits, tax relief and tax loss carryforwards.

Deferred tax assets and liabilities include temporary differences, identified as the amounts expected to be paid or recovered in respect of the difference between the carrying amount of the assets and liabilities and their tax base (tax value).

Deferred tax assets, credits and deductions and loss carryforwards are only recognised when it is considered likely that the Bank will generate sufficient future taxable profit against which they can be utilised.

Deferred tax assets and liabilities are quantified by applying to the corresponding temporary difference or credit the tax rate at which it is expected to be recovered or settled.

Deferred tax liabilities are always recognised, except when goodwill is recognised or when they arise on accounting for investments in subsidiaries, associates or joint ventures where the investor is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the future. Nevertheless, deferred tax assets and liabilities are not recognised if they arise from the initial recognition of an asset or liability other than a business combination that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognised are reassessed at year end to determine whether they still exist, and the appropriate adjustments are made based on the findings of the analyses performed.

Income or expenses recorded directly in equity are recorded as temporary differences.

u) Statement of cash flows

The Bank reports its cash flows applying the indirect method, using the following expressions and classification criteria:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to a low risk of changes in value.

- Operating activities: typical activities of credit institutions and other activities that cannot be classified as investing or financing.

- Investing activities: the acquisition, sale or other disposal of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and liabilities and that are not operating activities.

When preparing the statement of cash flows, “Cash, cash balances at central banks and other demand deposits” have been considered as cash and cash equivalents.

v) Statement of recognized income and expense

This statement comprises income and expenses generated or incurred by the Bank during the year in the ordinary course of business, distinguishing between amounts recognised in the income statement for the year and those recognised directly in equity, in accordance with current legislation.

Accordingly, this statement presents:

a) Profit or loss for the year.

b) Net income and expenses recognised temporarily as valuation adjustments in equity.

c) Net income and expenses recognised permanently in equity.

d) Accrued income tax payable or recoverable in respect of the items listed in points b) and c) above.

e) Total recognised income and expenses, calculated as the sum of the preceding points.

The changes in income and expenses recognised in equity as valuation adjustments are as follows:

a) Valuation gains (losses): income, net of expenses incurred during the year, recognised directly in equity. Amounts recognised in this line item during the year continue to be carried in this line item at the initial value of other assets or liabilities, even when they are transferred to the income statement in the same year, or they are reclassified to another line item.

b) Amounts transferred to the income statement: valuation gains or losses previously recognised in equity, even in the same period, which are accounted for in the income statement.

c) Amounts transferred to the initial value of hedged items: valuation gains or losses previously recognised in equity, even in the same period, which are accounted for in the initial value of assets or liabilities as a result of cash flow hedges.

d) Other reclassifications: transfers between valuation adjustments during the year in accordance with criteria established under current legislation.

The amounts disclosed in these items are presented gross, and the related tax effect is recognised under “Income tax”.

w) Statement of changes in total equity

This statement presents all changes in equity, including those arising from changes in accounting criteria and the correction of errors. This statement therefore shows a reconciliation of the opening and closing carrying amounts of all items that make up equity, grouping movements according to their nature, as follows:

a) Adjustments due to changes in accounting criteria and correction of errors: which include changes in equity arising as a result of the retroactive restatement of balances in the financial statements due to changes in accounting criteria or correction of errors.

b) Income and expenses recognized during the year: includes, on an aggregate basis, the total of the items recorded in the Statement of Recognized Income and Expenses indicated above.

c) Other changes in equity: the remaining items recognised in equity, such as increases or decreases in share capital, distribution of profit or application of losses, transactions with own equity instruments, equity-settled payments, transfers among components of equity and any other increases or decreases in equity.

3. Distribution of income and earnings per share

Distribution of results

The proposed distribution of the Bank's profit for 2023, prepared by the board of directors and pending approval by the Shareholders at their Annual General Meeting is as follows:

	Thousands of euros
Profit for 2024	65,213
Distribution	
Interim dividend	-
Reserves:	65,213
Legal	1,912
Voluntary	63,301

The distribution of the Bank's profit for 2023 by the shareholders at their annual general meeting held on June 20, 2024 was as follows:

	Thousands of euros
Profit for 2023	47,213
Distribution	
Interim dividend	-
Reserves:	47,213
Legal	1,867
Voluntary	45,346

Earnings per share

Earnings per share are calculated by dividing the net profit by the number of ordinary shares outstanding during the year:

	2024	**2023**
Net income (thousands of euros)	65,213	47,213
Number of ordinary shares outstanding (see Note 18)	2,722,633	2,563,567
Earnings per share (euros)	23.95	18.42

4. Information on the members of the Bank's Board of Directors and Senior Management

Remuneration to the Board of Directors

Details of gross remuneration received by members of the Bank's Board of Directors for allowances in 2024 and 2023 are as follows:

	Thousands of euros		
Board Members	**2024**	**2023**	
Mr. Ignacio Arrieta del Valle (Chairman)	13	13	
Mr. Carlos Martínez Izquierdo	13	13	
Mr. Cipriano García Rodríguez (1)	13	14	
Ms. Dagmar Werner	12	12	
Mr. Fernando Berge Royo	12	13	
Mr. Fernando Martínez Rodríguez	13	15	
Mr. Francisco López Luque	13	13	
Mr. Jerónimo Luque Frías	13	11	
Mr. Jesús María Hontoria Ramos	13	11	
Mr. Jochen Philipp	13	11	
Mr. José Luis García-Palacios Álvarez	13	13	
Mr. Manuel Ruiz Escudero	33	35	
Mr. Pedro Palacios Gómez	33	32	
Mr. Carlos Martínez Izquierdo	13	12	
Mr. Juan Nuñez Pérez	13	5	Director since 06/22/2023
Totals	**233**	**223**	

(1) Since July 2023, per diems are paid to the Board Member, previously received by Caja Rural de Zamora, SCC.

Public liability insurance

The Directors and Executives of the Bank have a public liability insurance policy, for which the premium is borne by the Spanish Association of Rural Savings Banks. In 2024 and 2023, this item had no impact on the Bank's income statement.

Loans

The Group has extended no loans to the Bank's Directors at 31 December 2024 or 2023.

Conflicts of interest concerning the Directors

The Directors of the Bank and their related parties have had no conflicts of interest requiring disclosure in accordance with articles 228 and 229 of the Revised Spanish Companies Act, amended by Law 31/2014 of 24 December 2014.

Remunerations of Senior Management

For the purposes of preparing the accompanying annual accounts, senior management comprises the 11 members of the Bank's steering committee in 2024 and 2023, considered to be key management personnel within the Bank.

The following table details the remuneration received by Senior Management personnel in 2024 and 2023:

	Thousands of euros					
	Remuneration received		**Remuneration deferred in the year (*)**		**Total**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Senior Management	2,056	2,127	279	183	2,335	2,310

***(*)** This compensation accrued during 2024 and 2023 is pending payment at 31 December 2024 and 2023.*

The characteristics of the variable remuneration model approved by the remuneration committee and board of directors include the following:

- Under no circumstances may the variable component of the remuneration exceed 100% of the fixed component. Any increase in the maximum ratio described above will require the express approval of the shareholders at their general meeting and must comply with applicable legislation at any given time.

- The Bank does not guarantee the payment of variable remuneration

- In addition to business performance, qualitative criteria that act as an incentive to work in the customer's interest will also be taken into consideration when determining variable remuneration, such as compliance with regulatory requirements in terms of standards for conduct, an equitable treatment of customers and customer satisfaction ratings, among others.

- The remuneration system must be sufficiently flexible so that implementation of the remuneration policy will enable the Bank to withhold variable remuneration.

- There will be no direct link between remuneration and the sale of certain financial instruments or specific product categories. The remuneration policy of Banco Cooperativo Español, S.A. is designed to discourage employees from furthering their own personnel interests or those of the Bank over those of the customer.

- The remuneration policy takes into consideration the impact that variable remuneration may have on the Bank's capital, and assesses the impact of remuneration flows on the Bank's capital planning and capital measurement, by determining that total variable remuneration does not impinge on the Bank's capacity to strengthen its capital base.

- Ex-post adjustments enable the Bank to reduce (malus clauses) or recover (clawback clauses) variable remuneration in the event of a "significant increase in the Bank's capital requirements, or those of the business unit in which the person belonging to the identified group carries out his/her activity, that had not been foreseen when the exposures were generated", as per that set forth in rule 39.5 of Circular 2/2016.

- The applicable remuneration policy has been designed to create a balanced and efficient ratio between the fixed and variable pay components.

- The annual variable remuneration components are tied to achieving the following objectives, among others:

    - Professional development objectives.

    - Quantitative objectives.

    - Qualitative objectives, including those related to projects and quality. In this regard, quality objectives depend on each area or department.

    - Performance assessment, in which factors such as customer focus, results, leadership and cooperation, proactivity and excellence will be measured.

    Additionally, all risks to which the Bank's activity is exposed are taken into account when accruing the variable remuneration, and compliance with the risk parameters pertaining to each area is mandatory. In the event of non-compliance with any of the risk parameters, the annual variable remuneration is adjusted in line with the severity of the non-compliance event, which may lead to the loss of the variable remuneration linked to achievement of the objective.

Deferral

- 40% of the variable remuneration is deferred over a period of four years, the payment schedule being as follows ("Deferred Variable Remuneration"):

    - One fourth is payable one year after the scheduled date for employees and management of the Bank ("General Payment Date") in general. 50% cash and 50% share-based with a retention period of one year.

    - One fourth is payable two years after the general payment date. 50% cash and 50% share-based with a retention period of one year.

    - One fourth is payable three years after the general payment date. 50% cash and 50% share-based with a retention period of one year.

    - One fourth is payable four years after the general payment date. 50% cash and 50% share-based with a retention period of one year.

- The remaining 60% of variable remuneration shall be paid as follows:

    - 50% in cash at the general payment date.

    - 50% as share-based payment with a one-year retention period, i.e. it shall not be effective earlier than one year after the general payment date.

Instruments

- The remuneration policy includes a clause whereby Banco Cooperativo Español will pay at least 50 per cent of the variable remuneration, both deferred and non-deferred, by way of an instrument linked to the positive or negative performance of total own funds of Banco Cooperativo Español and subsidiaries. The purpose is to link variable remuneration to the positive or negative results of the Bank, thereby aligning the Bank's remuneration policy with the requirements of applicable legislation on the remuneration of credit institutions.

- In this regard, as set forth in the remuneration policy, the equity instrument provided to members of the identified group as part of their variable remuneration, whether deferred or non-deferred, will be withheld for a period of one year.

Principle of proportionality

Article 32.1 of the Law on the organisation, supervision and solvency of credit institutions (hereinafter LOSS) includes the express possibility of applying remuneration requirements at credit institutions "that are commensurate with their size, internal organisation and the nature, scope and complexity of their activities" (the principle of proportionality).

Royal Decree-Law 7/2021 was published on 28 April 2021 to transpose the CRD V into Spanish law, amending the LOSS and including in article 34.2 thereof the transposition of the principle of proportionality in practically the same terms as are set out in CRD V:

"By way of derogation from paragraph 1, the requirements set out in points (l) and (m) and in the second paragraph of point (ñ) of that paragraph shall not apply to:

a) an institution that is not a large institution as defined in point (146) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 and the value of the assets of which is on average and on an individual basis in accordance with this Directive and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 equal to or less than Euros 5 billion over the four-year period immediately preceding the current financial year, or since its incorporation if it has existed for fewer than four years

b) a staff member whose annual variable remuneration does not exceed Euros 50 000 and does not represent more than one third of the staff member's total annual remuneration".

Gender distribution of the Board of Directors

At 31 December 2024, the members of the Board of Directors were 14 men and 1 woman (14 men and 1 woman at 31 December 2023).

5. Cash, cash balances at central banks and other demand deposits

Details at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Box	442	475
Cash balances at central banks		
Bank of Spain		
Current Account	2,860,623	3,249,873
Other demand deposits	39,640	39,086
Totals	**2,900,705**	**3,289,434**

Details of residual maturity and the interest rate repricing matrix for the items comprising the balances in this balance sheet caption, as well as information on credit, liquidity and market risks assumed by the Bank in relation to financial assets included in this category, are provided under Risk Management (see note 34).

6. Financial assets and financial liabilities held for trading

Details of these balance sheet items, by type of instrument, at 31 December 2024 and 2023, are as follows:

	Thousands of euros	
	2024	**2023**
Assets		
Derivatives	1,635,843	1,755,067
Equity instruments	3,115	3,070
Debt securities	14,410	50,514
Total Assets	**1,653,368**	**1,808,651**
Liabilities		
Derivatives	1,613,939	1,747,898
Total Liabilities	**1,613,939**	**1,747,898**

Information on credit, liquidity and market risks assumed by the Bank in relation to financial assets included in this category, as well as details of the distribution of the carrying amount of the most significant financial assets disclosed, based on geographical area and activity segment is provided under Risk Management in note 34, and certain information on the fair value of these assets is provided in note 23.

Financial assets and liabilities held for trading. Trading derivatives

The derivatives portfolio arises from the Bank's need to manage the risks to which it is exposed in the ordinary course of business, and the need to market these products to customers. At 31 December 2024 and 2023, derivatives were mainly arranged on OTC markets, the counterparties were credit institutions and other non-financial corporations, and they were associated with currency, interest rate and share risk.

Details, by type of risk and type of product or market, of the fair value as well as notional amounts relating to financial derivatives recognised on the balance sheets, differentiating between official and OTC market arrangements, at 31 December 2024 and 2023, are as follows:

	Thousands of euros					
	31.12.2024			31.12.2023		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Interest rate	**1,609,448**	**1,588,205**	**31,898,515**	**1,726,895**	**1,720,944**	**33,509,283**
OTC options	1,754	1,754	171,860	123	123	24,274
Other OTC	1,607,694	1,586,451	31,716,655	1,726,772	1,720,821	33,447,609
Options in organized markets	-	-	-	-	-	-
Others in organized markets	-	-	10,000	-	-	37,400
Equity instruments	**3,277**	**3,448**	**2,916,090**	**7,255**	**7,403**	**3,816,626**
OTC options	2,121	2,121	10,194	3,573	3,572	29,020
Other OTC	1,156	1,327	2,905,896	3,682	3,831	3,787,606
Options in organized markets	-	-	-	-	-	-
Others in organized markets	-	-	-	-	-	-
Foreign exchange and gold	**23,118**	**22,286**	**353,898**	**20,917**	**19,551**	**379,694**
OTC options	20	20	1,011	2	2	480
Other OTC	23,098	22,266	352,887	20,915	19,549	379,214
Options in organized markets	-	-	-	-	-	-
Others in organized markets	-	-	-	-	-	-
Credit	-	-	-	-	-	-
Default swaps	-	-	-	-	-	-
Options on the credit spread	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-
Others	-	-	-	-	-	-
Raw materials	-	-	-	-	-	-
Others	-	-	-	-	-	-
Derivatives	**1,635,843**	**1,613,939**	**35.168.503**	**1,755,067**	**1,747,898**	**37,705,603**
Of which: OTC - credit institutions	*1,376,873*	*925,596*	*20,719,279*	*1,462,418*	*987,059*	*21,037,954*
Of which: OTC - other financial corporations	*258,494*	*686,352*	*14,404,492*	*289,270*	*758,067*	*16,550,842*
Of which: OTC - rest	*476*	*1,991*	*34,732*	*3,379*	*2,772*	*79,407*

Financial assets held for trading. Equity instruments

Details at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Other financial companies	3,115	3,070
Totals	**3,115**	**3,070**

Financial assets held for trading. Debt securities

Details of balances of debt securities by counterparty are as follows:

	Thousands of euros	
	2024	**2023**
General governments	14,410	46,636
Credit institutions	-	2,073
Other financial corporations	-	-
Non-financial corporations	-	1,805
Totals	**14,410**	**50,514**

At 31 December 2024, the Bank had no securities on loan or pledged as collateral (at 31 December 2023).

7. Non-trading financial assets mandatorily measured at fair value through profit or loss

A breakdown of this item by type of instrument at 31 December 2024 and 2023 is as follows:

	Thousands of euros	
	2024	**2023**
By type of instrument		
Equity instruments	1,651	1,128
Debt securities	-	5
Loans and advances	1	1
Totals	**1,652**	**1,134**

Information on credit, liquidity and market risks assumed by the Bank in relation to financial assets included in this category, as well as details of the distribution of the carrying amount of the most significant financial assets disclosed, based on geographical area and activity segment is provided under Risk Management in note 34, and certain information on the fair value of these assets is provided in note 23.

A breakdown of this item by geographical area and category of counterparty at 31 December 2024 and 2023 is as follows:

	Thousands of euros	
	2024	**2023**
By geographic area		
Spain	1,652	1,134
Rest of European Union	-	-
Other	-	-
Totals	**1,652**	**1,134**
Counterparty		
Other financial corporations	1,651	1,128
Non-financial corporations	1	6
Total	**1,652**	**1,134**

8. Financial assets designated at fair value with changes in other comprehensive income

Details of this item, by instrument and counterparty, are as follows:

	Thousands of euros	
	2024	**2023**
Equity instruments	**59,163**	**60,756**
Shares of Spanish companies	59,163	60,756
Credit institutions	4,430	3,922
Other financial companies	19,315	16,203
Non-financial companies	35,418	40,631
Shares of foreign companies	-	-
Debt securities	**2,343,665**	**1,410,556**
Central banks	-	-
Public administrations	1,345,155	608,519
Credit institutions	539,627	415,623
Other financial companies	191,909	141,808
Non-financial companies	269,985	247,302
Impairment losses	(3,011)	(2,696)
Total	**2,402,828**	**1,471,312**

Loaned or pledged securities amounted to Euros 362,179 thousand at 31 December 2024 (Euros 578,311 thousand in 2023)

Information on credit, liquidity and market risks assumed by the Bank in relation to financial assets included in this category, as well as details of the distribution of the carrying amount of the most significant financial assets disclosed according to geographical areas and activity segment, are provided under Risk Management in note 34, and certain information on the fair value of these assets is provided in note 23.

Past-due and impaired assets

Allowances and provisions for debt instruments were recognised in the income statement in 2024 in an amount of Euros 719 thousand (provision for impairment of Euros 494 thousand in 2023) (see note 31).

Details of movement in changes in the value of financial assets classified in this category are provided in note 17 "Accumulated Other Comprehensive Income".

9. Financial assets at amortized cost

Details of the balances of this item at 31 December 2024 and 2023, based on the nature of the financial instrument giving rise to them, are as follows:

	Thousands of euros	
	2024	**2023**
Debt securities	**2,753,147**	**3,247,860**
Of which: Impairment losses	-	-
Loans and advances to credit institutions	**2,039,163**	**2,413,028**
Of which: Impairment losses	*(771)*	*(702)*
Loans and advances to customers	**1,358,535**	**1,339,630**
Public administrations	61,657	75,444
Other financial companies	719,751	687,401
Non-financial companies	487,080	481,882
Homes	90,047	94,903
Of which: Impairment losses	*(16,824)*	*(12,569)*
Total	**6,150,845**	**7,000,518**

Information on credit, liquidity and market risks assumed by the Bank in relation to financial assets included in this category, as well as details of the distribution of the carrying amount of the most significant financial assets disclosed, based on geographical area and activity segment is provided under Risk Management in note 34, and certain information on the fair value of these assets is provided in note 23.

Financial assets at amortized cost. Debt securities

Details at 31 December 2024 and 2023, by instrument, are as follows:

	Thousands of euros	
	2024	**2023**
Public Administrations	2,732,728	3,227,540
Other financial companies	20,419	20,320
	2,753,147	**3,247,860**
Impairment losses	-	-
Total	**2,753,147**	**3,247,860**

During 2024 financial year, fixed income securities were reclassified from the fair value portfolio with changes in other comprehensive income to the amortized cost portfolio for a nominal value of EUR 332 million, whose fair value at the date of reclassification amounted to EUR 421 million and their gross valuation adjustments negative to EUR 2,980 thousand).

During the 2024 financial year, there were maturities of securities registered in this portfolio for a nominal value of 460 million euros (during the 2023 financial year, there were no maturities of securities registered in this portfolio).

At 31 December 2024 and 2023 there were no assets in this portfolio which could have individually been considered impaired due to credit risk.

Loaned or pledged securities amounted to Euros 432,475 thousand (Euros 1,796,350 thousand at 31 December 2023).

Financial assets at amortized cost. Loans and advances to credit institutions.

Details by instrument are as follows:

	Thousands of euros	
	2024	**2023**
Credit card debt	16	18
Reverse repurchase loans	616,469	754,257
Other term loans	214,080	181,085
Advances other than loans	1,208,598	1,477,668
Total	**2,039,163**	**2,413,028**
Of which:		
Impairment losses	*(771)*	*(702)*

Financial assets at amortized cost. Loans and advances to customers.

Details by instrument and transaction status are as follows:

	Thousands of euros	
	2024	**2023**
On demand and short notice (current account)	8,740	3,792
Credit card debt	783	797
accounts receivable	116,453	132,317
Finance leases	6,679	5,291
Other term loans	610,223	1,145,201
Advances other than loans	615,657	52,232
Totals	**1,358,535**	**1,339,630**
Of which:		
Impaired assets	*6,215*	*3,912*
Impairment losses	*(16,824)*	*(12,569)*

Impact on credit risk hedges due to macroeconomic situation

The social and political events of recent years continue to have an impact on the global macroeconomic environment. The war in Ukraine and Russia and war conflicts in the Middle East have caused instability and volatility in the markets, affecting energy and commodity prices. The future evolution of these conflicts remains uncertain.

The policies of the new United States administration add an additional factor of uncertainty for the global economy. Some of the recently proposed measures, such as higher tariffs on imports and increased immigration control, could intensify inflationary pressures and slow economic growth. In addition, fiscal, regulatory, industrial and foreign affairs decisions could contribute to greater financial and macroeconomic volatility.

In the euro zone, as inflationary pressures have moderated, the European Central Bank has been gradually lowering interest rates, which began in 2024 at 4.5% and ended at 3%. Nevertheless, monetary policy remains restrictive, which has a significant impact on economic activity and on the payment capacity of companies and households.

At the national level, political, regulatory and economic uncertainty has intensified since the July 2023 general elections, with the risk that certain policies could negatively affect the economy. Also, political tensions in other European countries could have an impact on Spain's financial variables. In addition, the country has experienced extreme weather events, such as the recent DANA in Valencia and other regions, which have caused significant damage to key sectors such as agriculture, real estate and tourism. These events, added to existing macroeconomic pressures, could aggravate the payment capacity of certain borrowers and affect the quality of financial assets.

In this context of high uncertainty, accounting regulators and banking supervisors continue to recommend taking specific measures to mitigate the effects of these circumstances on the calculation of expected losses under the applicable regulations, as well as on solvency. Institutions are urged to evaluate all available information, giving greater weight to long-term forecasts versus short-term economic conditions.

The common denominator of all the recommendations is that, considering the high degree of uncertainty as to the depth, duration and scope of the current economic situation, the difficulty of preparing reliable macroeconomic forecasts and the need to incorporate the effects of government mitigating measures, it is advisable and necessary to exercise extreme caution and take all measures that allow the Bank to anticipate and minimize the impact on its balance sheet and income statement.

In this regard, the Bank considers such recommendations in the calculation of expected losses for credit risk under the applicable standard of Annex 9 of Circular 4/2017, taking into account the effects of high energy and raw material costs, the evolution of interest rates and the impacts derived from natural disasters and geopolitical conflicts. To this end, the following recommendations, among others, have been considered:

- Identify those sectors or groups of borrowers within its scope of action that are most vulnerable to the generalized rise in operating and financial costs, the effects of geopolitical instability and the impacts of adverse weather events, in order to actively manage their risks and prudently recognize impairment provisions to achieve conservative coverage levels.

- Maintain updated appraisals of collateral and foreclosed assets, taking into consideration the new circumstances of the real estate market, as well as the possible impacts derived from extreme weather phenomena, quantifying the potential effects in the event of a drop in real estate prices.

Considering the above, at 31 December 2024 and 2023, the Bank maintains, for this concept, an impairment for credit risk additional to that required in Annex 9 of Circular 4/2017, of Euros 10,507 and Euros 7,936 thousand, respectively, mainly associated with exposures to sectors that could be more affected by the increases in energy and raw material costs and by the relevant increase in financing costs.

10. Investments in subsidiaries, joint ventures and associates

Details at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Rural Informática, S.A.	2,602	2,603
Rural Real Estate, S.L.	3,486	3,486
BCE Formación, S.A.	60	60
Rural Renting, S.A.	600	600
Totals	**6,748**	**6,749**

None of the securities included in this item at 31 December 2024 and 2023 are quoted on official markets.

Appendix I includes certain relevant information on the Bank's investees.

11. Tangible assets

Movement in 2024 and 2023 is a follows:

	Thousands of euros			
	Buildings/ Right-of-use assets	**Furniture and fixtures**	**IT equipment**	**Total**
Cost				
Balances at 31 December 2022	4,010	4,509	5,513	14,032
Additions	88	155	469	712
Disposals	-	-	-	-
Balances at 31 December 2023	4,098	4,664	5,982	14,744
Additions	4,104	131	591	4,826
Disposals	(3,488)	(2,942)	(3,664)	(10,094)
Balances at 31 December 2024	4,714	1,853	2,909	9,476
Accumulated depreciation				
Balances at 31 December 2022	(2,934)	(3,587)	(4,589)	(11,110)
Allowances	(1,095)	(188)	(451)	(1,734)
Reversals	-	-	-	-
Balances at 31 December 2023	(4,029)	(3,775)	(5,040)	(12,844)
Allowances	(978)	(184)	(467)	(1,629)
Reversals	3,489	2,942	3,664	10,095
Balances at 31 December 2024	(1,518)	(1,017)	(1,843)	(4,378)
Net tangible assets				
Balances at 31 December 2023	**69**	**889**	**942**	**1,900**
Balances at 31 December 2024	**3,196**	**836**	**1,066**	**5,098**

At 31 December 2024 and 2023 the cost of fully depreciated tangible assets for own use amounts to Euros 838 thousand and 10,294 thousand, respectively.

During 2024 financial year, the Bank recognised Euros 3,872 thousand (Euros 88 thousand in 2023) in respect of right-of-use assets for leases (see Note 2 (j)).

At 31 December 2024 and 2023, the Bank has no items of property, plant and equipment on which there are any ownership restrictions, or which are pledged as collateral. Neither does it have any commitments to acquire property, plant and equipment from third parties. No compensation or indemnities for the impairment or decline in value of property, plant and equipment for own use were received from third parties in those years, nor are they expected to be received.

12. Intangible assets

Movement in 2024 and 2023 is a follows:

	Thousands of euros
	Other Intangible Assets
Cost	
Balances at 31 December 2022	21,479
Additions	1,777
Disposals	(12)
Balances at 31 December 2023	23,244
Additions	3,988
Disposals	(10,459)
Balances at 31 December 2024	16,773
Accumulated depreciation	
Balances at 31 December 2022	(19,430)
Allowances	(1,404)
Reversals	12
Balances at 31 December 2023	(20,822)
Allowances	(1,835)
Reversals	10,459
Balances at 31 December 2024	(12,198)
Net intangible assets	
Balances at 31 December 2023	**2,422**
Balances at 31 December 2024	**4,575**

At 31 December 2024 and 2023 the cost of fully amortised intangible assets for own use in service amounts to Euros 8,390 thousand and Euros 18,009 thousand, respectively.

13. Financial liabilities at amortized cost

Details at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	2024	2023
Deposits		
Central bank deposits	-	55,423
Deposits from credit institutions	6,542,326	6,806,447
Customer deposits	2,267,606	2,329,225
Debt securities issued	179,756	29,480
Other financial liabilities	1,149,614	1,255,337
Totals	**10,139,302**	**10,475,912**

Debt securities issued

The amount recorded under this caption corresponds to the balance pending maturity at 31 December 2024 and 2023 of the Banco Cooperativo Español, S.A. Promissory Note Issuance Program admitted to trading on AIAF Mercado de Renta Fija, with Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores ("IBERCLEAR") being the entity in charge of the accounting record.

The maximum outstanding balance of the Program is 1,000,000,000 euros, with a unit value of the promissory notes of 100,000 euros. The term of the program is twelve months from the date of admission of the program in AIAF and the maturity of the securities to be issued will be between a minimum of 3 business days and a maximum of 364 calendar days.

The investors to whom the promissory notes are offered are exclusively professional clients.

Details of residual maturity and the interest rate repricing matrix for the items comprising the balances in this balance sheet caption are provided under Risk Management (see note 34). Note 23 includes information on the fair value of financial instruments included in this caption.

Deposits from central banks and deposits from credit institutions

Details at 31 December 2024 and 2023, by nature, are as follows:

	Thousands of euros					
	Central bank deposits		Deposits from credit institutions		Total	
	2024	2023	2024	2023	2024	2023
Current accounts / overnight deposits	-	-	5,463,161	4,429,498	5,463,161	4,429,498
Deposits redeemable at notice	-	55,423	989,736	919,018	989,736	974,441
Repurchase agreements	-	-	89,429	1,457,931	89,429	1,457,931

Totals	-	**55,423**	**6,542,326**	**6,806,447**	**6,542,326**	**6,861,870**

At 31 December 2024, there was no balance in "Deposits from central banks", since the Bank did not hold term deposits taken from the European Central Bank through the Bank of Spain. During 2024, the European Central Bank's TLTRO III facility drawdowns, which matured in March 2024, were repaid in full. The balance of "Deposits from central banks" on the balance sheet at 31 December 2023 corresponded entirely to term deposits taken from the European Central Bank through the Bank of Spain. The amount recorded included the drawdowns of the European Central Bank's TLTRO III facilities amounting to Euros 55,423 thousand at 31 December 2023, which generated interest expenses of Euros 519 in 2024 (interest income of Euros 1,730 thousand in 2023).

Customer deposits

Details at 31 December 2024 and 2023, by nature, are as follows:

	Thousands of euros	
	2024	**2023**
Current accounts / overnight deposits	1,625,271	1,288,836
Deposits redeemable at notice	491,323	467,829
Repurchase agreements	151,012	572,560
Totals	**2,267,606**	**2,329,225**

Likewise, details by type of counterparty are as follows:

	Thousands of euros	
	2024	**2023**
General governments	887,978	614,087
Other financial corporations	1,030,390	1,336,370
Non-financial corporations	205,703	254,926
Households	143,535	123,842
Totals	**2,267,606**	**2,329,225**

Other financial liabilities

Details are as follows:

	Thousands of euros	
	2024	**2023**
Payment obligations	2,152	2,384
Collateral received	1,102,891	1,190,885
Tax collection accounts	3,810	7,135
Special accounts	33,024	20,360
Financial guarantees	171	138
Other items	7,566	34,435
Totals	**1,149,614**	**1,255,337**

At 31 December 2024, "Collateral received" includes collateral received as a guarantee for derivative transactions, in accordance with the provisions of the netting agreements signed with various credit institutions, amounting to euro 1,075,312 thousand (euro 1,170,222 thousand at 31 December 2023).

At 31 December 2024 and 2023, there were no balances pending settlement for sales of securities.

At 31 December 2024 and 2023 “Other” includes the liability associated with the right-of-use asset derived from lease contracts recognised by the Bank applying the rule on leases under Banco de España Circular 2/2018 (see notes 2 (j) and 11). In addition, at 31 December 2024 and 2023 this item mainly includes temporary balances relating to the offset of credit and debit cards to be settled, which were settled at the start of 2024 and 2023, respectively

14. Other assets and liabilities

Details at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	Other assets	
	2024	**2023**
Prepayments	4,732	5,531
Net assets in pension plans (Note 2 (r))	-	-
Operations in transit	3	-
Other assets	34,967	892
Total Assets	**39,702**	**6,423**
	Other liabilities	
	2024	**2023**
Accruals	24,146	22,177
Operations in transit	-	-
Other liabilities	1,696	6,418
Total Liabilities	**25,842**	**28,595**

"Other assets" at 31 December 2024 includes the payment method operations of the cards of the Cajas Rurales, which have been settled in the first days of 2025 (at 31 December 2023 it mainly included direct debit receipts to be refunded).

"Other Liabilities" includes mainly, at 31 December 2024 and 2023, balances pending settlement with suppliers.

15. Hedging derivatives

At 31 December 2024 and 2023, the Bank's main hedged positions and the derivatives designated to hedge those positions were as follows:

- Fair value hedges: fixed-rate debt securities recorded in the financial assets portfolio at fair value through other comprehensive income available for sale. The risk is hedged with interest rate derivatives (fixed-for-floating swap).

- Cash flow hedges: hedged assets are inflation-indexed assets recorded in the financial assets portfolio at fair value through other comprehensive income. This risk is hedged with inflation swaps and interest rate swaps.

Details, by product and market type, of the fair value and notional amount of the hedging derivatives recognised on the accompanying balance sheets are as follows:

	Thousands of euros					
	2024		**2023**		**Notional**	
	Active	**Liabilities**	**Active**	**Liabilities**	**2024**	**2023**
Interest rate	69,520	665,299	17,070	633,354	8,469,975	6,393,483
OTC options	-	-	-	-	-	-
Other OTC	69,520	665,299	17,070	633,354	8,469,975	6,393,483
Organised market options	-	-	-	-	-	-
Organised market other	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-
Foreign exchange and gold	-	-	-	-	-	-
Credit	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Other	-	-	-	-	-	-
Fair value hedges	**69,520**	**665,299**	**17,070**	**633,354**	**8,469,975**	**6,393,483**
Interest rate	-	8,143	-	8,308	20,000	20,000
Equity instruments	-	-	-	-	-	-
Foreign exchange and gold	73,955	78,223	73,091	79,359	73,967	73,141
Commodities	-	-	-	-	-	-
Others	-	-	-	-	-	-
Cash flow hedges	**73,955**	**86,366**	**73,091**	**87,667**	**93,967**	**93,141**
Derivatives - hedge accounting	**143,475**	**751,665**	**90,161**	**721,021**	**8,563,942**	**6,486,624**
Of which: OTC - credit institutions	*24,727*	*485,549*	*24,418*	*499,457*	*1,907,500*	*2,235,583*
Of which: OTC - other financial	*118,748*	*266,116*	*65,743*	*221,564*	*6,656,442*	*4,251,041*

Gains or losses on hedging instruments and the hedged item attributable to the hedged risk are not significant in 2024 and 2023 and are recognised under “Gains or losses on hedge accounting, net” (see note 27).

Note 24 includes information on the fair value of the financial instruments included in this caption.

Details of hedging instruments in force at 31 December 2024 and 2023, presented at their fair value on a net basis, are as follows:

	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Book value		Hedging adjustments included in the carrying amount of assets/liabilities		Other adjustments for discontinued micro hedges including net position hedges		Macro hedges: Hedged elements of a portfolio with interest rate risk hedge		Recognized inefficiencies in results	
ASSETS										
Financial assets measured at fair value with changes in other comprehensive income other comprehensive income	**1,710,026**	**987,008**	**26,814**	**557**	**447**	-	-	-	**(461)**	**50**
Debt securities	**1,710,026**	**987,008**	**26,814**	**557**	**447**	-	-	-	**(461)**	**50**
Interest rate	1,383,165	596,884	17,560	(9,943)	(939)	-	-	-	(461)	50
Foreign exchange and gold	-	-	-	-	-	-	-	-	-	-
Inflation	326,861	390,124	9,254	10,500	1,386	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-	-	-
Foreign exchange and gold	-	-	-	-	-	-	-	-	-	-
Inflation	-	-	-	-	-	-	-	-	-	-
Financial assets carried at amortized cost	**2,708,163**	**3,203,835**	**64,442**	**59,278**	-	-	-	-	**(856)**	**58**
Debt securities	**2,690,163**	**3,185,835**	**63,810**	**57,845**	-	-	-	-	**(850)**	**58**
Interest rate	-	102,015	-	(760)	-	-	-	-	(850	58
Foreign exchange and gold	-	-	-	-	-	-	-	-	-	-
Inflation	2,690,163	3,083,820	63,810	58,605	-	-	-	-	-	-
Loans and advances	**18,000**	**18,000**	**632**	**1,433**	-	-	-	-	**(6)**	-
Interest rate	18,000	18,000	632	1,433	-	-	-	-	(6)	-
Foreign exchange and gold	-	-	-	-	-	-	-	-	-	-
Inflation	-	-	-	-	-	-	-	-	-	-
LIABILITIES										
Financial liabilities measured at amortized cost	-	-	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-	-	-
Foreign exchange and gold	-	-	-	-	-	-	-	-	-	-
Inflation	-	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-	-	-
Foreign exchange and gold	-	-	-		-		-		-	-
Inflation	-	-	-		-		-		-	-

Below is a detail of the hedged items of the cash flow hedges at 31 December 2024 and 2023, respectively:

	2024	2023	2024	2023	2024	2023	2024	2023
			Cash flow reserves or translation reserves					
	Book value		Continuous coverage		Discontinued coverage		Recognized inefficiencies in results	
ASSETS								
Financial assets measured at fair value with changes in other comprehensive income other comprehensive income	**67,982**	**68,491**	**857**	**220**	-	-	-	-
Debt securities	**67,982**	**68,491**	**857**	**220**	-	-	-	-
Interest rate	-	-	-		-	-	-	-
Foreign exchange and gold	39,844	40,532	857	220	-	-	-	-
Inflation	28,138	27,959	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange and gold	-	-	-	-	-	-	-	-
Inflation	-	-	-		-	-	-	-
Financial assets carried at amortized cost	**42,565**	**41,704**	**2,660**	**1,173**	-	-	-	-
Debt securities	**42,565**	**41,704**	**2,660**	**1,173**	-	-	-	-
Interest rate	-	-	-		-	-	-	-
Foreign exchange and gold	42,565	41,704	3,600	2,571	-	-	-	-
Inflation	-	-	(940)	(1.398)	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange and gold	-	-	-	-	-	-	-	-
Inflation	-	-	-	-	-	-	-	-
LIABILITIES								
Financial liabilities valued at amortized cost	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange and gold	-	-	-	-	-	-	-	-
Inflation	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange and gold	-	-	-	-	-	-	-	-
Inflation	-	-	-	-	-	-	-	-

The following is a maturity summary of fair value and cash flow hedges and average interest rate hedges at 31 December 2024 and 2023, respectively:

	2024							
	Thousands of euros							
	Nominal							
	Up to 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total	Average interest rate	
							Received	Payment
FAIR VALUE HEDGES	**10,000**	**5,000**	**52,200**	**5,619,675**	**2,783,100**	**8,469,975**	-	-
Interest rate risk	10,000	5,000	52,200	4,119,675	1,891,100	6,077,975	3.137	2.698
Of which:								
Interest rate swap	*10,000*	*5,000*	*52,200*	*4,119,675*	*1,891,100*	*6,077,975*	*3.137*	*2.698*
Interest rate and foreign exchange risk	-	-	-	-	-	-	-	-
Of which:								
Cross currency swap	-	-	-	-	-	-	-	-
Inflation risk	-	-	-	1,500,000	892,000	2,392,000	3.502	0.815
Of which:								
Inflation swap	-	-	-	*1,500,000*	*892,000*	*2,392,000*	*3.502*	*0.815*
CASH FLOW HEDGES	-	-	**22,403**	**59,504**	**12,060**	**93,967**	-	-
Interest rate risk	-	-	-	-	-	-	-	-
Of which:								
Interest rate swap	-	-	-	-	-	-	-	-
Interest rate and foreign exchange risk	-	-	22,403	39,504	12,060	73,967	1.648	4.138
Of which:								
Cross currency swap	-	-	*22,403*	*39,504*	*12,060*	*73,967*	*1.648*	*4.138*
Inflation risk	-	-	-	20,000	-	20,000	2.285	3.100
Of which:								
Inflation swap	-	-	-	*20,000*	-	*20,000*	*2.285*	*3.100*
DERIVATIVES - HEDGE ACCOUNTING	**10,000**	**5,000**	**74,603**	**5,679,179**	**2,795,160**	**8,563,942**	-	-

	2023							
	Thousands of euros							
	Nominal							
	Up to 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total	Average interest rate	
							Received	Payment
FAIR VALUE HEDGES	**1,700**	**283,700**	**3,201,283**	**1,945,400**	**961,400**	**6,393,483**	-	-
Interest rate risk	1,700	283,700	2,841,283	395,400	69,400	3,591,483	3.950	3.478
Of which:								
Interest rate swap	1,700	283,700	2,841,283	395,400	69,400	3,591,483	3.950	3.478
Interest rate and foreign exchange risk	-	-	-	-	-	-	-	-
Of which:								
Cross currency swap	-	-	-	-	-	-	-	-
Inflation risk	-	-	360,000	1,550,000	892,000	2,802,000	-	-
Of which:								
Inflation swap	-	-	360,000	1,550,000	892,000	2,802,000	4.908	1.002
CASH FLOW HEDGES	-	-	-	**60,052**	**33,089**	**93,141**	-	-
Interest rate risk	-	-	-	-	-	-	-	-
Of which:								
Interest rate swap	-	-	-	-	-	-	-	-
Interest rate and foreign exchange risk	-	-	-	40,052	33,089	73,141	1.814	4.028
Of which:								
Cross currency swap	-	-	-	40,052	33,089	73,141	1.814	4.028
Inflation risk	-	-	-	20,000	-	20,000	-	-
Of which:								
Inflation swap	-	-	-	20,000	-	20,000	2.285	3.100
DERIVATIVES - HEDGE ACCOUNTING	**1,700**	**283,700**	**3,201,283**	**2,005,452**	**994,489**	**6,486,624**	-	-

During fiscal years 2024 and 2023, there were no reclassifications in the accompanying statements of income for any significant amounts different from those shown in the accompanying statements of recognized income and expense (see Note 27).

The accounting hedges that did not meet the effectiveness test during fiscal years 2024 and 2023 are not significant.

16. Provisions

The balance recorded under this balance sheet caption corresponds entirely to "Provisions for contingent liabilities and commitments, litigation and litigation matters" and the movement recorded during fiscal years 2024 and 2023 is shown below:

	Thousands of euros	
	2024	**2023**
Beginning balance	**2,784**	**2,750**
Additions (Note 30)	3,244	-
(-) Amounts used	-	(2)
(-) Unused amounts reversed during the period (Note 30)	(361)	(46)
Other movements	(114)	82
Ending balance	**5,553**	**2,784**

The Bank has made provisions of Euros 4,846 thousand and Euros 1,967 thousand at 31 December 2024 and 2023, respectively, in respect of litigation matters and pending tax litigation. The directors consider that these provisions are sufficient to cover the issues arising from these items.

17. Accumulated other comprehensive income (Equity)

Accumulated other comprehensive income in the balance sheets includes the amounts, net of the related tax effect, of adjustments to the assets and liabilities recognised temporarily in equity through the statement of total changes in equity until they are realised or extinguished, whereupon they are recognised definitively in equity through the income statement.

This item reflects the net amount of unrealised changes in the fair value of assets included, for measurement purposes, as financial assets at fair value through other comprehensive income, and those arising from cash flow hedging derivatives.

The changes during 2024 and 2023 are as follows:

	Thousands of euros			
	Financial assets at fair value through other comprehensive income - equity instruments	Financial assets at fair value through other comprehensive income - debt instruments	Cash flow hedges	Total
Balance at beginning of year 2023	**1,831**	**(17,775)**	**1,274**	**(14,670)**
Effects of changes in accounting policies	-	-	-	-
Changes in fair value of equity instruments measured at fair value with changes in other comprehensive income	6,954	-	-	6,954
Net valuation gain (losses)	-	19,460	83	19,543
Amounts written off to profit and loss accounts	-	725	-	725
Income tax	(1,879)	(6,055)	37	(7,897)
Balance at year-end 2023	**6,906**	**(3,645)**	**1,394**	**4,655**
Effects of changes in accounting policies	-	-	-	-
Changes in fair value of equity instruments measured at fair value with changes in other comprehensive income	(772)	-	-	(772)
Net valuation gain (losses)	-	3,768	2,679	6,447
Amounts written off to profit and loss accounts	-	(373)	-	(373)
Income tax	327	(1,018)	(556)	(1,247)
Balance at year-end 2024	**6,461**	**(1,268)**	**3,517**	**8,710**

18. Share Capital and Share Premium

Details of changes in this item in 2024 and 2023 are shown in the Bank's statement of total changes in equity for those years.

18.1 Capital

At their ordinary general meeting held on 22 June 2023 the Bank's shareholders agreed to increase capital with a charge to voluntary reserves (total amount of Euros 9,335 thousand), with an option for the Bank to acquire the free assignment rights (scrip dividend), and the board of directors being delegated to take all the necessary measures for its implementation and formalisation.

On 7 July 2023 capital was increased by 155,330 shares of Euros 60.10 par value. This increase was executed in a public deed and charged to voluntary reserves. Consequently, at 31 December 2023 share capital was represented by 2,563,567 shares, subscribed and fully paid.

At they ordinary general meeting held on 20 June 2024, the Bank's shareholders agreed to increase capital with a charge to voluntary reserves (total amount of Euros 9,560 thousand), with an option for the Bank to acquire the free assignment rights (scrip dividend), and the board of directors being delegated to take all the necessary measures for its implementation and formalisation.

On 5 July 2024, capital was increased by 159,066 shares of Euros 60.10 par value. This increase was executed in a public deed and charged to voluntary reserves. Consequently, at 31 December 2024 share capital was represented by 2,722,633 shares, subscribed and fully paid

Shareholders holding more than 10% of share capital at 31 December 2024 and 2023 are as follows:

	Participation	
Entity	**2024**	**2023**
Grucajrural Investments, S.L.	87.948	87.946
DZ Bank AG	12.030	12.027

On 29 December 2017, the member savings banks of the Spanish Association of Rural Savings Banks and shareholders of the Bank entered into a Framework Agreement which includes, among others, the following agreements (see Note 1. j)):

- The shares held by the Savings Banks in Banco Cooperativo and RGA Seguros General Rural, S.A. de Seguro y Reaseguros (hereinafter RGA) were to be grouped in Grucajrural Inversiones, S.L. (hereinafter Grucajrural), a vehicle set up by the Association, as the founding partner, on 1 December 2017. This grouping was to follow the 29 Savings Banks' acquisition of the equity investments in Grucajrural held by the Association as founding partner, and the subsequent transfer to this company, as a non-monetary contribution, of the shares held by the 29 Savings Banks in BCE and RGA, thereby increasing its capital, with newly issued equity investments in Grucajrural being delivered to the contributing Savings Banks.

  At their General Meeting held on 29 December 2017, the Shareholders of Grucajrural agreed to the aforementioned capital increase through a non-monetary contribution.

  On 23 February 2018 the European Central Bank and the Spanish National Securities Market Commission notified of its decision not to oppose the transfer of the shares to Grucajrural in the capital increase, which was executed in a public deed on 9 March 2018.

  The Bank held no own shares at 31 December 2024 or 2023.

18.2 Shre Premium

This item reflects the amount disbursed by the Shareholders over the par value of the shares when subscribing the share capital. At 31 December 2024 and 2023, the share premium amounted to Euor 85,972 thousand.

19. Retained earnings, capitalization reserve and other reserves

Details of these items at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	2024	2023
Legal reserve	30,814	28,947
Capitalization reserve	39,192	34,514
Other reserves	396,100	362,929
Totals	**466,106**	**426,390**

Movements

Details of changes in this item in 2024 and 2023 are shown in the Bank's statement of total changes in equity for those years.

Legal reserve

Under the Revised Spanish Companies Act, entities must transfer 10% of profit for each year to their legal reserve until such reserve reaches an amount equal to 20% of the share capital of the entity. The legal reserve can be used to increase share capital provided that the remaining reserve balance is at least equal to 10% of the nominal value of the total share capital after the increase.

Except for the aforementioned purpose, unless the legal reserve exceeds 20% of the share capital it may only be used to offset losses if no other reserves are available.

At 31 December 2024 and 2023, the Bank has recorded this reserve in the amount of Euros 30,814 thousand and Euros 28,947 thousand, respectively.

Capitalization reserve

The capitalisation reserve has been appropriated in accordance with article 25 of the Spanish Corporate Income Tax Law, which requires that an amount equal to the reduction in taxable income for the year be appropriated to the reserve. The amount by which taxable income may be reduced is equal to 10% of the increase in equity, as defined in the aforementioned article. In no case may the amount of the reduction exceed 10% of the taxable income for the tax period prior to the reduction, before the integration referred to in article 11.12 of the Law and before offsetting tax loss carryforwards. However, if the reduction cannot be applied due to insufficient taxable income, the outstanding amounts may be applied in the tax periods ending in the two years immediately after the end of the tax period in which the reduction entitlement was generated, together with any reduction applicable in that period, subject to the limit indicated. The reserve is restricted and the increase in equity must be maintained for a five-year period from the end of the tax period in which the reduction is generated, unless accounting losses are incurred (see Note 20).

At 31 December 2024 and 2023, the Bank has recorded this reserve in the amount of Euros 39,192 and Euros 34,514 thousand, respectively.

20. Taxation

Tax Assets and Liabilities

Details at 31 December, 2024 and 2023 are as follows:

	Thousands of euros			
	Currents		Deferred	
	2024	2023	2024	2023
Tax Assets				
Temporary differences	-	-	27,071	25,451
Value added tax	476	-	-	-
Other items	-	-	-	-
Totals	**476**	**-**	**27,071**	**25,451**
Tax Liabilities				
Temporary differences	-	-	8,387	7,518
Income tax	1,035	942	-	-
Value added tax	-	749	-	-
Other items	1,189	436	-	-
Totals	**2,224**	**2,127**	**8,387**	**7,518**

The balance of tax assets reflects the amounts to be recovered within the next 12 months (“Tax assets-current”) and the tax to be recovered in future years, including amounts arising from unused tax credits and deductions (“Tax assets - deferred”). Tax liabilities include all tax liabilities, which are broken down between current and deferred.

Royal Decree-Law 14/2013, of December 29, 2013, on urgent measures for the adaptation of Spanish law to European Union regulations on the supervision and solvency of financial institutions, establishes certain measures intended to allow certain assets The balance of the "Tax assets" caption includes the amounts to be recovered for taxes in the next twelve months ("Tax assets - Current") and the amounts of taxes to be recovered in future years, including those arising from credits for tax deductions or allowances pending offset ("Tax assets - Deferred"). The balance of the caption "Tax liabilities" includes the amount of all tax liabilities, distinguishing between current and deferred.

Royal Decree-Law 14/2013, of December 29, 2013, on urgent measures for the adaptation of Spanish law to European Union regulations on the supervision and solvency of financial institutions, establishes certain measures aimed at allowing certain deferred tax assets to continue to count as capital, in line with the regulations in force in other states including Law 27/2014, of November 27 (for fiscal years 2015 and subsequent years), established a regime aimed at allowing certain deferred tax assets to continue to count as prudential capital, within the "Global regulatory framework to strengthen banks and banking systems" (referred to as

Basel III Accords) and under the regulations implementing these Accords, i.e. Regulation (EU) No. 575/2013 and Directive 2013/36/EU, both dated June 26, 2013 (hereinafter CRD IV).

The regulations on prudential requirements provide that deferred tax assets the use of which is contingent upon obtaining future profits should be deducted from regulatory capital, although consideration must be given to whether they are derived from tax losses and deductions or from temporary differences. Deferred tax assets arising from temporary differences, including those derived from loan losses, foreclosures, obligations for pensions and early retirement, are not considered to be contingent upon obtaining future profits, as under certain circumstances they may be converted into receivables from the taxation authorities and, therefore, they are not deducted from regulatory capital (hereinafter monetisable tax assets).

The regulations on monetisable tax assets generated prior to 2016 were completed in 2015 through the introduction of a financial contribution that could entail an annual payment of 1.5% to retain the right to monetise. This 1.5% financial contribution will be applied to the amount of monetisable tax assets generated between 2008 and 2015 that exceeds the aggregate amount of income tax payable for 2008 to 2015.

The bank has estimated an amount of Euros of 5,421 and Euros 4,062 thousand at 31 December 2024 and 2023, respectively, which could be considered receivables from the taxation authorities. If the aggregate income tax payable for 2008 to 2015 exceeds the amount of monetisable tax assets, the Bank will not be required to pay the 1.5% financial contribution in order for the tax assets to be considered monetisable as provided for in articles 11.12, 130, additional provision 13 and transitional provision 33 of Corporate Income Tax Law 27/2014.

For these purposes, deferred tax assets and liabilities at 31 December 2024 and 2023 is as follows:

	Thousands of euros			
	Active		**Liabilities**	
	2024	**2023**	**2024**	**2023**
Temporary differences				
Pension obligations	384	384	-	-
Impairment losses on bad debts	5,037	3,678	-	-
Other items	10,594	9,955	-	-
Temporary differences recognised under equity - Financial instruments	11,056	11,434	8,387	7,518
Total Tax Assets/Liabilities	**27,071**	**25,451**	**8,387**	**7,518**

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

	Thousands of euros	
	Assets	**Liabilities**
Balance at 31 December 2022	**67,913**	**41,235**
Highs	5,992	1,483
Low	(48,454)	(35,200)
Balance at 31 December 2023	**25,451**	**7,518**
High	3,162	869
Low	(1,542)	-
Balance at 31 December 2024	**27,071**	**8,387**

Deferred tax assets recognised mainly include non-deductible charges to cover pension obligations, portfolio impairment, asset valuation adjustments, the tax effect due to the fall in value of the portfolio at fair value through equity and other non-deductible provisions.

Deferred tax assets derecognised reflect the reversal of non-deductible provisions for bad debts and pension obligations, the reversal of amortisation/depreciation considered non-deductible for tax purposes, the reversal of impairment, the reversal of asset valuation adjustments, other non-deductible provisions and income that is not eligible for tax purposes deriving from prepaid fees and commissions.

Deferred tax liabilities recognised mainly reflect the tax effect of increases in the value of liabilities at fair value through equity. Those derecognised essentially reflect the tax effect of decreases in the value of liabilities at fair value through equity.

As indicated in note 2, the Bank recognises deferred tax assets because their future recovery is deemed probable based on existing forecasts of future taxable profits. Following an analysis of the likelihood that taxable profits will be generated in the future against which deferred tax assets can be utilised, based on the business plan for the coming years the Bank's Directors envisage the generation of taxable profit against which to offset these assets.

Income tax

Profits, determined in accordance with tax legislation, are subject to tax at a rate of 30%, pursuant to Corporate Income Tax Law 27/2014 and the Revised Income Tax Law previously in force, which may be reduced by certain credits.

A reconciliation of accounting profit for 2024 and 2023 with the taxable income that the Bank expects to declare after approval of the annual accounts is as follows:

	Thousands of euros	
	2024	**2023**
Accounting profit for the year before tax	86,043	62,872
Permanent differences		
Donations and non-deductible expenses	663	82
Exemption for double taxation on dividends	(9,878)	(6,796)
Capitalisation reserve	(7,016)	(4,097)
Taxable accounting income	69,812	52,061
Temporary differences		
Provision for bad debts and pension obligations	2,699	(785)
Portfolio impairment, amortisation/depreciation and other	3,197	662
Other adjustments to the tax base with no effect on the income tax expense	3,964	(2,076)
Taxable income	79,672	49,862
Tax at 30%	23,902	14,959
Withholdings and payments on account	(22,531)	(13,824)
Deductions and credits with effect on the income tax expense	(336)	(226)
Other deductions with no effect on the income tax expense	-	33
Payable / (Recoverable) Income tax payable	**1,035**	**942**

The permanent differences in the tax base correspond to expenses for:

- Donations to non-profit entities and the non-deductible amount (per article 15.m of Corporate Income Tax Law 27/2014) of the accrued expense in respect of stamp duty arising on loans with mortgage guarantee in which the taxpayer is the lender (second paragraph of article 29 of Royal Legislative Decree 1/1993 approving the Revised Transfer Tax and Stamp Duty Law).

- Exemption for double taxation on dividends of entities in which the share in their capital is higher than 5%, under the terms of article 31 of Corporate Income Tax Law 27/2014. In order to apply this exemption, dividends have been reduced by 5% in respect of management fees, under the terms regulated in article 21.10 of the Corporate Income Tax Law.

- Reduction in the taxable income for allocation to the Capitalization Reserve recognized in article 25 of the LIS, corresponding to the increase in shareholders' equity for the year 2024 derived from the application of the profit for the year 2023 approved by the General Shareholders' Meeting on June 20, 2024. The amount of the increase in equity for 2024 amounted to EUR 46,776 thousand and, therefore, within the limit of 15% of the increase in equity, a reduction in the tax base of up to EUR 7,016 thousand would be applicable.

- Reduction in the taxable income for allocation to the Capitalization Reserve recognized in article 25 of the LIS, corresponding to the increase in shareholders' equity for the year 2024 derived from the application of the profit for the year 2023 approved by the General Shareholders' Meeting on June 20, 2024.

  The amount of the increase in shareholders' equity for fiscal year 2024 amounted to Euros 46,776 thousand, and on 20 June 2024 a capitalization reserve of Euros 4,677 thousand was approved.

  Royal Decree Law 4/20024 of June 26, 2024, published on June 27, 2024, and effective for tax periods beginning on or after January 1, 2024, raises the reduction percentage applicable to the increase in shareholders' equity from 10% to 15%.7,016 thousand, provided that the formal allocation of this capitalization reserve is made within the period legally stipulated in mercantile legislation for the approval of the financial statements for the year corresponding to the tax period in which the reduction is applied.

Temporary differences mainly include the recovery of tax adjustments to the allowance for loan loss provisions for normal and special surveillance risk arising from the application of Bank of Spain Circular 4/2017, adjustments for portfolio impairment, recovery of adjustments arising from the limitation in 2013 and 2014 on the tax deductibility of amortization expenses booked, and adjustments corresponding to other provisions not deductible for tax purposes.

Other adjustments to the base include the amount of Euros 3,197 thousand for the integration in the tax base of the amount allocated to reserves arising from the transfer of financial assets at fair value with changes in other comprehensive income, under the terms regulated in Article 17.1 of Law 27/2014 on Corporate Income Tax.

The deductions in the quota with effect on the Corporate Income Tax Expense (GIS) come from deductions for international double taxation and donations to non-profit entities.

The income tax expense for the years 2024 and 2023 is calculated as follows:

	Thousands of euros	
	2024	**2023**
Income tax expense for the year:		
Taxable accounting income at 30%	20,943	15,618
Credits and deductions	(336)	(202)
Prior years' tax adjustments	1	10
Income tax expense	**20,608**	**15,426**
Foreign tax expense	222	233
Total	**20,830**	**15,659**

Prior years' tax adjustments reflect differences between accounting balances recorded at 31 December each year and the tax returns filed, owing to adjustments.

In accordance with current legislation, taxes cannot be considered definitively settled until the returns filed have been inspected by the tax authorities or the four-year statute of limitations period has elapsed. At 31 December 2024, the Bank has open for inspection by the tax authorities the main taxes filed that are applicable to it from and including 2021.

Due to the various possible interpretations of the tax regulations applicable to the operations performed by the Bank, certain contingent tax liabilities could arise for the years pending inspection that cannot be objectively quantified. However, the Bank's Directors consider that the likelihood of these contingent liabilities materialising as a result of a future inspection is remote and that, in any case, the tax debt which could be incurred as a result would not significantly affect these annual accounts.

The different tax benefits applied in the calculation of the corporate income tax liability of Banco Cooperativo Español, S.A. for fiscal years 2024 and 2023 are shown in the following table:

	Thousands of euros	
	2024	**2023**
In tax liability		
Deductions for international double taxation	283	197
Deduction for donations	41	5
Others	12	-
Total	**336**	**202**

Independently of the income taxes recorded in the income statement, the Entity has recorded in its equity the taxes corresponding to the valuation adjustments of the "Financial assets at fair value through other comprehensive income", until they are sold. Tax assets for these items amount to Euros 11,056 thousand and Euros 11,435 thousand at the end of 2024 and 2023, respectively. The Tax Liabilities for these same items amount to Euros 8,387 thousand and Euros 7,518 thousand at the end of 2024 and 2023, respectively.

21. Commitments and guarantees given

Off-balance sheet items comprise rights, obligations and other legal situations that in the future may have an impact on net assets, as well as any other balances needed to reflect all transactions entered into by the Bank although they may not impinge on their net assets.

Details at 31 December 2024 and 2023 are as follows:

:

	Thousands of euros	
	2024	2023
Contingent commitments given	**660,508**	**650,157**
Central banks	-	-
General governments	500,000	500,000
Credit institutions	105	105
Other financial corporations	2,671	2,214
Non-financial corporations	151,001	138,569
Households	6,731	9,269
Financial guarantees given	**46,330**	**44,925**
Central banks	-	-
General governments	-	-
Credit institutions	-	5
Other financial corporations	5,000	5,000
Non-financial corporations	40,550	38,890
Households	780	1,030
Other commitments given	**234,221**	**274,076**
Central banks	-	-
General governments	7,720	7,720
Credit institutions	70,368	61,324
Other financial corporations	683	2,015
Non-financial corporations	153,903	198,672
Households	1,547	4,345

A significant part of these amounts will expire without generating any obligations for the Bank, and therefore the total balance of these commitments cannot be considered a requirement for future financing or cash to be extended to third parties.

This item includes transactions under which the Bank guarantees the obligations of a third party and which result from financial guarantees granted by the Bank or from other types of contract. This item also includes amounts payable by the Bank on behalf of third parties as a result of the commitments undertaken in the ordinary course of business, if the parties that are originally liable to pay fail to do so.

Income from guarantee instruments is recorded under "Fee and commission income" in the income statement and is calculated by applying the rate established in the underlying contract to the nominal amount of the guarantee (see Note 26).

22. Off-Balance Sheet Funds under Management

Details of off-balance sheet funds managed by the Banco Cooperativo Español, S.A. Group at the 2024 and 2023 reporting dates are as follows:

	Thousands of euros	
	2024	**2023**
Investment companies and funds	9,837,856	8,070,176
Customer portfolios managed on a discretionary basis	1,122,252	1,126,146
Total	**10,960,108**	**9,196,322**

23. Assets and liabilities (financial and non-financial): Fair Value

a) Fair value of financial assets and liabilities

At 31 December 2024 and 2023 the fair value of the Bank's financial instruments measured at fair value, by type of financial asset and financial liability and level, is as follows:

- Level 1: Financial instruments whose fair value has been determined by taking their quoted price in active markets, without making any modification to such assets.
- Level 2: Financial instruments whose fair value has been estimated based on quoted prices in organized markets for similar instruments or by using other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.
- Level 3: Instruments whose fair value has been estimated using valuation techniques in which a significant input is not based on observable market data.

For the purposes of the preceding paragraphs, an input is considered significant when it is important in determining fair value as a whole.

	Thousands of euros					
	2024					
Financial Assets	**Financial assets held for trading**	**Non-trading financial assets mandatorily measured at fair value through profit or loss**	**Financial assets designated at fair value through profit or loss**	**Financial assets at fair value with changes in other comprehensive income**	**Derivatives - hedge accounting**	**Totals**
Level 1:						
Equity instruments	2,950	-	-	44,907	-	47,857
Debt securities	14,411	-	-	2,149,197	-	2,163,608
Level 2:						
Derivatives	1,630,404	-	-	-	143,475	1,773,879
Equity instruments	-	-	-	1,578		1,578
Debt securities	-	-	-	194,468		194,468
Level 3:						
Derivatives	5,439	-	-	-	-	5,439
Equity instruments	164	1,651	-	12,678	-	14,493
Debt securities	-	-	-	-	-	-
Loans and advances	-	1	-	-	-	1
Totals	**1,653,368**	**1,652**	**-**	**2,402,828**	**143,475**	**4,201,323**

	Thousands of euros					
	2023					
Financial Assets	**Financial assets held for trading**	**Non-trading financial assets mandatorily measured at fair value through profit or loss**	**Financial assets designated at fair value through profit or loss**	**Financial assets at fair value with changes in other comprehensive income**	**Derivatives - hedge accounting**	**Totals**
Level 1:						
Equity instruments	2,906	-	-	49,281	-	52,187
Debt securities	48,441	-	-	1,250,213	-	1,298,654
Level 2:						
Derivatives	1,746,441	-	-	-	90,161	1,836,602
Equity instruments	-	-	-	954	-	954
Debt securities	2,073	-	-	158,903	-	160,976
Level 3:						
Derivatives	8,626	-	-	-	-	8,626
Equity instruments	164	1,128	-	10,521	-	11,813
Debt securities	-	5	-	1,440	-	1,445
Loans and advances	-	1	-	-	-	1
Total	**1,808,651**	**1,134**	**-**	**1,471,312**	**90,161**	**3,371,258**

	Thousands of euros		
	2024		
Financial liabilities	Financial liabilities held for trading	Derivatives - hedge accounting	Total
Level 2:			
Derivatives	1,609,209	751,665	2,360,874
Deposits	-	-	-
Level 3:			
Derivatives	4,730	-	4,730
Totals	**1,613,939**	**751,665**	**2,365,604**

	Thousands of euros		
	2023		
Financial Liabilities	Financial liabilities held for trading	Derivatives - hedge accounting	Total
Level 2:			
Derivatives	1,739,517	721,021	2,460,538
Deposits	-	-	-
Level 3:			
Derivatives	8,381	-	8,381
Total	**1,747,898**	**721,021**	**2,468,919**

The fair value and carrying value of financial assets and liabilities carried at amortized cost at 31 December 2024 and 2023 are as follows:

	Thousands of euros			
	2024		2023	
Financial assets amortized cost	Carrying amount	Fair value	Carrying amount	Fair value
Debt securities	2,753,147	2,756,299	3,247,860	3,256,054
Loans and advances				
Credit institutions	2,122,095	2,124,416	2,413,028	2,415,649
Other Customers	1,275,603	1,285,600	1,339,630	1,354,178
Total	**6,150,845**	**6,166,315**	**7,000,518**	**7,025,881**

	Thousands of euros			
	2024		2023	
Financial liabilities at amortized cost	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Deposits				
Central banks and credit institutions	6,542,326	6,549,061	6,861,870	6,867,625
Customers	2,267,606	2,254,779	2,329,225	2,254,569
Debt securities	179,756	179,757	29,481	29,481
Other financial liabilities	1,149,614	1,149,613	1,255,336	1,255,336
Total	**10,139,302**	**10,133,210**	**10,475,912**	**10,407,011**

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is therefore a market-based measurement and not entity-specific.

All financial instruments, both assets and liabilities, are initially recognized at fair value which, at that initial moment, is equivalent to the transaction price, unless there is evidence to the contrary in an active market. Subsequently, depending on the nature of the financial instrument, it may continue to be recorded at amortized cost or at fair value through adjustments in the income statement or in equity.

Insofar as possible, the fair value is determined as the market price of the financial instrument. However, for certain financial assets and liabilities, particularly derivatives, no market price is available. In such cases, the fair value must be estimated based on recent transactions involving similar instruments or, in the absence thereof, using mathematical pricing models that have been tried and tested in the international financial community. These models take into consideration the specific features of the asset or liability to be measured and, particularly, the various types of associated risk. However, the inherent limitations of the valuation techniques used and possible inaccuracies in the assumptions and parameters required by these models may result in a fair value of a financial asset or liability that does not exactly match the price at which the asset could be delivered or the liability settled at the measurement date.

The methodology used to calculate the fair value for each class of financial assets and liabilities is as follows:

Trading and hedging derivatives

- The fair value of a financial derivative traded on an organised, transparent and deep market is equivalent to its daily quotation price and if, for exceptional reasons, its quotation price on a given date could not be established, methods similar to those used to measure derivatives not traded on organised markets are applied.

- The fair value of derivatives not traded on organised markets, or traded on organised but less deep and transparent markets, is equivalent to the sum of future cash flows originating from the instrument, discounted at the measurement date ("present value" or "notional close"); using methods recognised by the financial markets: "net present value" (NPV), option pricing models, etc., specifically:

  - Interest rate derivatives: the fair value has been determined, for financial instruments without optional conditions, mainly swaps, by discounting future cash flows using the implicit money market curves and the swap curve, and for optional interest rate derivatives, using generally accepted valuation methods based on Black-Scholes and implied volatility matrices.

  - Derivatives on equity instruments or stock market indexes and derivatives on currencies: the valuation method is Monte Carlo, which consists of the random generation of possible observations of the underlying taking into account its distribution. The factors involved in the generation of the simulations are: the price of the underlying, the interest rates of the currency, the exchange rates of the currencies, the dividends of the underlying, their volatility and the existing correlation.

- Credit Valuation Adjustment ("CVA") and Debit Valuation Adjustment ("DVA") are incorporated in the valuations of derivative products, both assets and liabilities, to reflect the impact on the fair value of the counterparty's and the Company's own credit risk, respectively.

  The adjustments to be made are calculated by estimating the exposure ("Exposure At Default"), the probability of default ("Probability of Default") and the loss given default ("Loss Given Default"), for all derivative products on any underlying, at the legal entity level (all counterparties under the same ISDA/CMOF contract) to which Banco Cooperativo Español has exposure.

  In general, the CVA is calculated by multiplying expected positive exposure by the counterparty's probability of default. The DVA is calculated by multiplying the expected negative exposure by the probability of default, then multiplying the result by the Bank's loss given default. Both calculations encompass the entire duration of the potential exposure.

  The information required to calculate the probability of default and the loss given default is obtained from credit markets (Credit Default Swaps or iTraxx indices), applying the Bank's own information if available. If information is not available, a process based on sector, rating and location is applied to assign both probabilities of insolvency and expected losses in the event of insolvency, calibrated directly to market or through the adjustment to market of the probabilities of insolvency and historical expected losses.

At 31 December 2024 and 2023 the Bank held positions in OTC derivatives, primarily interest rate swaps, equity options and securities swaps, mainly as a result of services provided to rural savings banks involving intermediation between the banks and market counterparties and asset securitisation funds (back-to-back operations). These instruments do not offer predetermined cash flows, but rather their cash flows depend upon the performance of certain market risk factors (interest rates, exchange rates, share prices, etc.) leading to changes in their fair value which could, at any time, fluctuate between a positive value (exposure to counterparty risk) or a negative value (exposure to own credit risk).

According to the calculations made by the Bank, the net impact corresponding to the valuation of the credit risk of derivative positions, both active "Credit Valuation Adjustment" (CVA) and passive "Debt Valuation Adjustmen" (DVA), has resulted in a net income of Euros 275 thousand during the financial year 2024 (Euros 3.312 thousand in 2023) recorded under "Gains or losses on financial assets and liabilities designated at fair value through profit or loss" in the accompanying income statement (see Note 27).

Debt securities

- Quoted debt instruments: their fair value has been determined based on quoted prices in official markets or by applying prices obtained from information service providers, mainly Bloomberg, AIAF and SENAFF, which constitute their prices based on prices reported by contributors.

- Unquoted debt instruments: their fair value is determined in the same way as the value of the credit investment instruments.

Equity instruments

- Listed equity instruments: their fair value has been determined based on quoted market prices.

- Unlisted equity instruments: the fair value of these instruments has been determined taking into account valuations by independent experts, which have been used, among others:

  - Discounted cash flows (free cash flows from operations or dividends), discounted at a discount rate associated with the operating and financial risk of each investee, calculated based on the risk-free rate and incorporating a risk premium adjusted to market conditions.

  - Multiplier of comparable listed companies (EV/EBITDA, PER, Price/Book Value, Price/Premium), less a discount for illiquidity.

- Adjusted net asset value (NAV): obtained by adding gains, calculated as the difference between the assets' market value and their carrying amount, to own funds as per the accounts. In the case of venture capital firms, the NAV has been calculated by the management company, and the estimate generally takes into account European Private Equity and Venture Capital Association (EVCA) standards and the provisions of Spanish National Securities Market Commission (CNMV) Circular 5/2000 of 19 September 2000.

- The price obtained through market transactions conducted or purchase offers received at a time close to the valuation date.

Loans and advances - loans to customers

The fair value of these instruments has been obtained by applying the discounted cash flow model, using interest rates based on directly or indirectly observable market data when calculating the discount rate, and inputs that are not observable in the market, such as credit risk associated with the portfolio, when estimating future cash flows.

Financial liabilities at amortized cost

The fair value of these liabilities has been obtained by applying the discounted cash flow model, using interest rates based on directly or indirectly observable market data.

24. Interest margin

This item comprises the interest accrued in the year on all financial assets and liabilities with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value. Interest income is recognised gross, without deducting any tax withheld at source.

a) Interest and similar income

Details of the source of interest income recognised in the accompanying income statements during 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Deposits from central banks	-	1,730
Deposits from credit institutions	-	20
Deposits from other financial corporations	-	6
Deposits from non-financial corporations	-	-
Loans and advances to central banks	-	16,117
Loans and advances to general governments	962	2,209
Loans and advances to credit institutions	148,448	95,379
Loans and advances to other financial corporations	9,528	3,805
Loans and advances to non-financial corporations	21,936	19,170
Loans and advances to households	2,978	3,315
Debt securities	122,060	114,798
Rectification of income originating from hedge accounting	83,491	73,027
Other interest	175,815	131,938
Total	**565,218**	**461,514**
Of which:		
Financial assets at fair value through other comprehensive income	*54,091*	*66,009*
Financial assets at amortized cost	*251,726*	*187,011*
Derivatives - hedge accounting	*83,491*	*73,027*
Other assets and liabilities	*175,910*	*135,467*

Other interest in 2024 and 2023 mainly reflects interest from simultaneous transactions.

b) Interest expense

Details in 2024 and 2023 are as follows:

	Thousands of euros	
	2024	2023
Deposits from central banks	519	5,978
Deposits from general governments	90,844	408
Deposits from credit institutions	288,152	298,295
Deposits from other financial corporations	49,279	57,244
Deposits from non-financial corporations	6,240	2,103
Deposits from households	2,570	1,360
Loans and advances from general governments	-	-
Loans and advances to credit institutions	-	50
Loans and advances to other financial corporations	-	1,082
Loans and advances to central banks	-	-
Other financial liabilities	266	-
Debt securities	41,643	34,310
Rectification of costs originating from hedge accounting	2,881	692
Other interest	7	1,728
Deposits from central banks	520	729
Total	**482,921**	**40,979**

Other interest in 2024 and 2023 mainly reflects interest from simultaneous transactions.

25. Dividend income

This item reflects the dividends and remuneration from equity instruments deriving from profits generated by investees after the acquisition of the equity interest.

Details in 2024 and 2023 are as follows:

	Thousands of euros	
	2024	2023
Financial assets held for trading	799	927
Non-trading financial assets mandatorily measured at fair value through profit or loss	-	3
Financial assets designated at fair value through profit or loss	2,023	1,900
Investments in subsidiaries, joint ventures and associates	10,184	6,987
Total	**13,006**	**9,817**

26. Fee and Commission Income and Expenses

This item comprises the amount of all fees and commissions accrued in the year, except those forming an integral part of the effective interest rate on financial instruments.

Details of fee and commission income in 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Securities	273	322
Asset management	10,697	9,719
Custody	13,384	12,234
Payment services	2,962	2,958
Customer resources distributed but not managed	577	581
Loan commitments given	160	141
Financial guarantees given	30	6
Loans granted	231	178
Foreign exchange	496	454
Other	5,384	6,353
Total	**34,194**	**32,946**

Details of fee and commission expenses in 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Fees and commissions assigned to other entities and correspondents	11,501	11,697
Fee and commission expenses on securities transactions	4,764	4,584
Other	3	168
Totals	**16,268**	**16,449**

27. Gains (losses) on financial assets and liabilities and Exchange Gains (Losses)

This item includes valuation adjustments to financial instruments, except those attributable to interest accrued as a result of applying the effective interest method and to impairment of assets recognised in the income statement, as well as gains or losses on the sale and purchase of financial instruments.

Details of this item for 2024 and 2023 by type of instrument are as follows:

	Thousands of euros	
	2024	2023
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	319	(768)
Gains or losses on financial assets and liabilities held for trading, net	11,550	10,928
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	2,411	(2,739)
Gains or losses from financial assets and liabilities designated at fair value through profit or loss, net	-	1,662
Gains or losses resulting from hedge accounting, net	(1,317)	109
Totals	**12,963**	**9,192**
Exchange differences	1,145	1,547
Totals	**14,108**	**10,739**

Exchange gains include gains on the purchase and sale of foreign currencies and differences arising from the conversion of the different monetary items in the balance sheet from foreign currency to Euros (see Note 34.5).

Details for 2024 and 2023, based on the nature of the financial instruments giving rise to these balances, excluding exchange gains/losses, are as follows:

	Thousands of euros	
	2024	2023
Debt securities	1,431	7,346
Equity instruments	45	123
Loans and advances to customers	1,949	(2,762)
Trading derivatives and hedge accounting	9,546	4,437
Other	(8)	48
Total	**12,963**	**9,192**

The amount recognised under gains or losses on hedge accounting, net, reflects fair value hedges, distinguishing between hedging instruments and the hedged item. Gains and losses recognised in 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Fair value changes of the hedging instrument including discontinued operations	(27,620)	(31,624)
Fair value changes of the hedged item attributable to the hedged risk	26,303	31,733
Total	**(1,317)**	**109**

28. Other operating income and expenses

Details of other operating income in the accompanying income statements for 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Sales and income from non-financial services	6,658	5,356
Costs incorporated in assets	211	160
Other recurring revenues	4,048	28
Other non-recurring income	417	138
Total	**11,334**	**5,682**

Details of other operating expenses in the accompanying income statements for 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Contribution to the Deposit Guarantee Fund and SRF (note 1 (g))	164	3,579
Contribution to the Institutional Protection Scheme (note 1 (j))	-	385
Other concepts	2,045	108
Total	**2,209**	**4,072**

29. Administrative expenses

a) Personnel expenses

These include all remuneration of personnel on the payroll, whether permanent or temporary, regardless of their function or activity, accrued during the year, whatever their concept, including the cost of current services for pension plans.

Details for 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Salaries and wages	18,587	16,460
Social Security	4,231	3,618
Transfers to defined benefit plans	-	16
Transfers to defined contribution plans	195	124
Termination benefits	157	36
Other personnel expenses	300	226
Total	**23,470**	**20,480**

The Bank's average headcount, distributed by professional category and type of contract, during 2024 and 2023, as well as that existing at the related reporting dates, is as follows:

	2024			2023		
	Men	**Women**	**Medium**	**Men**	**Women**	**Medium**
Management team	8	2	10	8	2	11
Directors	19	14	33	18	13	32
Department managers	19	19	36	18	18	33
Technicians	107	112	212	100	102	194
Totals	**153**	**147**	**291**	**144**	**135**	**270**
By type of contract						
Fixed	153	147	291	144	135	270
Temporary	-	-	-	-	-	-
Totals	**153**	**147**	**291**	**144**	**135**	**270**

At 31 December 2024 and 2023, four and five employees, respectively, of the Bank were disabled.

b) Other administrative expenses

Details for 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Property, fixtures and materials	719	677
Information technology	3,416	2,861
Communications	2,376	2,002
Advertising and publicity	3	8
Legal and lawyer expenses	234	138
Technical reports	1,450	1,381
Security and armoured cash transport services	298	242
Insurance premiums	330	277
Governing and control bodies	262	248
Entertainment and staff travel expenses	386	370
Association membership fees	318	272
Outsourced administrative services	1,316	1,234
Contributions and taxes	1,549	874
Other	369	237
Total	**13,026**	**10,821**

Ernst & Young, S.L. has been the auditor of the Bank's individual accounts for fiscal years 2024 and 2023.

The amounts corresponding to fees for audit services and other related services accrued by the aforementioned audit firms during the years ended 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Audit services	41	40
Other audit-related services	18	21
Total	**59**	**61**

The amount indicated in the above table for audit services includes all fees related to audit and other related services for fiscal years 2024 and 2023, regardless of the time of invoicing

Other audit-related services provided by Ernst & Young, S.L. to the Bank during the year ended December 31, 2024 and 2023 relate mainly to the Independent Auditor's Report on the Protection of Clients' Assets (IPAC).

Other companies of the Ernst & Young. S.L. have not invoiced the Bank for other services during the fiscal years 2024 and 2023.

30. Provisions or reversal of provisions

In 2024 and 2023 net charges (reverals) reflected in this income statement item were as follows

	Thousands of euros	
	2024	**2023**
Commitments and guarantees granted (Note 16)	116	(46)
Other provisions	(3,000)	(78)
Total	**(2,884)**	**(124)**

31. Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss

Net impairment (reversals of impairment) on financial assets, disclosed by nature, for 2024 and 2023, recognised in the accompanying income statements are as follows:

	Thousands of euros	
	2024	**2023**
Financial assets designated at fair value through other comprehensive income (Note 8)	719	493
Financial assets at amortized cost (see Note 34.1.6)	6,848	(2,182)
Total	**7,567**	**(1,689)**

32. Related party transactions

In addition to the information presented in Note 4 regarding remuneration received, the balances recorded in the balance sheet at 31 December 2024 and 2023 and in the income statements for 2024 and 2023 arising from related party transactions are presented below:

	Thousands of euros					
	Subsidiaries		Senior Management		Other related parties	
	2024	2023	2024	2023	2024	2023
Active						
Loans and advances to customers	3,150	7,355	1,342	1,586	33,811	21,061
Derivatives	6,748	6,748	-	-	-	-
Other assets	-	-	-	-	-	-
Liabilities						
Debits from customers	8,878	968	2,387	2,624	515,819	429,026
Derivatives	-	-	-	-	-	-
Others						
Guarantees granted	-	-	-	-	-	-
Contingent commitments granted	3,613	1,245	223	210	628	521
Profit and loss						
Interest income	117	1,587	18	20	1,449	1,200
Interest expense	-	-	79	42	19,157	13,160
Dividend income	10,184	6,987	-	-	-	-
Commission income	3,147	3,208	-	1	143	126
Administrative expenses	447	612		-	165	-

33. Customer Service

In accordance with the provisions of Article 17 of Order ECO/734/2004, of March 11, 2004, of the Ministry of Economy on Customer Service Departments and Services and the Customer Ombudsman of Financial Institutions, the Annual Report for fiscal year 2024 presented by the person in charge of the service to the Board of Directors held on January 23, 2025 is summarized below.

During 2024, the Customer Service Department received 71 claims and/or complaints, 57 of which were admitted. All of the admitted claims were resolved in 2024, of which 5 were resolved in favor of the customer and 66 in favor of the Bank. None of the complaints received was filed by a legal entity.

During 2023, the Customer Service Department received 21 claims and/or complaints, 18 of which were admitted. All of the admitted claims were resolved in 2023, of which 3 were resolved in favor of the customer and 18 in favor of the Entity. None of the complaints received were filed by a legal entity.

Details of the complaints received are as follows:

	Number	
	2024	2023
Loans	66	14
Deposits	-	1
Investment services	1	-
Collection and payment services	1	1
Other	3	2
Total	**71**	**18**

The number of complaints resolved during 2024 and 2023, by autonomous region, is as follows:

	Number	
	2024	2023
Castilla la Mancha	-	2
Castilla y León	1	-
Valencian Community	1	3
Aragon	2	-
Madrid	62	12
Basque Country	-	1
Andalucía	2	-
Asturias	1	-
Catalonia	1	-
Navarra	1	-

34. Risk management

The Bank has a Strategic Risk Framework whose function is to ensure the control and proactive management of all the Group's risks. This Framework takes the form, among others, of a Risk Appetite Framework (RAF), which establishes the amount and diversity of risks that the Bank seeks and tolerates in order to achieve its business objectives, while maintaining a balance between profitability and risk.

The RAF is composed of quantitative metrics, which allow an objective monitoring risk management, as well as qualitative aspects that complement them. Risk management and control are configured as a broad framework of principles, policies, procedures and advanced valuation methodologies integrated into an efficient decision-making structure under a risk function governance framework adapted to current regulations.

For each relevant risk of the Bank, the main participants, their functions, policies, methods and procedures as well as the follow-up and control mechanisms are detailed. Likewise, the details of the organization of the Risk Function are explained, indicating the roles and responsibilities of different risk management departments and committees and their control systems, appropriate to the activities of the business units, including the loan and credit granting functions.

The main financial risks incurred by the Bank are capital risk, excessive leverage, liquidity risk, profitability risk, operational risk, interest rate risk, credit risk, concentration risk and market risk. Of all the risks, credit risk is the most relevant.

On the other hand, the main non-financial risks incurred by the Bank are operational, tax and regulatory compliance .

34.1 Credit risk

Credit risk is the risk that one party to a contract that meets the definition of a financial instrument will fail to meet its obligations and cause the other party to incur a financial loss.

Credit risk represents, therefore, the risk of loss assumed by the Bank in the event that a customer or a counterparty should default on its contractual payment obligations. This risk is inherent in the Bank's traditional banking products (loans, credits, financial guarantees provided, etc.), as well as in other types of financial assets (the Bank's fixed-income portfolio, derivatives, etc.).

Credit risk affects both financial assets carried at amortized cost in the financial statements and assets carried at fair value in the financial statements. Regardless of the accounting criteria by which the Bank's financial assets have been recorded in these financial statements, the Bank applies the same credit risk control policies and procedures to them.

The Bank's policies and objectives related to credit risk control are approved by the Board of Directors. The Risk Committee, together with the Assets and Liabilities Committee, is responsible for the operational setting of the Bank's risk policies in order to meet the objectives set by the Board. For its part, the Risk Control Unit (which reports to the General Intervention and Risks Department, independent, therefore, from the business units in charge of implementing the policies set by the Bank) is in charge of establishing the necessary control procedures to monitor at all times the levels of risk assumed by the Bank and strict compliance with the objectives established by the Bank in relation to credit risk, and together with the Internal Audit Department (reporting to the Internal Audit Committee), is in charge of ensuring that the Bank's credit risk objectives are strictly complied with,) is in charge of overseeing the adequate compliance with the Bank's risk control policies, methods and procedures, ensuring that these are adequate, effectively implemented and regularly reviewed, providing the corresponding information to the highest level executive bodies to enable the necessary corrective measures to be implemented, if necessary.

The Control Unit permanently monitors risk concentration levels, the evolution of delinquency rates and the various alerts defined to monitor the evolution of credit risk at all times. In case of deviations between the expected evolution of any of these parameters and the actual data, these are analyzed in search of their causes. Once these are known, they are analyzed by the control unit, which submits the corresponding reports to the Bank's management bodies so that the appropriate corrective measures may be adopted, which may range from the definition or correction of the defined control mechanisms that may have acted unsatisfactorily, to the modification of the policies and limits agreed by the Bank. In particular, an exhaustive analysis is made of all those transactions which, for various reasons, may have resulted in arrears or defaults, in order to determine the effectiveness of the hedges established by the Bank with a view to adopting, if necessary, the necessary measures to improve the Bank's acceptance policies and credit risk analysis mechanisms.

34.1.1 Maximum level of exposure to credit risk

The following table shows the maximum level of exposure to credit risk assumed by the Bank at 31 December 2024 and 2023 for each class of financial instruments, without deducting collateral and other credit enhancements received to ensure the compliance of debtors:

	Thousands of euros						
	2024						
Types of instruments	**Cash, cash balances at central banks and other demand deposits**	**Financial assets held for trading**	**Non-trading financial assets mandatorily measured at fair value through profit or loss**	**Financial assets designated at fair value through profit or loss**	**Financial assets at fair value with changes in other comprehensive income**	**Financial assets at amortized cost**	**Total**
Debt instruments							
Loans and advances to Central Banks	2,860,623	-	-	-	-	-	2,860,623
Loans and advances to credit institutions	39,640	-	-	-	-	2,039,163	2,078,803
Loans and advances to customers	-	-	1	-	-	1,358,535	1,358,536
Debt securities	-	14,410	-	-	2,343,665	2,753,147	5,111,222
Total debt instruments	**2,900,263**	**14,410**	**1**	**-**	**2,343,665**	**6,150,845**	**11,409,184**
Equity instruments	**-**	**3,115**	**1,650**	**-**	**59,163**	**-**	**63,928**
Guarantees and commitments granted							
Financial guarantees granted	-	-	-	-	-	46,330	46,330
Other commitments granted	-	-	-	-	-	234,221	234,221
Total guarantees and commitments granted	**-**	**-**	**-**	**-**	**-**	**280,551**	**280,551**
Other exhibitions							
Derivatives	-	1,635,843	-	-	-	-	1,635,843
Contingent commitments granted	-	-	-	-	-	660,508	660,508
Total other exhibitions	**-**	**1,635,843**	**-**	**-**	**-**	**660,508**	**2,296,351**
Maximum credit risk exposure level	**2,900,263**	**1,653,368**	**1,651**	**-**	**2,402,828**	**7,091,904**	**14,050,014**

	Thousands of euros						
	2023						
Types of instruments	**Cash, cash balances with central banks and other demand deposits**	**Financial assets held for trading**	**Non-trading financial assets mandatorily measured at fair value through profit or loss**	**Financial assets designated at fair value through profit or loss**	**Financial assets at fair value with changes in other comprehensive income**	**Financial assets at amortized cost**	**Total**
Debt instruments							
Loans and advances to central banks	3,249,873	-	-	-	-	-	3,249,873
Loans and advances to credit institutions	39,086	-	-	-	-	2,413,028	2,452,114
Loans and advances to customers	-	-	1	-	-	1,327,061	1,327,062
Debt securities	-	50,514	5	-	1,410,556	3,247,861	4,708,936
Total debt instruments	**3,288,959**	**50,514**	**6**	**-**	**1,410,556**	**6,987,950**	**11,737,985**
Equity instruments	**-**	**3,070**	**1,128**	**-**	**60,756**	**-**	**64,954**
Guarantees and commitments granted							
Financial guarantees granted	-	-	-	-	-	44,925	44,925
Other commitments granted	-	-	-	-	-	274,076	274,076
Total guarantees and commitments granted	**-**	**-**	**-**	**-**	**-**	**319,001**	**319,001**
Other exhibitions							
Derivatives	-	1,755,067	-	-	-	-	1,755,067
Contingent commitments granted	-	-	-	-	-	650,157	650,157
Total other exhibitions	**-**	**1,755,067**	**-**	**-**	**-**	**650,157**	**2,405,224**
Maximum credit risk exposure level	**3,288,959**	**1,808,651**	**1,134**	**-**	**1,471,312**	**7,957,108**	**14,527,164**

In relation to the information shown in the tables above, it should be noted that:

- The data relating to "Debt instruments" in the above tables recorded on the asset side of the balance sheet are shown at their book value, excluding valuation adjustments (impairment losses, interest accruals, arrangement fees and similar pending accrual, etc.) in the "Asset balances" column.

- The caption "Contingent commitments granted" includes the amount of balances available without any condition from debtors.

- Guarantees granted are recorded at the maximum amount guaranteed by the Bank. In general, it is estimated that most of these balances will reach maturity without assuming a real need for financing by the Bank (see Note 21).

- Information on other credit risk exposures, such as counterparty risk related to derivative financial instruments, is presented at book value.

The detail by counterparty and by product of loans and advances (see Notes 7 and 9), net of impairment losses, classified in the different asset categories at 31 December 2024 and 2023 is shown below:

	31 December 2024					
	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households
On demand and short notice (current account)	2,860,623	-	39,640	8,712	25	4
Credit card debt	-	-	16	22	93	669
Trade accounts receivable	-	-	-	-	116,453	-
Finance leases	-	-	-	-	6,665	14
Reverse repurchase loans	-	-	616,469	-	-	-
Other term loans	-	61,645	214,080	98,381	360,859	89,338
Advances other than loans	-	12	1,208,598	612,635	2,986	23
Loans and Advances	**2,860,623**	**61,657**	**2,078,803**	**719,750**	**487,081**	**90,048**
Of which: loans secured by real estate	-	-	-	-	*24,277*	*64,672*
Of which: other collateralized loans	-	-	*616,469*	-	*23,563*	*22,165*
Of which: consumer credit	-	-	-	-	-	*4,774*
Of which: home purchase loans	-	-	-	-	-	*70,747*
Of which: loans for project financing	-	-	-	-	*18,924*	-

	31 December 2023					
	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households
On demand and short notice (current account)	3,249,873	-	39,085	3	4	2
Credit card debt	-	-	18	22	124	646
Trade accounts receivable	-	1,625	-	-	132,051	-
Finance leases	-	-	-	-	5,292	18
Reverse repurchase loans	-	-	754,382	-	-	-
Other term loans	-	73,801	180,961	77,808	342,478	94,123
Advances other than loans	-	18	1,477,668	609,568	1,932	114
Loans and Advances	**3,249,873**	**75,444**	**2,452,114**	**687,401**	**481,881**	**94,903**
Of which: loans secured by real estate	-	-	-	-	*26,276*	*69,505*
Of which: other collateralized loans	-	-	*754,385*	-	*15,417*	*21,969*
Of which: consumer credit	-	-	-	-	-	*5,114*
Of which: home purchase loans	-	-	-	-	-	*74,327*
Of which: loans for project financing	-	-	-	-	*16,729*	-

34.1.2 Credit quality of credit risk exposures

The Bank uses advanced credit risk measurement systems. The quality of the portfolio of organizations, financial institutions and companies is measured through rating systems, while the retail portfolio, made up of risks of individuals, micro-enterprises and the self-employed, is measured through scoring systems.

The distribution of risk at 31 December 2024 and 2023 is shown below, according to their rating level (external or, in the absence thereof, internal in accordance with the rating models developed by the Entity):

	2024		**2023**	
Rating level	**Thousands of euros**	**%**	**Thousands of euros**	**%**
AAA	3,166,521	23.28	3,654,108	25.75
AA+	4,362	0.03	35,358	0.25
AA	787,313	5.79	570,027	4.02
AA-	429,576	3.16	437,348	3.08
A+	268,855	1.98	565,290	3.98
A	5,092,401	37.44	6,909,301	48.69
A-	326,425	2.40	16,910	0.12
BBB+	288,331	2.12	210,652	1.48
BBB	616,811	4.53	627,432	4.42
BBB-	83,492	0.61	49,675	0.35
BB+	30,436	0.22	25,417	0.18
BB	129,710	0.95	14,690	0.10
BB-	61,704	0.45	31,863	0.22
B+	57,648	0.42	16,561	0.12
B	56,981	0.42	27,074	0.19
B-	93,154	0.68	27,951	0.20
Lower than B-	127,842	0.94	52,593	0.37
Unqualified (*)	1,980,424	14.58	918,344	6.47
Totals	**13,601,986**	**100.00**	**14,190,594**	**100.00**

(*) The unqualified amount corresponds mainly to collateralized derivative transactions. through daily update cash deposits

34.1.3 Loans and advances. Clientele. Breakdown by counterparties and collateral .

Details of loans and advances to customers by activity and type of collateral, excluding advances other than loans, at 31 December 2024 and 2024 are as follows:

	2024							
	Thousands of euros							
				Collateralized loan. Loan to value				
	Total	**Of which: Real estate collateral**	**Of which: Other collateral**	**Less than or equal to 40%**	**More than 40% and less than or equal to 60%**	**More than 60% and less than or equal to 80%**	**More than 80% and less than or equal to 100%**	**Loan to value More than 100%**
Public Administrations	**61,645**	-	-	-	-	-	-	-
Other financial institutions	**107,115**	-	-	-	-	-	-	-
Non-financial companies and sole proprietorships	**484,598**	**24,386**	**23,835**	**15,357**	**11,599**	**5,129**	**3,069**	**13,067**
Real estate construction and property development	4,863	4,677	186	186	2,143	-	-	2,534
Construction of civil works	-	-	-	-	-	-	-	-
Other purposes	479,735	19,709	23,649	15,171	9,456	5,129	3,069	10,533
Large corporations	412,949	1,828	10,189	2,646	1,793	1,955	2,336	3,287
SMEs and sole proprietorships	66,786	17,881	13,460	12,524	7,663	3,174	733	7,247
Other households	**89,521**	**64,563**	**21,872**	**19,891**	**31,457**	**28,946**	**4,535**	**1,606**
Housing	70,747	59,012	11,422	16,422	25,051	25,391	3,419	151
Consumer	4,773	63	3,481	1,707	1,214	85	518	20
Other purposes	14,001	5,488	6,969	1,762	5,192	3,470	598	1,435
TOTAL	**742,879**	**88,949**	**45,707**	**35,248**	**43,056**	**34,075**	**7,604**	**14,673**
MEMORANDUM ITEM								
Refinancing, refinanced and restructured operations (net of specific provisions)	*739*	-	-	-	-	-	-	-

	2023							
	Thousands of euros							
	Collateralized loan. Loan to value							
	Total	**From whom: Real Estate Guarantee**	**Of which: Other collateral**	**Less than or equal to 40%.**	**More than 40% and less than or equal to 60%.**	**More than 60% and less than or equal to 80%.**	**Greater than 80% and less than or equal to 100%.**	**Loan to value Higher than 100%**
Public Administrations	**75,427**	-	-	-	-	-	-	-
Other financial institutions	**77,833**	-	-	-	-	-	-	-
Non-financial companies and sole proprietorships	**480,545**	**26,409**	**15,766**	**20,842**	**7,440**	**9,806**	**3,712**	**375**
Real estate construction and property development	8,052	7,532	521	6,033	845	1,175	-	-
Construction of civil works	-	-	-	-	-	-	-	-
Other purposes	472,493	18,877	15,245	14,809	6,595	8,631	3,712	375
Large corporations	396,430	1,849	4,165	1,920	75	2,523	1,496	-
SMEs and sole proprietorships	76,063	17,028	11,081	12,888	6,522	6,108	2,216	375
Other households	**94,194**	**69,372**	**21,607**	**23,666**	**31,670**	**27,379**	**5,662**	**2,602**
Housing	74,327	63,319	10,671	19,043	25,173	24,123	5,067	584
Consumer	5,114	69	3,559	2,031	938	55	-	604
Other purposes	14,753	5,984	7,377	2,592	5,559	3,201	595	1,414
TOTAL	**727,999**	**95,781**	**37,373**	**44,508**	**39,110**	**37,185**	**9,374**	**2,977**
MEMORANDUM ITEM								
Refinancing, refinanced and restructured operations (net of specific provisions)	*699*	-	-	-	-	-	-	-

Refinancing and restructuring policy

The Bank's refinancing and restructuring policy is defined in accordance with the specifications established by the Bank of Spain's regulations.

The objective is the recovery of all amounts due and includes the need to immediately recognize amounts considered irrecoverable.

The refinancing policy for operations includes:

- Individualized and updated analysis of the economic and financial situation of borrowers and guarantors, as well as their ability to pay.
- Status and effectiveness of the guarantees provided.
- Experience with the borrower: sufficiently extensive compliance history or, failing that, an equivalent principal repayment amount.

- Interruption of delinquency. The refinancing or restructuring of transactions that are not up to date with payments does not interrupt their delinquency, nor will it produce their reclassification.

For the purposes of Bank of Spain regulation, the following shall be considered:

- Refinancing operation: operation which, regardless of its holder or guarantees, is granted or used for economic or legal reasons related to financial difficulties - current or foreseeable - of the holder (or holders) to cancel one or several operations granted, by the entity itself or by other entities of its group, to the holder (or holders) or to one or more other companies of its economic group, or by which such operations are brought totally or partially up to date with payment, in order to facilitate the holders of the cancelled or refinanced operations the payment of their debt (principal and interest) because they cannot, or it is foreseen that they will not be able to, comply in due time and form with their conditions.

- Refinanced transaction: a transaction that is fully or partially brought current as a result of a refinancing transaction carried out by the entity itself or another entity of its economic group.

- Restructured transaction: a transaction in which, for economic or legal reasons related to current or foreseeable financial difficulties of the holder (or holders), its financial conditions are modified in order to facilitate the payment of the debt (principal and interest) because the holder is unable, or is expected to be unable, to comply with such conditions in due time and form, even if such modification was foreseen in the contract. In any case, transactions in which a write-off is made or assets are received to reduce the debt, or in which its conditions are modified to lengthen its maturity, vary the amortization schedule to reduce the amount of the installments in the short term or reduce their frequency, are considered as restructured, or establish or lengthen the grace period of principal, interest or both, except when it can be proven that the conditions are modified for reasons other than the financial difficulties of the holders and are analogous to those applied in the market on the date of modification to operations granted to holders with a similar risk profile.

- Renewal transaction: a transaction formalized to replace another previously granted by the entity itself, without the borrower having, or being expected to have in the future, financial difficulties; i.e., the transaction is formalized for reasons other than refinancing.

- Renegotiated transaction: a transaction in which its financial conditions are modified without the borrower having, or being expected to have in the future, financial difficulties; that is, when the conditions are modified for reasons other than restructuring.

Restructuring or refinancing shall be presumed to exist in the following circumstances, unless there is evidence to the contrary:

- When all or part of the payments of the modified transaction have been overdue for more than 30 days (without being classified as doubtful risk) at least once in the three months prior to its modification, or would have been overdue for more than 30 days without such modification.

- When, simultaneously with the granting of additional financing by the institution, or at a time close to such granting, the holder has made principal or interest payments on another transaction with the institution, all or part of which payments have been overdue for more than 30 days at least once in the three months prior to its refinancing.

- When the entity approves the use of implicit restructuring or refinancing clauses in relation to debtors that have amounts due for 30 days or that would be 30 days past due if such clauses were not exercised.

Such classification shall be maintained until all of the following requirements are met:

a) It has been concluded, after an exhaustive review of the holder's assets and financial situation, that it is not foreseeable that it may have financial difficulties and that, therefore, it is highly probable that it will be able to meet its obligations to the entity in due time and form.

b) A minimum period of two years has elapsed from the date of formalization of the restructuring or refinancing transaction or, if later, from the date of reclassification from the doubtful risk category.

c) The holder must have paid the accrued installments of principal and interest from the date on which the restructuring or refinancing operation was formalized or, if later, from the date of reclassification from the doubtful category. In addition, the holder must have paid through regular payments an amount equivalent to all the amounts (principal and interest) that were overdue or were written off on the date of the restructuring or refinancing operation. Therefore, the existence of contractual clauses that delay repayment, such as grace periods for the principal, will mean that the transaction will remain identified as a normal risk "under special surveillance" until the amounts described above are repaid through regular payments.

d) The holder has no other transactions with amounts overdue for more than 30 days at the end of the trial period.

The restructuring or refinancing of an operation will entail an updated analysis of the economic and financial situation of the borrowers and guarantors, their ability to pay for the operations under the new financial conditions, as well as the effectiveness of the guarantees provided (new and original), classifying the operation according to the insolvency risk in one of the following categories:

- Normal (Phase 1). Refinancing, refinanced or restructured operations that do not meet the requirements for classification in other categories will be classified in this category.

- Normal in Special Surveillance (Phase 2). Refinancing, refinanced or restructured operations will be classified in this category if they present weaknesses that may imply the assumption of losses higher than those of other similar operations classified as normal risk.

  The first to be considered for classification in this category are indications related to the circumstances of the owner, such as:

  a) High levels of indebtedness.

  b) Decreases in revenues or, in general, in recurring cash flows.

  c) Tightening of operating margins or recurring disposable income.

  In addition, the Bank analyzes other indications that may imply weaknesses in operations, such as:

  a) Decreases in the price of the main product.

  b) Difficulties in accessing markets or worsening financing conditions.

  c) Significant increases in debt service ratios, understood as the ratio of debt to operating cash flows.

  d) A slowdown in business or unfavorable trends in the holder's operations, indicating potential weaknesses in its financial position, without yet having jeopardized debt service.

  e) For collateralized transactions, worsening of the ratio between the amount of collateral and the value of the collateral, due to the unfavorable evolution of the value of the collateral, or to the maintenance or increase of the outstanding amount due to the payment terms established (such as extended periods of grace periods for principal payments, increasing or flexible installments, or longer terms).

  f) Volatility in the economic or market environment that could adversely affect the holder.

  g) Unfavorable behavior of the sector of economic activity to which the holder belongs.

  h) The holder belongs to groups in difficulty, such as those residing in a specific geographic area with a smaller scope than the country.

  i) Pending litigation of the holder that could significantly affect its financial position.

j) Developments in market conditions, such as increases in interest rates or higher collateral requirements, for similar transactions that move them away from those originally set for the transaction or group of transactions.

k) Concession of the operation below its cost.

l) Existence in the operation of overdue amounts more than 30 days old.

- Doubtful due to delinquency (Phase 3). Refinanced, refinanced or restructured refinancing transactions that are more than 90 days past due for principal, interest or contractually agreed expenses, will be classified in this category, unless they should be classified as write-offs.

- This category also includes guarantees granted when the guaranteed party has defaulted on the guaranteed transaction.

- Doubtful for reasons other than delinquency (Phase 3). Refinancing, refinanced or restructured operations that meet any of the following criteria will be classified in this category:

    - They are based on an inadequate payment plan. Among other assumptions, it will be considered that there is no adequate payment plan when such plan has been repeatedly defaulted, has been modified to avoid defaults or is based on expectations that are not supported by macroeconomic forecasts.

    - Include contractual clauses that delay the repayment of the operation through regular payments, such as grace periods of more than two years for the repayment of the principal.

    - Present amounts derecognized from the balance sheet for being considered irrecoverable that exceed the coverage resulting from applying the percentages established for the corresponding risk segment in the alternative solutions included in the new Annex 9 of Circular 4/2017.

- Write-offs. Refinancing, refinanced or restructured transactions for which, after an individualized analysis, their recovery is considered remote due to a notorious or irrecoverable deterioration of the solvency of the transaction or of the holder, will be classified in this category. Classification in this category will entail the full write-off of the gross carrying amount of the transaction and its total derecognition.

At 31 December 2024, the Bank has an outstanding refinanced amount of Euros 2,680 thousand (Euros 3,032 thousand at 31 December 2023). This figure includes loans in both normal and normal status under special surveillance, as well as doubtful loans and represents 0.21% (0.23% in 2023) of total Loans and advances to customers. The detail is as follows:

	2024							
	Thousands of euros							
	Credit institutions	**General governments**	**Other financial corporations and sole proprietorships (financial business)**	**Non-financial corporations and sole proprietorships (non-financial business)**	***Of which: financing of real estate construction and property development (including land)***	**Other household loans**	**Total**	**Additional information: financing classified as non-current assets and disposal groups held for sale**
Unsecured								
Number of loans	-	-	-	8	-	2	**10**	-
Gross carrying amount	-	-	-	1,332	-	12	**1,344**	-
Secured								
Number of loans	-	-	-		-			-
Gross carrying amount	-	-	-		-			-
Impairment allowances	-	-	-	(604)	-	0	**(604)**	-
Of which: non-performing exposures								
Unsecured								
Number of loans	-	-	-	*8*	-		***8***	-
Gross carrying amount	-	-	-	*1,332*	-		***1,332***	-
Secured								
Number of loans	-	-	-	-	-	-	-	-
Gross carrying amount	-	-	-	-	-	-	-	-
Specific allowance or provision	-	-	-	*(604)*	-		***(604)***	-
TOTAL								
Number of loans	-	-	-	8	-	2	**10**	-
Gross carrying amount	-	-	-	1,332	-	12	**1,344**	-
Impairment allowances	-	-	-	(604)	-	-	**(604)**	-

	2023							
	Thousands of euros							
	Credit institutions	**General governments**	**Other financial corporations and sole proprietorships (financial business)**	**Non-financial corporations and sole proprietorships (non-financial business)**	***Of which: financing of real estate construction and property development (including land)***	**Other household loans**	**Total**	**Additional information: financing classified as non-current assets and disposal groups held for sale**
Unsecured								
Number of loans	-	-	-	14	-	4	**18**	-
Gross carrying amount	-	-	-	1,877	-	20	**1,897**	-
Secured								
Number of loans	-	-	-	-	-	-	**-**	-
Gross carrying amount	-	-	-	-	-	-	**-**	-
Impairment allowances	-	-	-	(1,197)	-	(1)	**(1,198)**	-
Of which: non-performing exposures								
Unsecured								
Number of loans	-	-	-	*13*	-	-	***13***	-
Gross carrying amount	-	-	-	*1,137*	-	-	***1,137***	-
Secured								
Number of loans	-	-	-	-	-	-	**-**	-
Gross carrying amount	-	-	-	-	-	-	**-**	-
Specific allowance or provision	-	-	-	*(1,126)*	-	-	***(1,126)***	-
TOTAL								
Number of loans	-	-	-	14	-	4	**18**	-
Gross carrying amount	-	-	-	1,877	-	20	**1,897**	-
Impairment allowances	-	-	-	(1,197)	-	(1)	**(1,198)**	-

34.1.4. Credit risk with construction and real estate development

Details of financing earmarked for real estate construction and property development by category of asset at 31 December 2024 and 2023 are as follows:

	Thousands of euros			
	Cost	**Amortization**	**Impairment**	**31.12.2024**
Non-trading financial assets mandatorily measured at fair value through profit or loss	-	-	1	1
Financial assets at amortized cost	8,052	(3,123)	(34)	4,895
	8,052	**(3,123)**	**(33)**	**4,896**
Of which: doubtful	-	-	-	-

	Thousands of euros			
	Cost	**Amortization**	**Impairment**	**31.12.2023**
Non-trading financial assets mandatorily measured at fair value through profit or loss	2,544	-	(2,544)	-
Financial assets at amortized cost	19,762	(11,697)	(13)	8,052
	22,305	**(11,697)**	**(2,557)**	**8,052**
Of which: non-performing	-	-	-	-

Details of provisions for and/or impairment of loans and advances earmarked for real estate construction and property development at 31 December 2024 and 2023 are as follows:

	Thousands of euros				
	31.12.2022	**Charges to (reversal of) provisions for the year**	**31.12.2023**	**Charges to (reversal of) provisions for the year**	**31.12.2024**
Financial assets at amortized cost	368	(355)	13	21	34
	368	**(355)**	**13**	**21**	**34**
Of which: non-performing	-	-	-	-	-

The figures above reflect financing extended for real estate construction and property development. Consequently, following Banco de España instructions, the purpose of the transaction has been taken into account, rather than the debtor's activity. Loans in this table are classified in line with their purpose and not in accordance with the National Classification of Economic Activities (CNAE) assigned to the debtor. As a result, if the debtor is: (a) a real estate company but uses the financing for a purpose other than real estate construction or property development, the loan will not be included in these tables, and (b) if the company's principal activity is not real estate construction or development but it uses the loan to finance property development, it will be included in these tables.

Details of loans and advances to customers excluding general governments at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	2024	**2023**
Total loans and advances to customers excluding general governments	681,234	652,573
Total assets	13,336,543	13,704,155
Impairment and provisions for exposures classified as performing and performing under special monitoring	(18,060)	(14,789)

Details of credit risk on real estate construction and property development by type of related guarantee are as follows:

	Thousands of euros	
	Gross amount	
	2024	**2023**
1. Without mortgage guarantee	186	521
2. With mortgage guarantee	4,710	7,545
2.1. Finished buildings	-	-
2.1.1. Housing	-	-
2.1.2. Rest	-	-
2.2. Buildings under construction	-	-
2.2.1. Housing	-	-
2.2.2. Rest	-	-
2.3. Soil	4,710	7,545
2.3.1. Developed land	4,710	7,545
2.3.2. Rest of land	-	-
Total	**4,896**	**8,066**

The following is a breakdown of loans to households for home purchases:

	Thousands of euros			
	2024		2023	
	Gross amount	Of which: non-performing	Gross amount	Of which: non-performing
Home purchase loans	70,015	-	73,383	-
Unsecured	11,625	-	10,841	-
With mortgage guarantee	58,390	-	62,542	-

The following table shows a breakdown of mortgage loans extended to acquire homes at 31 December 2024 and 2023 by percentage of total risk on the latest available appraisal value (LTV):

	Thousands of euros					
	2024					
	LTV ranges					
	LTV < 40%.	40% < LTV < 60%	60% < LTV < 80%.	80% < LTV < 100%.	LTV > 100% LTV	Total
Gross amount	14,550	19,337	21,797	2,552	154	58,390
Of which: non-performing	-	-	-	-	-	-

	Thousands of euros					
	2023					
	LTV ranges					
	LTV < 40%.	40% < LTV < 60%	60% < LTV < 80%.	80% < LTV < 100%.	LTV > 100% LTV	Total
Gross amount	16,619	19,237	19,716	6,380	589	62,541
Of which: non-performing	-	-	-	-	-	-

34.1.5. Past-due unimpaired financial assets

Details of past-due unimpaired financial assets at 31 December 2024 and 2023, classified on the basis of the time elapsed since maturity, by nature of the financial instrument and by counterparty, are as follows:

	31.12.2024			
	Thousands of euros			
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	Total
Debt securities	-	596	-	596
Loans and advances				
General governments	-	-	-	-
Other financial corporations	45	-	-	45
Non-financial corporations	8,962	-	-	8,962
General governments	2,522	-	1,959	4,481
Households	712	11	39	762
Total	**12,241**	**607**	**1,998**	**14,846**

	31.12.2023			
	Thousands of euros			
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	Total
Debt securities	-	-	-	-
Loans and advances				
General governments	-	-	-	-
Other financial corporations	3	-	-	3
Non-financial corporations	502	142	1827	2,471
Households	5	13	45	63
Total	**510**	**155**	**1,872**	**2,537**

34.1.6. Non-performing financial assets and impairment allowances

Details of financial assets at amortised cost, by nature of the financial instrument and by counterparty, and of impairment allowances, indicating whether these have been calculated on an individual or collective basis, are as follows:

	Thousands of euros					
	2024					
	Gross carrying amount	***Of which: non-performing***	**Allowances and provisions for financial assets in Stage 1**	**Allowances and provisions for financial assets in Stage 2**	**Allowances and provisions for financial assets in Stage 3**	**Total**
Debt securities	2,753,147	-	-	-	-	2,753,147
Loans and advances	3,415,293	*6,215*	(14,076)	(286)	(3,233)	3,397,698
Central banks	-	-	-	-	-	-
General governments	61,657	-	-	-	-	61,657
Credit institutions	2,039,934	-	(771)	-	-	2,039,163
Other financial corporations	722,836	-	(3,085)	-	-	719,751
Non-financial corporations	500,720	*6,159*	(10,138)	(286)	(3,215)	487,081
Households	90,146	*56*	(82)	-	(18)	90,046
Total	**6,168,440**	***6,215***	**(14,076)**	**(286)**	**(3,233)**	**6,150,845**

	Thousands of euros					
	2023					
	Gross carrying amount	***Of which: non-performing***	**Allowances and provisions for financial assets in Stage 1**	**Allowances and provisions for financial assets in Stage 2**	**Allowances and provisions for financial assets in Stage 3**	**Total**
Debt securities	3,247,860	-	-	-	-	3,247,860
Loans and advances	3,765,930	*4,010*	(10,855)	(442)	(1,975)	3,752,658
Central banks	-	-	-	-	-	-
General governments	75,444	-	-	-	-	75,444
Credit institutions	2,413,730	-	(702)	-	-	2,413,028
Other financial corporations	689,656	-	(2,255)	-	-	687,401
Non-financial corporations	491,468	*3,325*	(7,808)	(441)	(1,338)	481,881
Households	95,632	*685*	(90)	(1)	(637)	94,904
Total	**7,013,790**	***4,010***	**(10,855)**	**(442)**	**(1,975)**	**7,000,518**

Impaired assets are analyzed periodically. The main factors considered in assessing the impairment of each asset are as follows:

a) Analysis of the financial statements
b) Analysis of the customer's income statements and payment capacity
c) Analysis of cash flow forecasts
d) Movements in customer capitalisation
e) Changes in debt

f) History and analysis of cost structure
g) Amounts of guarantees and variation therein
h) Any present or future event that could affect the customer's payment capacity

Details of financial assets at amortised cost by type of financial instrument and counterparty, and their classification as performing exposures (Stage 1), performing exposures under special monitoring (Stage 2) and non-performing exposures (Stage 3), are presented below at their gross carrying amount:

	Thousands of euros					
	31.12.2024			31.12.2023		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Debt securities	2,753,147	-	-	3,247,860	-	-
Loans and advances	3,394,035	15,043	6,215	3,743,248	18,770	3,912
Central banks	-	-	-	-	-	-
General governments	61,657	-	-	75,444	-	-
Credit institutions	2,039,934	-	-	2,413,730	-	-
Other financial corporations	722,836	-	-	689,656	-	-
Non-financial corporations	479,530	15,031	6,159	469,489	18,752	3,228
Households	90,078	12	56	94,929	18	684
Total	**6,147,182**	**15,043**	**6,215**	**6,991,108**	**18,770**	**3,912**

In 2024 and 2023, movements of loans and advances to customers between the different risk stages were as follows:

	Thousands of euros	
	2024	**2023**
Transfers between Stage 1 and Stage 2		
From Stage 1 to Stage 2	-	17,185
From Stage 2 to Stage 1	-	10
Transfers between Stage 2 and Stage 3		
From Stage 2 to Stage 3	689	90
From Stage 3 to Stage 2	-	-
Transfers between Stage 1 and Stage 3		
From Stage 1 to Stage 3	3,332	2,079
From Stage 3 to Stage 1	-	-

Movements in impairment allowances recognised to cover credit risk related to financial assets at amortised cost and designated at fair value through other comprehensive income in 2024 and 2023 were as follows:

	Thousands of euros			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 31 December 2022	**(15,890)**	**(865)**	**(1,910)**	**(18,665)**
Of which:				
Estimated individually	-	-	*(508)*	*(508)*
Estimated collectively	*(15,890)*	*(865)*	*(1,402)*	*(18,157)*
Origination increases	(1,739)	-	-	(1,739)
Decreases due to derecognition	2,054	764	12	2.830
Changes due to variations in credit risk	(7,227)	(238)	(502)	(7,967)
Changes due to modifications without derecognition	-	-	-	-
Reduction in the allowance account due to write-offs	-	-	386	386
Other	9,252	(103)	39	9,188
Balance at 31 December 2023	**(13,550)**	**(442)**	**(1,975)**	**(15,967)**
Of which:				
Estimated individually	-	*(324)*	*(1,002)*	*(1,326)*
Estimated collectively	*(13,550)*	*(118)*	*(973)*	*(14,641)*
Origination increases	(1,621)	-	(482)	(2,103)
Decreases due to derecognition	1,086	72	844	2,002
Changes due to variations in credit risk	(10,607)	(199)	(1,760)	(12,566)
Changes due to modifications without derecognition	-	-	(114)	(114)
Reduction in the allowance account due to write-offs	-	-	598	598
Other	7,606	282	(747)	7,141
Balance at 31 December 2024	**(17,086)**	**(287)**	**(3,636)**	**(21,009)**
Of which:				
Estimated individually	-	*(285)*	*(1,586)*	*(1,871)*
Estimated collectively	*(17,086)*	*(2)*	*(2,050)*	*(19,138)*

34.1.7. Movement in impairment losses

Movement in impairment losses recognised by the Bank, except for the category of "Non-trading financial assets mandatorily at fair value through profit or loss" in 2024 and 2023 by type of financial asset is as follows:

	Thousands of euros					
	2024					
	Balance at 31 December 2023	Increases during the year due to charges for expected credit losses	Changes due to variations in credit risk	Decreases for amounts applied/released, charged to valuation adjustments	Transfers between valuation adjustments and other adjustments	**Balance at 31 December 2024**
Specific value adjustments for individually valued financial assets	**(1,326)**	**(481)**	**(490)**	**839**	**(413)**	**(1,871)**
Debt securities	-	-	-	-	(404)	(404)
Loans and advances	(1,326)	(481)	(490)	839	(9)	(1,467)
Specific value adjustments for financial assets, collectively estimated	**(14,642)**	**(1,622)**	**(12,191)**	**1,763**	**7,554**	**(19,138)**
Debt securities	(2,696)	-	-	-	(314)	(3,010)
Loans and advances	(11,946)	(1,622)	(12,191)	1,763	7,868	(16,128)
Totals	**(15,968)**	**(2,103)**	**(12,681)**	**2,602**	**7,141**	**(21,009)**

	Thousands of euros					
	2023					
	Balance at 31 December 2022	Increases during the year due to charges for expected credit losses	Changes due to variations in credit risk	Decreases for amounts applied/released, charged to valuation adjustments	Transfers between valuation adjustments and other adjustments	**Balance at 31 December 2023**
Specific value adjustments for individually valued financial assets	**(508)**	**-**	**(297)**	**-**	**(521)**	**(1,326)**
Debt securities	(165)	-	-	-	165	-
Loans and advances	(343)	-	(297)	-	(686)	(1,326)
Specific value adjustments for financial assets, collectively estimated	**(18,157)**	**(1,739)**	**(7,671)**	**3,217**	**9,709**	**(14,641)**
Debt securities	(2,202)	-	-	-	(494)	(2,696)
Loans and advances	(15,955)	(1,739)	(7,671)	3,217	10,203	(11,945)
Totals	**(18,665)**	**(1,739)**	**(7,968)**	**3,217**	**9,188**	**(15,967)**

34.1.8. Impaired and derecognized financial assets

Movement in 2024 and 2023 in the Bank's impaired financial assets, which have not been recognised as the probability of their recovery is considered remote, although the Bank continues its efforts to collect the amounts receivable, is as follows:

	Thousands of euros	
	2024	**2023**
Opening balance	**8,420**	**7,984**
Charges	653	438
Application of accumulated impairment losses	584	384
Direct write-down in the income statement	40	31
Contractually payable interest	29	23
Derecognitions	(54)	(2)
Collection of principal from counterparties in cash	(53)	(2)
Collection of interest from counterparties in cash	(1)	-
Pardoning of debt	-	-
Other concepts	-	-
Closing balance	**9,019**	**8,420**

34.2 Liquidity risk

Liquidity risk management consists of ensuring that the Bank always has sufficient liquidity to meet its payment commitments associated with the settlement of its liabilities on their respective maturity dates without compromising its capacity to respond rapidly to strategic market opportunities. This function includes obtaining financing in wholesale markets at the lowest possible cost in the medium and long term, with a view to maintaining an optimum level of liquid assets in keeping with the Bank's policy of prudence.

In this context, the key to resolving liquidity problems resides in anticipating them and implementing preventive management techniques. The Bank is aware of this and therefore considers both aspects its first line of defence against the potential adverse effects of liquidity shortages on its results, reputation and creditworthiness.

To enable early identification, the Bank continually monitors its liquidity position in the short, medium and long term and the performance of the main monetary and capital markets in which it operates. To this end it relies on: (i) a wide range of quantitative and qualitative indicators, (ii) limits and alerts defined on the basis of maximum tolerance to liquidity risk and (iii) the human, technical and operational support required to properly incorporate these indicators as a strategic and risk management input.

With regard to preventive management, the Asset and Liability Committee (ALCO) focuses structural liquidity management on: (i) the balance between positive and negative cash flows over a long time horizon, (ii) the diversification of uses and sources of funding and (iii) the protection of the Bank's ability to finance its growth and meet its payment obligations on the date and in the manner established in the contract at a reasonable cost and without affecting its reputation.

Finally, in terms of anticipation, the Entity has a buffer of liquid assets free of encumbrances that enable it to comfortably cope with situations of severe stress. The quality, relative liquidity and suitability as collateral of the assets that make up the buffer are periodically verified and these assets are subjected to stress tests to determine their ability to cope with extreme situations.

The main metrics currently used to monitor liquidity and its results at 31 December 2024 and 2023 are as follows:

- *Daily liquidity controls*: the Bank continually monitors its intraday liquidity, the eligibility of securities to be pledged as collateral to obtain financing from Banco de España (credit facility) and the sufficiency of its headroom (buffer of available liquid assets) in dealing with short-term cash outflows, among other indicators. This analysis also envisages further stress tests on its portfolio of eligible assets (those pledged as collateral for the Banco de España credit facility and others), subjecting the securities to scenarios of a reduction in their market value, downgrades in rating and loss of eligibility.

- *Liquidity gap*: provides information on cash inflows and outflows in order to detect timing differences between collections and payments. Very conservative behavioural criteria and assumptions have been established for unknown contractual maturities.

The liquidity gap at 31 December 2024 and 2023 was as follows:

	2024							
	Thousands of euros							
	Demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined maturity**	**Total**
Assets								
Cash, cash balances at central banks and other demand deposits (note 5)	2,900,705	-	-	-	-	-	-	2,900,705
Loans to credit institutions (note 9)	-	58,.935	126,165	23,214	11,331	1,292,518	-	2,039,163
Loans and advances to customers (notes 7 and 9)	-	174,600	62,385	233,413	315,408	572,730	-	1,358,536
Fixed income portfolio (notes 6, 7, 8 and 9)	-	18,494	24,549	595,403	3,144,465	1,328,311	-	5,111,222
Other assets	-	-	-	103,190	757,086	919,043	147,598	1,926,917
Total assets	**2,900,705**	**779,029**	**213,099**	**955,220**	**4,228,290**	**4,112,602**	**147,598**	**13,336,543**
Liabilities								
Deposits from central banks and credit institutions (note 13)	5,440,017	957,718	56,530	81,217	6,487	357	-	6,542,326
Deposits from customers (note 13)	1,708,211	-	19,748	450,563	58,362	30,722	-	2,267,606
Other liabilities	-	-	-	17,888	1,504,832	1,945,764	1,058,127	4,526,611
Total liabilities	**7,148,228**	**957,718**	**76,278**	**549,668**	**1,569,681**	**1,976,843**	**1,058,127**	**13,336,543**
Simple gap	(4,247,523)	(178,688)	136,821	405,552	2,658,608	2,135,759	(910,529)	-
Accumulated gap	(4,247,523)	(4,426,211)	(4,289,390)	(3,883,838)	(1,225,230)	910,529	-	-

	2023							
	Thousands of euros							
	Demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined maturity**	**Total**
Assets								
Cash, cash balances at central banks and other demand deposits (note 5)	3.289.434	-	-	-	-	-	-	3.289.434
Loans to credit institutions (note 9)	-	785.371	108.652	33.514	5.820	1.479.671	-	2.413.028
Loans and advances to customers (notes 7 and 9)	-	57.728	83.273	149.747	335.310	713.572	-	1.339.630
Fixed income portfolio (notes 6, 7, 8 and 9)	-	63.584	24.326	896.225	2.537.292	1.187.508	-	4.708.935
Other assets	-	-	-	21.802	1.781.284	42.142	107.900	1.953.128
Total assets	**3.289.434**	**906.683**	**216.251**	**1.101.288**	**4.659.706**	**3.422.893**	**107.900**	**13.704.155**
Liabilities								
Deposits from central banks and credit institutions (note 13)	4.405.973	2.292.118	74.383	82.506	6.022	868	-	6.861.870
Deposits from customers (note 13)	1.727.455	-	34.847	463.232	30.020	73.671	-	2.329.225
Other liabilities	-	-	-	301.441	1.373.479	1.984.884	853.256	4.513.060
Total liabilities	**6.133.428**	**2.292.118**	**109.230**	**847.179**	**1.409.521**	**2.059.423**	**853.256**	**13.704.155**
Simple gap	(2.843.994)	(1.385.435)	107.021	254.109	3.250.185	1.363.470	(745.356)	-
Accumulated gap	(2.843.994)	(4.229.429)	(4.122.408)	(3.868.299)	(618.114)	745.356	-	-

The Bank has included in its liquidity management the monitoring of the short-term liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), reporting to the regulator the required information on a monthly and quarterly basis, respectively.

The measurement of liquidity based on these metrics is part of the liquidity risk control system established in the Bank:

- *Short-term liquidity coverage ratio (LCR):* under the stress scenario defined by the Basel III capital accord, the 30-day liquidity ratio at 31 December 2024 amounted to 253.86% (256.80% at 31 December 2023) , both figures well above the regulatory minimum.

- *Net Stable Funding Ratio (NSFR):* the Bank maintains a balanced long-term funding structure in line with its liquidity profile. At 31 December 2024, the structural funding ratio stood at 288.34% (224.20% at 31 December 2023), also higher than the regulatory minimum.

Moreover, the Bank has activated a number of alerts and thresholds that are continually monitored, enabling it to foresee any potential liquidity stress and, where necessary, automatically convene the ALCO for an extraordinary or crisis meeting, depending on the situation.

The latter is contemplated in the liquidity risk contingency plan, which constitutes a second line of action against the potential adverse effects derived from an illiquidity situation. In essence, it is a practical action plan that allows optimizing in time, cost and form the Bank's response to situations categorized as high or critical exposure, as well as mitigating possible disruptions and impacts on business continuity during these episodes.

34.3 Interest rate risk

To support the management of interest rate risk, the Assets and Liabilities Committee analyzes the time lags between maturities and repricing of the various asset and liability items on a global basis through the repricing gap. For the calculation of the repricing gap, the different assets and liabilities are grouped by their book value according to the interest rate revision or maturity dates considering the outstanding principal. In the case of demand liabilities where there is no contractual maturity, the repricing structure responds to the stability historically demonstrated by the balances, the maximum period applied is 2.5 years for those demand balances with a remuneration of less than 0.5%.

The following table shows the temporary gaps at 31 December 2024 and 2023:

	2024						
	Thousands of euros						
	Up to 1 month	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years old**	**More than 5 years**	**Insensitive**	**Total**
Active							
Cash, cash balances in central banks and other demand deposits (note 5)	2,900,705	-	-	-	-	-	2,900,705
Loans to credit institutions (note 9)	1,878,121	132,478	23,582	4,879	103	-	2,039,163
Loans and advances to customers (notes 7 and 9)	793,580	174,759	214,312	151,476	24,409	-	1,358,536
Fixed-income portfolio (notes 6, 7, 8 and 9)	4,051,754	449,591	453,305	82,364	74,208	-	5,111,222
Other assets	-	-	103,190	757,086	919,043	147,598	1,926,917
Total Assets	**9,624,160**	**756,828**	**794,389**	**995,805**	**1,017,763**	**147,598**	**13,336,543**
Liabilities							
Deposits from central banks and credit institutions (note 13)	6,397,757	56,943	81,485	6,035	106	-	6,542,326
Customer deposits (note 13)	1,708,281	19,908	450,333	58,362	30,722	-	2,267,606
Other liabilities	1,102,880	-	17,888	1,504,832	842,884	1,058,127	4,526,611
Total Liabilities	**9,208,918**	**76,851**	**549,706**	**1,569,229**	**873,712**	**1,058,127**	**13,336,543**
Simple Gap	415,242	679,977	244,683	(573,424)	144,051	(910,529)	-
Accumulated Gap	415,242	1,095,219	1,339,902	766,478	910,529	-	-

	2023						
	Thousands of euros						
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined maturity	Total
Active							
Cash, cash balances in central banks and other demand deposits (note 5)	3,289,434	-	-	-	-	-	3,289,434
Loans to credit institutions (note 9)	2,265,900	107,323	34,005	5,315	485	-	2,413,028
Loans and advances to customers (notes 7 and 9)	726,553	214,039	183,884	178,019	37,135	-	1,339,630
Fixed-income portfolio (notes 6, 7, 8 and 9)	3,719,928	349,335	313,684	236,849	89,139	-	4,708,935
Other assets	-	-	21,802	1,781,284	42,142	107,900	1,953,128
Total Assets	**10,001,815**	**670,697**	**553,375**	**2,201,467**	**168,901**	**107,900**	**13,704,155**
Liabilities							
Deposits from central banks and credit institutions (note 13)	6,752,116	20,854	82,897	5,517	486	-	6,861,870
Customer deposits (note 13)	1,727,711	34,954	463,073	29,816	73,671	-	2,329,225
Other liabilities	1,190,885	-	301,441	1,373,479	793,999	853,256	4,513,060
Total Liabilities	**9,670,712**	**55,808**	**847,111**	**1,408,812**	**868,156**	**853,256**	**13,704,155**
Simple Gap	331,103	614,889	(294,036)	792,655	(699,255)	(745,356)	-
Accumulated Gap	331,103	945,992	651,956	1,444,611	745,356	-	-

The average interest rates of financial instruments during fiscal years 2024 and 2023 are as follows:

	Percentages (%)	
	2024	2023
Cash, cash balances at central banks and other demand deposits	3.16	3.23
Financial assets held for trading	3.07	1.70
Non-trading financial assets mandatorily at fair value through profit or loss	-	0.52
Financial assets designated at fair value through profit or loss	-	-
Financial assets designated at fair value through other comprehensive income	2.88	2.10
Financial assets at amortised cost		
Credit institutions	1.98	2.12
Customers	3.84	3.43
Cash, cash balances at central banks and other demand deposits	4.06	2.97
Financial liabilities at amortised cost		
Credit institutions	3.38	3.19
Customers	3.37	2.60
Debt securities issued	3.44	-

To measure interest rate risk, the risk control unit simulates the financial margin over a 12-month period under different interest rate scenarios, assuming certain historical conditions relating to growth, spreads, repricing periods, stability of receivables on demand, etc. At 31 December 2024 and 2023, the sensitivity of the financial margin to a 100-basis point parallel displacement of the interest rate curve over a 12-month period is as follows:

	%	
	2024	**2023**
Sensitivity of the financial margin		
+ 100 b.p.	5.33	2.38
- 100 p.b.	(5.86)	(3.42)

The interest rate risk is also analysed considering the economic value of equity measured as the effect of changes in the interest rate on the net present value of future expected flows from balance sheet items. The sensitivity of the Bank's economic value to a hypothetical positive 200-basis point parallel displacement of the interest rate curve at 31 December 2024 and 2023 is as follows:

	%	
	2024	**2023**
Sensitivity of equity	(1.78)	(2.82)

34.4 Market risk

Market risk is managed through the value at risk methodology (VaR), which limits losses incurred as a result of adverse changes in market prices. Value at risk is calculated on a daily basis for the treasury and capital market area as a whole.

The maximum and average VaR are as follows:

	Thousands of euros	
	2024	**2023**
Average VaR	3,138	9,269
Maximum VaR	3,973	14,168

34.5 Foreign exchange risk

Details of the assets and liabilities recognised in the Bank's balance sheet in the most significant currencies at 31 December 2024 and 2023 are as follows:

	Thousands of euros			
	2024		2023	
	Assets	Liabilities	Assets	Liabilities
U.S. dollar.	222,163	191,085	190,039	189,415
Pound sterling	71,858	79,809	68,311	81,609
Swiss Franc	1,786	1,709	1,566	1,204
Norwegian Krone	-	-	-	-
Swedish Crown	-	-	-	-
Canadian Dollar	-	-	-	-
Danish Krone	-	-	-	-
Japanese Yen	1,833	1,902	1,381	1,161
Other	31,185	29,568	30,178	29,391
Total	**328,825**	**304,073**	**291,475**	**302,780**

A breakdown of the main foreign currency balances, based on the nature of the items, is as follows:

	Thousands of euros	
	2024	2023
Active		
Cash	51	47
Loans to credit institutions	216,525	184,343
Loans and advances to customers	16,878	13,498
Debt securities	82,276	82,095
Other assets	13,095	11,492
Totals	**328,825**	**291,475**
Liabilities		
Deposits in credit institutions	174,133	177,445
Customer deposits	30,634	27,495
Derivatives	99,296	97,737
Other liabilities	10	103
Totals	**304,073**	**302,780**

34.6 Concentration risk

Risk concentration is defined as a risk that could affect the Bank's income statement and its equity as a result of holding financial instruments of similar characteristics, which could therefore be similarly affected by economic or other types of changes.

The Bank has established policies to limit the Bank's exposure to certain risks. These policies are defined in coordination with other risk management policies and as part of the Entity's strategic plan. Risk concentration is measured and limits established considering the different risks to which the Bank is exposed, taking into account the nature and rating of the different financial instruments of the Bank, analysed at different levels (entity, bank, sector, country, etc.).

The carrying amount of the different financial instruments is used to measure risk concentration.

The distribution of the carrying amount of the Bank's most significant financial assets (cash balances at central banks and other demand deposits, loans and advances, debt securities, equity instruments, trading and hedging derivatives, investments in subsidiaries, joint ventures and associates, guarantees given) at 31 December 2024 and 2023, broken down by geographical area, segment of activity, counterparty and purpose of the financing extended, is as follows:

	2024				
	Thousands of euros				
	Total	**Spain**	**Rest of European Union**	**America**	**Rest of theworld**
Central banks and credit institutions	7,053,315	5,313,332	719,720	220,263	800,000
General governments	4,161,466	3,453,635	674,069	3,864	29,898
Central government	4,076,873	3,374,153	670,998	3,864	27,858
Other general governments	84,593	79,482	3,071	-	2,040
Other financial corporations	1,234,583	216,111	469,030	459,045	90,397
Non-financial corporations and sole proprietorships	993,116	784,246	177,872	10,956	20,042
Real estate construction and development	83,602	83,602	-	-	-
Construction of civil works	11,209	11,209	-	-	-
Other purposes	898,305	689,435	177,872	10,956	20,042
Large corporations	789,111	581,251	176,862	10,956	20,042
SMEs and sole proprietorships	109,194	108,184	1,010	-	-
Other household loans	91,777	91,367	137	-	273
Housing	70,747	70,339	137	-	271
Consumer	4,774	4,772	-	-	2
Other purposes	16,256	16,256	-	-	-
Total	13,534,257	9,858,691	2,040,828	694,128	940,610

	2023				
	Thousands of euros				
	Total	**Spain**	**Rest of European Union**	**America**	**Rest of world**
Central banks and credit institutions	7,690,788	5,810,347	962,337	189,388	728,716
General governments	3,965,711	3,461,043	478,565	468	25,635
Central government	3,889,264	3,386,628	478,565	468	23,603
Other general governments	76,448	74,416	-	-	2,032
Other financial corporations	1,210,726	201,806	411,286	472,402	125,232
Non-financial corporations and sole proprietorships	1,019,245	801,450	175,179	24,124	18,492
Real estate construction and development	64,391	64,391	-	-	-
Construction of civil works	44,777	44,777	-	-	-
Other purposes	910,076	692,282	175,178	24,124	18,492
Large corporations	778,278	564,454	171,208	24,124	18,492
SMEs and sole proprietorships	131,798	127,828	3,970	-	-
Other household loans	98,663	98,203	147	10	303
Housing	74,327	73,872	147	10	298
Consumer	5,114	5,109	-	-	5
Other purposes	19,222	19,222	-	-	-
Total	**13,985,133**	**10,372,849**	**2,027,514**	**686,392**	**898,378**

Below is the classification by geographic area and business segment for Spain as of 31 December 2024 and 2023:

RISK CONCENTRATION BY ACTIVITY AND GEOGRAPHIC AREA AT 31 DECEMBER 2024

	Thousands of euros									
	Total	**Andalusia**	**Aragon**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castilla-La Mancha**	**Castile and Leon**	**Catalonia**
Credit institutions	5.313.331	213.670	157.227	119.503	-	143.605	18.450	626.310	120.113	-
General governments	3.453.636	16.179	-	1.235	-	13.183	-	1.020	16.400	-
Central government (*)	3.374.153	-	-	-	-	-	-	-	-	-
Other	79.483	16.179	-	1.235	-	13.183	-	1.020	16.400	-
Other financial institutions	216.111	-	7.530	0	-	-	-	-	1.286	21.786
Non-financial corporations and sole proprietorships	784.246	5.791	16.734	15.228	-	1.647	18.157	9.836	15.161	23.187
Real estate construction and property development	83.602	124	-	-	-	-	-	-	60	-
Construction of civil works	11.209	-	-	-	-	-	-	-	-	-
Other purposes	689.435	5.667	16.734	15.228	-	1.647	18.157	9.836	15.101	23.187
Large corporations	581.252	3.138	14.952	12.099	-	1.543	18.155	7.776	174	21.417
SMEs and sole proprietorships	108.183	2.529	1.782	3.129	-	104	2	2.060	14.927	1.770
Other household loans and non-profit institutions serving households	91.367	403	84	90	-	7	-	415	728	873
Housing	70.339	340	67	67	-	-	-	375	718	541
Consumer	4.772	28	17	10	-	7	-	11	4	6
Other purposes	16.256	35	-	13	-	-	-	29	6	326
Total	**9.858.691**	**236.043**	**181.575**	**136.056**	**-**	**158.442**	**36.607**	**637.581**	**153.688**	**45.846**

(*) Balance cannot be assigned to any particular Autonomous Community.

CONCENTRATION OF RISKS BY ACTIVITY AND GEOGRAPHICAL AREA AT 31 DECEMBER 2024 (Continued)

	Thousands of euros								
	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarre**	**Community of Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Credit institutions	11,559	38,135	3,106,049	1,875	95,201	504,042	157,592	-	-
General governments	3,515	10,721	5,719	-	-	7,300	4,211	-	-
Central government (*)	-	-	-	-	-	-	-	-	-
Other	3,515	10,721	5,719	-	-	7,300	4,211	-	-
Other financial institutions	-	-	185,509	-	-	-	-	-	-
Non-financial corporations and sole proprietorships	-	14,388	574,868	2,668	3,867	16,836	65,878	-	-
Real estate construction and property development	-	-	57,958	-	-	403	25,057	-	-
Construction of civil works	-	-	11,209	-	-	-	-	-	-
Other purposes	-	14,388	505,701	2,668	3,867	16,433	40,821	-	-
Large corporations	-	12,164	442,658	2,266	3,804	2,542	38,564	-	-
SMEs and sole proprietorships	-	2,224	63,043	402	63	13,891	2.257	-	-
Other household loans and non-profit institutions serving households	1	181	83,217	766	-	2,726	1,443	433	-
Housing	-	180	65,197	-	-	980	1,443	431	-
Consumer	1	-	3,854	-	-	834	-	-	-
Other purposes	-	1	14,166	766	-	912	-	2	-
Total	**15,075**	**63,425**	**3,955,362**	**5,309**	**99,068**	**530,904**	**229,124**	**433**	**-**

RISK CONCENTRATION BY ACTIVITY AND GEOGRAPHIC AREA AT 31 DECEMBER 2023

	Thousands of euros									
	Total	**Andalusia**	**Aragon**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castilla-La Mancha**	**Castile and Leon**	**Catalonia**
Credit institutions	5,810,347	206,373	169,366	110,527	10,789	152,572	22,940	690,331	223,682	-
General governments	3,461,043	5,878	-	1,702	-	19,662	-	1,927	21,156	-
Central government (*)	3,386,628	-	-	-	-	-	-	-	-	-
Other	74,415	5,878	-	1,702	-	19,662	-	1,927	21,156	-
Other financial institutions	201,806	-	5,000	-	-	-	-	-	1,413	1,986
Non-financial corporations and sole proprietorships	801,450	8,472	20,127	19,496	11,003	350	5,143	10,911	14,544	21,229
Real estate construction and property development	64,391	124	-	-	-	-	-	-	60	-
Construction of civil works	44,777	-	-	16,296	-	-	5,000	-	-	-
Other purposes	692,282	8,348	20,127	3,200	11,003	350	143	10,911	14,484	21,229
Large corporations	564,454	6,670	16,926	530	11,003	-	141	6,267	537	20,135
SMEs and sole proprietorships	127,828	1,678	3,201	2,670	-	350	2	4,644	13,947	1,094
Other household loans and non-profit institutions serving households	98,204	1,239	90	81	4	369	-	1,628	637	1,026
Housing	73,873	535	71	70	-	343	-	404	625	611
Consumer	5,109	8	19	1	4	26	-	26	8	10
Other purposes	19,222	696	-	10	-	-	-	1,198	4	405
Total	**10,372,850**	**221,962**	**194,583**	**131,806**	**21,796**	**172,953**	**28,083**	**704,797**	**261,432**	**24,241**

(*) Balance cannot be assigned to any particular Autonomous Community.

CONCENTRATION OF RISKS BY ACTIVITY AND GEOGRAPHICAL AREA AT 31 DECEMBER 2023 (Continued)

	Thousands of euros								
	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarre**	**Community of Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Credit institutions	11,870	42,969	3,434,819	2,197	112,636	408,773	210,503	-	-
General governments	3,530	5,557	5,866	1,837	-	7,300	-	-	-
Central government (*)	-	-	-	-	-	-	-	-	-
Other	3,530	5,557	5,866	1,837	-	7,300	-	-	-
Other financial institutions	-	-	193,407	-	-	-	-	-	-
Non-financial corporations and sole proprietorships	-	16,994	570,431	5,087	4,861	19,243	73,333	226	-
Real estate construction and property development	-	-	38,712	-	-	404	25,091	-	-
Construction of civil works	-	2,000	16,146	-	-	5,335	-	-	-
Other purposes	-	14,994	515,573	5,087	4,861	13,504	48,242	226	-
Large corporations	-	14,254	431,058	4,560	4,833	1,792	45,748	-	-
SMEs and sole proprietorships	-	740	84,515	527	28	11,712	2,494	226	-
Other household loans and non-profit institutions serving households	6	172	88,166	1,038	-	1,828	1,440	480	-
Housing	-	172	68,166	-	-	956	1,440	480	-
Consumer	5	-	4,989	-	-	13	-	-	-
Other purposes	1	-	15,011	1,038	-	859	-	-	-
Total	**15,406**	**65,692**	**4,292,689**	**10,159**	**117,497**	**437,144**	**285,276**	**706**	**-**

34.7 Sovereign debt risks

As a rule, the Bank considers sovereign risk to be exposure through transactions with the central bank, issuer risk of the Treasury or Republic, and exposure through transactions with general government entities having the following characteristics: their funds derive solely from State budgets, they are legally acknowledged as entities that directly form part of the "State" sector, and they conduct activities of a non-trade nature.

Details of sovereign risk by country at 31 December 2024 and 2023 are as follows:

	Thousands of euros				
	2024				
	Held for trading	**At fair value through profit or loss**	**At fair value through other comprehensive income**	**At amortised cost**	**Total**
Spain	14,411	-	777,829	2,592,018	**3,384,258**
Italy	-	-	283,767	140,710	**424,477**
Romania	-	-	1,008	-	**1,008**
Republic of Korea	-	-	22,208	-	**22,208**
International organizations	-	-	3,071	-	**3,071**
Mexico	-	-	781	-	**781**
Chile	-	-	3,083	-	**3,083**
Andorra	-	-	5,650	-	**5,650**
New Zealand	-	-	2,040	-	**2,040**
France	-	-	245,513	-	**245,513**
Total	**14,411**	**-**	**1,344,950**	**2,732,728**	**4,092,089**

	Thousands of euros				
	2023				
	Held for trading	**At fair value through profit or loss**	**At fair value through other comprehensive income**	**At amortised cost**	**Total**
Spain	46,636	-	370,109	2,963,165	**3,379,910**
Italy	-	-	214,192	264,374	**478,566**
Mexico	-	-	468	-	**468**
Republic of Korea	-	-	23,132	-	**23,132**
Andorra	-	-	471	-	**471**
Total	**46,636**	**-**	**608,372**	**3,227,539**	**3,882,547**

35. Responsible lending

Banco Cooperativo Español, S.A. has adopted best practices for responsible lending to consumers, and it has the related policies and procedures in place, thereby complying with the provisions of Ministry of Economy and Finance Order EHA/2899/2011 of 28 October 2011 on transparency and protection of banking services customers and responsible lending. Specifically, the policies on commercial banking risk and the specific regulations derived therefrom stipulate the policies, methods and procedures for responsible granting of consumer loans and credit.

Pursuant to Banco de España Circular 3/2014 of 30 July 2014, a summary of the aforementioned policies adopted by Banco Cooperativo Español, S.A. on commercial banking risk is provided below:

- The need to tailor payment plans to revenue sources;
- for evaluating payment capacity;
- The need to take into account the borrower’s foreseeable level of income at retirement;
- The need to consider existing financial payment obligations;
- Where appropriate for commercial reasons or due to the type of rate/currency, offering to include hedging clauses or arrange interest and exchange rate hedges in transactions with borrowers;
- The need, when collateral is pledged, to establish a prudent relationship between the amount of the loan and potential extensions, and the value of the collateral pledged, without taking into account any revaluations of the latter;
- The need to exercise extreme prudence in the use of appraisal values for credit transactions in which real estate assets are pledged as collateral in addition to the borrower’s personal guarantee;
- The periodic review of the value of collateral pledged to secure the loans granted;
- Several management elements to ensure the appraisal company’s independence;
- The need to warn customers of the potential consequences of persistent non-payment in terms of late payment interest and other expenses;
- The criteria for debt renegotiation (refinancing and restructuring);
- The minimum documentation required in transactions for the granting thereof and during the period they are current.

Banco Cooperativo Español, S.A. has the following mechanisms in place to control the effective monitoring of the aforementioned policies:

- Computer validation and controls incorporated into the workflow for analysis, decision-making and arrangement of transactions for the purpose of embedding these management principles;

- Alignment between product catalog specifications and responsible lending policies;

- Different penalties to ensure appropriate levels of contrasting of decisions in accordance with the complexity of the transaction;

- A reporting framework for monitoring the correct application of responsible lending policies

Annex I

Subsidiaries

31.12.2024			Share (%)		Thousands of Euros						
Society	Address	Activity	Direct	Indirect	Amount of interest	Capital and reserves	Total assets	Profit/ (loss)	Other dividends	Interim dividend	Revenues
Rural Informática, S.A.	Madrid	IT Services	99.8	0.2	2,600	3,257	3,652	9,555	-	9,200	9,133
Gescooperativo, S.A., S.G.I.I.C.	Madrid	Collective Investment Scheme Manager	-	100	1,893	3,299	13,963	9,437	-	8,500	90,420
Rural Real Estate, S.L.	Madrid	Real Estate Ownership	100	-	3,486	8,277	12,728	334	-	-	166
BCE Formación, S.A.	Madrid	Training Services	100	-	60	134	382	723	-	723	-
Rural Renting, S.A.	Madrid	Financial	100	-	600	594	875	(47)	-	-	29

31.12.2023			Share (%)		Thousands of Euros						
Society	Address	Activity	Direct	Indirect	Amount of interest	Capital and reserves	Total assets	Profit/ (loss)	Other dividends	Interim dividend	Revenues
Rural Informática, S.A.	Madrid	IT Services	99.8	0.2	2,603	3,225	61,767	4,598	-	-	9,433
Gescooperativo, S.A., S.G.I.I.C.	Madrid	Collective Investment Scheme Manager	-	100	1,893	2,962	9,940	6,079	-	-	12,905
Rural Real Estate, S.L.	Madrid	Real Estate Ownership	100	-	3,486	8,157	47,934	(93)	-	-	1,552
BCE Formación, S.A.	Madrid	Training Services	100	-	60	84	317	335	-	-	1,205
Rural Renting, S.A.	Madrid	Financial	100	-	600	680	1,506	(25)	-	-	29

Appendix I forms an integral part of note 10 to the annual accounts for 2024, in conjunction with which it should be read

BANCO COOPERATIVO ESPAÑOL, S.A.

Director´s Report

2024

This directors' report summarises the activity carried out by Banco Cooperativo Español from 1 January to 31 December 2024, the Bank's thirty-second year since its incorporation in July 1990.

1. Situation of the entity

1.1 Description

Banco Cooperativo Español is a financial group whose vocation is to provide the services of a banking center to its associated Rural Savings Banks. Based on this principle, considering the unique characteristics of the business conducted and the different customer needs, the structure adopted is based on the principle of segmentation, thus simplifying the conduct of business while increasing the level of service quality and improving cost efficiency. The traditional banking business is the main activity of the group of shareholder savings banks, and Banco Cooperativo Español's main objective is to help these savings banks achieve a relevant market position and benefit from the synergies and competitive advantages of their association.

At 31 December 2024, the Bank had assets of Euros 13,337 million, shareholders' equity of Euros 781 million and 300 employees.

Within the Bank's organization, the Board of Directors is the body with the greatest decision-making power and has the broadest powers for the administration of the Bank, except in matters reserved to the competence of the General Shareholders' Meeting. It assumes as its core mission the supervision of the Group, delegating the ordinary management to the corresponding executive bodies and to the management team.

The members of the Board of Directors do not have executive powers.

The Bank operates mainly in Spain and is structured in the following business areas for the development of its activities:

- **Treasury and Capital Markets Area**:

- The Bank's special characteristics as a provider of wholesale services mean that the Money and Foreign Exchange Markets Area generates the largest volumes, and it is here that the Bank's presence is most noticeable.

- The Capital Markets Area is responsible for the design, structuring and placement of domestic and international fixed-income and equity transactions, IPOs and privatizations, domestic and international syndicated loans, and balance sheet hedging transactions for the Cajas Rurales.

- **Retail Banking**: provides financial services to individuals and businesses with the basic objective of satisfying their needs through a complete range of products and services, with the possibility of contracting and operating through the different channels provided for this purpose (branches, Internet banking, telephone banking, cell phones, ATMs, etc.). Therefore, as these financial products and services are the core of the relationship between our savings banks and their customers, the Bank has focused the activity of its various units responsible for Retail Banking on developing, promoting and strengthening them, in order to increase the volume and profitability of the business of the former and of Banco Cooperativo Español itself, in its two branches operating in Madrid.

- **Corporate Banking**: in order to provide services to active companies and institutions, the Bank has two basic lines of action: commercial support, signing contracts with customers individually or jointly with the savings banks, and in parallel as an advisor or promoter of the development of new products, commercial actions or any alternative that improves marketing capacity in this customer segment.

- **Private Banking**, which has two distinct lines of business:

- In-house business: This area provides services to the Bank's own Private Banking customers, as well as attracting new customers.

- Rural savings banks business: whose main purpose is to provide support to shareholder rural savings banks.

- **International Area**: Facilitates the access of the Rural Savings Banks and the Bank itself to international payment systems and to collaboration agreements and the provision of services that allow access to the global economy.

The Bank also has various support units, such as Human Resources, Organization and Technology, General Secretary's Office and Legal Counsel, Operations, Research Department, General Intervention and Risks and Internal Audit.

1.2 Business Model

The basic pillars of the Cooperative Bank's business model are as follows:

- Banco Cooperativo, as the central banking services provider for the rural savings banks, aims for sustained and profitable growth with the basic objectives of providing quality services to its shareholder savings banks, strengthening its business and focusing its own activity on wholesale and corporate banking.

- The overall risk profile of the Co-operative Bank is low. In this regard, it is worth noting a remarkable strength of capital ratios, an estimated volatility for the Group's results in the low range of available benchmarks, a reduced exposure to risk (mainly derived from its performance in the capital markets) and a solid liquidity position.

- Commercial orientation towards shareholder savings banks and end customers, professionalism and agility in decision-making processes, and intensive use of information technology.

- Active management of intellectual capital, training, motivation and development of the human team. The professionals who form part of the Cooperative Bank Group are a key pillar of the business model.

The Group's activity is exposed to the same risks faced by other financial institutions, which, if they occur, may have an adverse impact. The activity is conditioned by other factors such as: strong competition, market volatility, cyclical nature of some businesses, litigation losses, and others that may adversely affect the Group's results and solvency.

The description of these risks and of specific risks related to the banking activity, such as credit, liquidity, market, etc., are detailed in note 34 to the consolidated financial statements.

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

2. Business performance and results

	Thousands of euros	
	2024	2023
Balance		
Total Assets	13,336,543	13,704,155
Customer Resources on Balance Sheet	2,267,606	2,329,225
Other Resources Managed (*)	10,960,108	9,196,322
Loans to customers	1,275,603	1,339,630
Proprietary Funds	780,921	713,645
Results		
Gross Margin	136,462	96,198
Income before taxes	86,043	62,872
Income for the year	65,213	47,213
Significant ratios (%). Consolidated data		
Administrative Expenses /Gross Margin	26.74	32.54
Net Income/Average Shareholders' Equity (ROE)	8.67	6.94
Net Income/Average Total Assets (ROA)	0.39	0.31
Solvency Ratio	35.8	37.2

(*) Off-balance sheet figures managed by the Banco Cooperativo Español, S.A. Group.

2.1 Economic Environment

The 2024 balance sheet reflects a more favorable global economic performance than expected at the end of 2023, when there was a possibility that both the United States and the Eurozone would enter recession, due to the impact of excessively high and sustained interest rates and inflation rates for several quarters. However, these risks did not materialize.
Spain's Gross Domestic Product (GDP) grew by 3.2% annually, a figure considerably higher than initial estimates and significantly above the average for neighboring countries. This growth was accompanied by significant job creation, with close to half a million new jobs, which enabled us to close the year with the highest level of Social Security affiliation in the country's history, reaching approximately 21.5 million members. As a result, the unemployment rate experienced a clear decrease, standing at 10.6% at the end of the year, compared to the 11.8% recorded at the end of 2023, thus reaching its lowest level in the last sixteen years.
It is worth noting that a significant proportion of the new jobs (more than half) were filled by immigrants, in a context in which Spain's total population, according to the National Statistics Institute (INE), has increased by 1.5 million people in the last two years, to 49.1 million inhabitants, driven mainly by migratory growth.

At the European level, the performance of the Spanish economy was particularly outstanding, in contrast to that of the Eurozone, whose real GDP grew by only 0.7%, weighed down by the performance of Germany, whose economy contracted by 0.2% with respect to the previous year, implying a slight recession.

In the United States, the economy showed remarkable dynamism, with real GDP growth of 2.8% for the year and a low unemployment rate of 4.1%. The Chinese economy grew by more than 5% in a complex environment, marked by a deep crisis in the real estate sector and a low level of private consumption, factors that led the government to implement various fiscal stimulus measures.

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As for the evolution of inflation, 2024 was marked by a significant decline, although without fully achieving the target set by central banks.

In Spain, the overall Consumer Price Index (CPI) stood at 2.8% at year-end, compared to 3.1% at the end of 2023, while core inflation fell even more sharply from 3.8% to 2.6%.
In the eurozone as a whole, inflation also showed a clear moderation: headline CPI fell to 2.4% (from 2.9% a year earlier) and core inflation declined from 3.4% to 2.7%.

The macroeconomic environment, together with the evolution of inflation, had a decisive influence on central banks' monetary policy, leading investors to adjust their expectations regarding the magnitude of interest rate cuts.

By the end of 2023, reductions of more than one and a half percentage points were anticipated for both the US Federal Reserve (FED) and the European Central Bank (ECB). However, both agencies opted for a one percentage point reduction in their official rates. In the case of the ECB, four cuts were made, bringing the deposit facility to 3% at the end of the year, compared to the 4% with which it began the year.

For its part, the Fed made a similar adjustment, ending the year with a rate of 4.5% in its high band, compared to 5.5% at the beginning of 2024.
It is important to note that, on this occasion, the ECB anticipated its movements with respect to the Fed, cutting rates for the first time in June, while the US monetary authority waited until September to begin its cycle of cuts, in a context of lower economic dynamism in the Eurozone.

Despite these cuts, long-term interest rates, which are more influenced by growth and inflation expectations, increased. The yield on the US 10-year bond increased by 66 basis points to 4.58% (compared to 3.94% previously), while that of the German Bund rose by 33 basis points to 2.36%. In the case of Spain, the yield on the 10-year bond showed greater stability, with a slight increase of 7 basis points to 3.06%.

In the eurozone corporate credit markets, stability prevailed, with credit spreads virtually unchanged. At year-end, the average five-year spread on the investment-grade segment versus the swap curve stood at around 57 basis points, while in the high-yield segment it reached 313 basis points, levels similar to those at the beginning of 2024 and close to the lows of the last decade.

Meanwhile, the stock markets experienced an outstanding performance. In the United States, the S&P 500 index advanced by 23% and the Nasdaq by 28%, driven by the boom in artificial intelligence, whose greatest exponent is Nvidia, the company with the highest market capitalization globally, with a value of more than 3 trillion dollars (more than double Spain's GDP), with a 171% increase in value. In Europe, the Eurostoxx 50 rose by 8%, while the Ibex 35 advanced by 14%, benefiting from the solid performance of the banking sector.
On the geopolitical front, 2024 was characterized by a high level of uncertainty. The war between Russia and Ukraine continued for the third consecutive year, while in the Middle East, conflicts persisted between Israel and Hamas in Gaza, as well as between Israel and Hezbollah in Lebanon. In addition to these events, the year was marked by multiple electoral processes. These included the U.S. presidential elections in November, which resulted in a resounding victory for Donald Trump, who won the presidency and control of both houses of Congress.

At the time of writing, the new Administration's decisions, particularly on trade policy and the possible resolution of the conflict in Ukraine, have generated considerable volatility in the financial markets due to their unpredictable nature.

At the European level, France and Germany faced significant political challenges. In France, President Emmanuel Macron managed to stay in office at the cost of appointing three prime ministers over the course of the year, concluding with François Bayrou in office. In Germany, the governing coalition of Social Democrats, Greens and Liberals collapsed in November, leading to early elections in February 2025, with CDU leader Friedrich Merz winning.

Both countries have faced economic difficulties, especially in the industrial sector, affected by rising energy costs resulting from the conflict in Ukraine and structural problems in the automotive industry.

Looking ahead to 2025, the International Monetary Fund (IMF) projects world GDP growth of 3.2%, in line with that recorded in 2024. However, within this forecast, a slight slowdown is anticipated in the United States, while the Eurozone could experience a slight improvement. In the case of Spain, growth is expected to be close to 2.5%.

2.2 Balance

- Total assets decreased by 2.7% to Euros 13,336,543 thousand.

- The "Loans and Advances to Customers" caption amounted to Euros 1,275,603 thousand at 31 December 2024, a decrease of 4.8% compared to the figure at the end of 2023.

- Customer deposits" decreased by 2.6% to reach a final figure of Euros 2,267,606 thousand.

- Deposits from credit institutions and central banks decreased by 4.7% and reached a final figure of Euros 6,542,326 thousand.

- Own fund increased by 9.4% to Euros 780,921 thousand.

2.3 Income statement

- The interest margin was Euros 82,297 thousand, representing growth of 43.0% on 2023.

- The gross margin grew by 41.9% to Euros 136,462 thousand.

- Administrative, personnel and general expenses increased by 16.6% to Euros 36,496 thousand. Depreciation and amortization amounted to Euros 3,464 thousand (an increase of 10.4%). In 2024, the sum of provisions and impairment losses on assets resulted in a charge to the income statement of Euros10,451 thousand. All of the above brings Earnings Before Taxes to Euros 86,043 thousand (36.9% higher than in 2023).

- Profit for the year amounted to Euros 65,213 thousand, 38.1% higher than in 2023.

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2.4 Business areas

Below is summarized information on the results of the different business segments into which the activity of Banco Cooperativo Español, S.A. and subsidiaries is divided and their performance in fiscal years 2024 and 2023:

	Thousands of euros									
	Commercial Banking		Asset Management		Markets		Corporate Activities		Total Group	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Gross Margin	25,624	25,013	28,090	25,030	32,910	22,409	56,881	34,647	143,505	107,099
Administrative expenses and amortization	9,121	11,222	4,205	5,149	3,703	4,592	27,809	17,608	44,838	38,571
Allocations to provisions and impairment losses on financial assets	3,502	1,235	-	-	269	211	4,875	-	8,646	1,446
Profit from operating activities	13,002	12,556	23,885	19,881	28,938	17,606	24,196	17,040	90,021	67,082
Other Results	-	-	-	-	-	-	(8)	125	(8)	125
Income before taxes	13,002	12,556	23,885	19,881	28,938	17,606	24,188	16,915	90,013	66,957
Corporate income tax	3,770	3,767	6,927	5,964	8,392	5,282	5,171	3,492	24,260	18,505
Consolidated income for the year	**9,231**	**8,789**	**16,958**	**13,917**	**20,546**	**12,324**	**19,018**	**13,422**	**65,753**	**48,452**

3. Liquidity and capital

3.1 Liquidity

Liquidity risk management consists of ensuring that the Group will at all times have sufficient liquidity to meet its payment commitments associated with the cancellation of its liabilities on their respective maturity dates, without compromising its ability to respond quickly to strategic market opportunities. This management includes obtaining financing in the wholesale markets at the lowest possible cost in the medium and long term, the objective being to maintain an optimum level of liquid assets under a prudent policy.

In the aforementioned context, the keys to solving liquidity problems lie in anticipation and preventive management. Aware of this, the Bank considers both aspects as its first lines of defense against the potential adverse effects of an illiquidity situation on its results, reputation and solvency.

In terms of early identification, the Group permanently monitors its short, medium and long-term liquidity situation and the evolution of the main money and capital markets in which it operates. For this purpose, it has: (i) a wide range of quantitative and qualitative indicators, (ii) limits and alerts defined according to the maximum liquidity risk tolerance level and (iii) the human, technical and operational support necessary to incorporate these indicators in a timely manner as strategic and risk management input.

With regard to preventive management, the Assets and Liabilities Committee (ALCO) guides the structural liquidity management towards: (i) the balance between positive and negative financial flows over a long observation horizon, (ii) the diversification of uses and sources of funding and (iii) the protection of the Bank's capacity to finance its growth and meet its payment obligations on the date and in the manner contractually established at a reasonable cost and without affecting its reputation.

Finally, in terms of anticipation, the Entity has a buffer of unencumbered liquid assets that allows it to comfortably face situations of severe stress. The quality, relative liquidity and pledging capacity of the assets comprising the cushion are periodically checked and stress tested to determine their ability to withstand extreme situations.

The main metrics currently used to monitor liquidity and its results at 31 December 2024 are as follows:

- ***Daily liquidity control***, through which the Bank permanently monitors its intraday liquidity, the eligibility of securities for appeal to Bank of Spain financing (policy) and the sufficiency of its margin of maneuver (available liquid assets buffer) to face short-term cash outflows, among other indicators. This analysis also includes stress tests on its portfolio of eligible assets (inside and outside the Bank of Spain policy), subjecting the securities to scenarios of market value reduction and rating and eligibility losses.

- ***Liquidity gap***, which provides information on cash flow movements in order to detect the existence of mismatches between collections and payments over time. For those items with unknown contractual maturities, very conservative assumptions and behavior criteria have been established.

- **Short-term liquidity ratio (LCR)**: under the stress scenario defined by the Basel III capital accord, the 30-day liquidity ratio at 31 December 2024 was 253.9%, higher than the regulatory minimum established for that date (100%).

- ***Structural funding ratio (NSFR):*** the Bank maintains a balanced long-term funding structure in line with its liquidity profile. At 31 December 2023, the structural funding ratio stood at 288.3%, higher than the regulatory minimum (100%).

In addition, the Bank has established a series of alerts and limits that are continuously monitored to anticipate possible liquidity tensions and, if necessary, to call and hold extraordinary or crisis meetings (depending on the situation) of the ALCO. The latter is included in the liquidity risk contingency plan, which constitutes a second line of action against the potential adverse effects of an illiquidity situation. In essence, it is a practical action plan that allows the Bank to optimize in time, cost and form its response to situations categorized as high or critical exposure, as well as to mitigate possible disruptions and impacts on business continuity during these episodes.

More information on the Bank's residual maturities and financing structure can be found in note 35 of the notes to the consolidated financial statements.

3.2 Capital

Capital management seeks to guarantee the solvency of the entity by ensuring compliance with internal capital objectives, as well as regulatory requirements, and is a fundamental decision-making tool.

The Entity's target capital is defined as the capital which the Entity considers necessary to hold both now and in the future as per its capital planning and which is in keeping with the risks inherent to its activity, the economic environment in which it operates, the governance, management and risk control systems, the strategic business plan, the quality of available capital, regulatory requirements (current and future requirements insofar as the latter are known) and the real possibilities of obtaining more capital if so required.

The computable shareholders' equity amounted to Euros 780,921 thousand and the shareholders' equity requirement was Euros 174,387 thousand, resulting in a surplus of Euros 605,787 thousand.

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All eligible capital corresponds to common equity (CET 1).

The most significant figure in eligible capital corresponds to credit, counterparty, dilution and delivery risks, which stand at Euros 137,360 thousand and represent 78.7% of total capital requirements calculated in accordance with Banco de España regulations

As a result, the solvency ratio and the Tier I capital ratio stood at 35.79%.

	Thousands of euros	
	2024	**2023**
Capital	163,630	154,071
Additional paid-in capital	85,972	85,972
Reservations	466,106	426,389
Profit for the year	65,213	47,213
Valuation adjustments	8,710	4,655
Deductions and other	(9,457)	(7,463)
Transitional adjustments	-	-
Common Equity Tier 1 capital (CET1)	**780,174**	**710,837**
Additional Tier 1 capital items	-	-
Tier 1 capital	**780,174**	**710,837**
Tier 2 capital items	-	-
Tier 2 capital	-	-
Total Computable Capital Resources	**780,174**	**710,837**
For credit risk, counterparty risk, dilution and delivery risk	137,360	114,749
For price risk, foreign exchange risk and commodity position risk	6,191	10,223
Operational risk	16,826	14,168
Credit valuation adjustment risk	14,010	13,684
Total Own Resources Expendable (Pillar 1)	**174,387**	**152,824**
Total capital surplus over Pillar 1 requirements	**605,787**	**558,013**
Capital ratio (%)	**35.79**	**37.21**
Tier 1 capital (%)	**35.79**	**37.21**
Leverage exposure	9,779,397	9,723,497
Leverage ratio (%)	**7.98**	**7.31**

4. Risk

A summary of the principles governing risk management at Banco Cooperativo is as follows:

- A risk profile adapted to strategic objectives, which include a high level of solvency.
- Involvement of Senior Management.
- Segregation of functions, guaranteeing the independence of the control and integral risk management function in relation to the areas that generate them.
- Clear focus on supporting the business, without prejudice to the foregoing principle and maintaining the quality of risk in line with the Group's risk profile.
- Power allocation policies and control mechanisms structured and adapted to the various phases of the risk circuit, thereby ensuring adequate risk management and a risk profile that is in keeping with the parameters defined by the Board of Directors and Senior Management.
- Use of appropriate systems for the identification, measurement, control and monitoring of risks.
- Policies and procedures to reduce risks through mitigation techniques.

- Allocation of capital that is adapted to the level of risk assumed and the economic environment in which the Entity operates.

  These principles are reflected in internal policies related to the approval, monitoring and control of risks and are set forth in the corresponding manuals and monitored on an ongoing basis, as explained further on.

  The Bank has a strategic risk framework, the purpose of which is to ensure the control and proactive management of all risks to which the Group is exposed. This framework is partly instrumented through a Risk Appetite Framework (RAF), which stipulates the quantity and diversity of risks sought and tolerated by the Bank to achieve its business objectives, while preserving a balance between risk and return.

  The RAF is composed of quantitative metrics, which enable objective monitoring of risk management, and complementary qualitative aspects. Risk management and control is configured as a far-reaching set of principles, policies, procedures and advanced valuation methodologies, integrated to form an efficient decision-making structure under a risk governance framework that is compliant with the legislation in force.

  For each relevant risk to which the Group is exposed, the RAF details the main parties involved, their functions, policies, methods and procedures, as well as the monitoring and control mechanisms. It also specifies the organisation of the risk function, indicating the roles and responsibilities of the different risk departments and committees and their control systems, which are tailored to the activities of the business units, including the function of granting loans and credit.

  The main financial risks to which the Bank is exposed are capital risk, excessive leverage, liquidity risk, profitability risk, operational risk, interest rate risk, credit risk, concentration risk and market risk. The most relevant of these is credit risk.

  The main non-financial risks to which the Group is exposed are operational risk, tax risk and regulatory compliance risk.

4.1 Credit risk

Credit risk is the risk that one party to a contract that meets the definition of a financial instrument will fail to meet its obligations and cause the other party to incur a financial loss.

Credit risk therefore represents the risk of loss assumed by the Bank in the event that a customer or counterparty defaults on its contractual payment obligations. This risk is inherent in the entities' traditional banking products (loans, credits, financial guarantees provided, etc.), as well as in other types of financial assets (the Group's fixed-income portfolio, derivatives, etc.).

Credit risk affects both financial assets carried at amortized cost in the financial statements and assets carried at fair value in the financial statements. Regardless of the accounting criteria by which the financial assets have been recorded in these financial statements, the Bank applies the same credit risk control policies and procedures to them.

The Bank’s credit risk control policies and objectives have been approved by the Board of Directors. The Risk Committee, together with the Assets and Liabilities Committee, is in charge of implementing the Bank’s risk policies that enable compliance with the objectives set by the board. The risk control unit (under the General Audit and Risks Department and, therefore, independent of the business units in charge of implementing policies defined by the Entity) is responsible for establishing the control procedures required to continuously monitor the levels of risk assumed by the Entity as well as strict compliance with the objectives set by the Bank with respect to credit risks. Together with the Internal Audit Department (under the Internal Audit Committee), the risk control unit also monitors compliance with the Bank's risk control policies, methods and procedures, ensuring that these are sufficient, implemented effectively and reviewed regularly, and providing the information required by higher-level governing bodies to implement the necessary corrective measures, where applicable.

The control unit monitors, on an ongoing basis, risk concentration levels, the default rate and the different warning systems in place that enable it to keep an eye on credit risk trends at all times. Any deviations from the forecast performance of any of these parameters are analysed to determine the causes. Once the causes of these deviations are known, they are analysed by the control unit which submits the corresponding reports to the Bank's management bodies so that the necessary corrective measures may be taken; for example, defining or correcting established control mechanisms which may not have functioned satisfactorily, or amending policies and limits agreed by the Bank. In particular, a more exhaustive analysis will be performed of operations which, for different reasons, have resulted in late payment or default, to determine the effectiveness of the hedges arranged by the Entity, in order to take any necessary measures to improve the Bank's acceptance policies and credit risk analysis mechanisms.

4.2 Market Risk

Market risk management is carried out at two levels:

a) Positions derived from trading activity, which include those portfolios that aim to benefit from short-term price variations.

b) Balance sheet positions, namely financial instruments and portfolios which are generally used to manage the overall risk structure, as well as structural fixed-income positions which are accrued in the margin.

The basic functions of the Risk Analysis and Control Unit include measuring, controlling and monitoring market risks, assessing exposure and its adequacy to the assigned limits, as well as contrasting, implementing and maintaining tools.

The market risk limit structure is based on Value at Risk (VaR) calculation, maximum loss control (stop-loss limit), stress-testing and position size limits.

The management of this risk is aimed at limiting losses on positions held as a result of adverse movements in market prices. Potential losses are estimated by means of a value-at-risk model, which is the main measurement and control tool in trading operations.

VaR is calculated using the parametric model, with a 99% confidence level for a time period of one day. Value at risk is obtained using historical or Monte Carlo simulations for those portfolios or unusual products with special characteristics for which the covariations model cannot be used.

VaR is calculated centrally on a daily basis for the treasury and capital market activity as a whole, irrespective of the nature of the portfolios.

The objectives of this risk valuation methodology are:

- To establish a benchmark for defining the structure of limits.

- To provide the Group with a unique and standard multi-level measure of market risk, and to provide the regulator with a global measure of market risk assumed by the Entity.

In addition to monitoring market risk, the risk control tools are also complemented by warning systems called stop-loss orders. The reason behind establishing warning systems is to limit maximum trading strategy losses to the desired level by automatically closing positions where allowable losses have been exceeded.

The measurement and control of market risk are complemented by contrast tests which involve comparing the theoretical generation of daily profits and losses under the assumption that positions have remained unchanged, i.e. in the absence of daily trading and using the estimates created by the risk model. Back-testing is used to determine whether the number of times losses exceed estimated VaR is consistent with the expected results according to the 99% confidence level applied in the model. The application of this technique shows that risk measurements fall within generally accepted validation standards.

To further supplement market risk measurement and control, stress estimates are performed in order to quantify the maximum decline in value of a portfolio when faced with extreme risk factor movements. Stress-testing analysis includes the application of historical financial market crisis scenarios as well as extreme values of market variables.

The market risk limit structure is completed with specific limits to the size of positions on certain operations individually approved, analysed and monitored by the Bank's Assets and Liabilities Committee.

4.3 Interest Rate Risk

Interest rate risk on the overall balance sheet is measured using the gap calculation and the sensitivity of the financial margin and net worth to interest rate fluctuations.

- The interest rate gap is based on the analysis of the mismatches in the maturity or repricing profile of the different asset and liability pools at different time intervals.

- Financial margin sensitivity is estimated by projecting the financial margin to twelve months using the expected interest rate scenario and certain behaviour of the balance sheet bundles.

- Net worth sensitivity provides an overview of the long-term interest rate risk assumed by the Entity. Through the concept of duration, the effect of interest rate fluctuations on the economic value of the Entity can be approximated.

To manage interest rate risk, the Assets and Liabilities Committee analyses the overall time difference between maturity and repricing of assets and liabilities. In the case of liabilities with no contractual maturity date, assumptions based on the historical stability of these balances are used.

Each month the financial margin over a 12-month period is simulated under certain scenarios, such as growth of each balance sheet item, spread renewal assumptions, repricing periods for each type of operation, as well as different interest rate scenarios.

Finally, the level of risk is also analyzed from the perspective of economic value, measured as the effect of interest rate variations on the present value of the entity by discounting expected future cash flows.

4.4 Counterparty Risk

Control of counterparty risk is carried out in real time using an integrated system which allows the line of credit available with any counterparty, in any product and period and for each market area, to be known at any given time.

Lines of credit are approved following established authorisation procedures, as are any instances when credit limits are surpassed.

The risk is measured through the current value of each position plus an estimate of the increase that the market value may reach until maturity. The estimate of future changes in the market price is based on a hypothetical "worst case" scenario based on the term of the transaction and the risk factors that may affect it.

With respect to counterparty risk of derivative positions, credit risk is offset on positions where the counterparty is a financial institution that is party to the financial operations framework agreement, which allows parties to offset positions with negative market values against positions with positive market values in the same entity. At 31 December 2024, the netting agreement has been applied to a total of 65 entities (at 31 December 2023, it was applied to 62 entities).

The risk analysis unit continuously monitors the level of credit risk concentration by country, sector or counterparty. The Bank’s Assets and Liabilities Committee reviews the appropriate exposure limits in order to adequately manage the level of credit risk concentration.

Detailed information on the risks to which the Group's activity is subject is included in note 34 to the consolidated financial statements. It includes information on credit risk, market risk, interest rate risk, refinancing risk, foreign exchange risk and risk concentration.

5. Information on foreseeable developments

In 2025, the Bank will undertake the design and launch of new business areas to increase our presence and that of our shareholder savings banks in the markets, strengthen the control of the various activities carried out and improve the quality of the services provided.

6. Research, Development and Innovation Activities

In the technological area, the Bank has continued to develop applications that allow cost savings, improve the quality of the service rendered to our customers, and at the same time, be prepared to face new technological and functional renewal needs. The main efforts have allowed the Bank to continue with the policy of making the most of its resources, obtaining results in the improvement of efficiency and rationalization of processes.

7. Acquisition and disposal of treasury stock

During 2024 there were no transactions with treasury stock.

8. Other relevant information

The rating agencies contracted coincide in highlighting the Bank's reduced risk profile as a consequence of the solid capitalization levels, an estimated volatility for the Group's results in the low range of the benchmarks used and a reduced exposure to the different risks as a consequence of the Bank's policy and practices.

At the date of this report, the ratings assigned to the Bank are as follows:

Fitch	BBB
DBRS	BBB (high)

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

9. Non-financial information statement

Pursuant to Law 11/2018 of 28 December 2018, amending, among other things, article 49.5 of the Spanish Code of Commerce, the Non-Financial Information Statement, which forms part of the Directors' Report of the consolidated Group and which contains non-financial information for the fiscal year ended 31 December 2024, may be consulted on the Caja Rural Group website, www.grupocajarural.es/, under the heading "Sustainability.

In addition to the provisions of the aforementioned legal text, the Statement of Non-Financial Information contains for the first time the information required by the new CSRD Directive, whose standards the Group voluntarily complies with.

BANCO COOPERATIVO ESPAÑOL, S.A.

APPROVAL BY THE BOARD OF DIRECTORS OF THE ANNUAL ACCOUNTS FOR 2024

In accordance with article 253 of the Revised Spanish Companies Act, the members of the board of directors of Banco Cooperativo Español, S.A., whose names are provided below, subscribe to and countersign these annual accounts of Banco Cooperativo Español, S.A. for the year ended 31 December 2024, which were authorised for issue at the board of directors' meeting held in Madrid on 26 March 2025 and comprise the balance sheet, income statement, statement of recognised income and expense, statement of total changes in equity, statement of cash flows, notes thereto comprising 132 pages (pages 9 to 141) and one appendix (page 142), as well as a directors' report of 13 pages (pages 142 to 155).

All the sheets are stamped by the Secretary and signed on the last and the following one by all the Board Members.

Madrid, 26 March 2025

D. Ignacio Arrieta del Valle
- Chairman -

D. Antonio Aguilar-Amat Caballero
- Board Member -

D. Fernando Bergé Royo
- Board Member -

D. Cipriano García Rodríguez
- Board Member -

Mr. José Luis García-Palacios Álvarez
- Board Member -

Mr. Jesús María Hontoria Ramos
- Board Member -

D. Francisco López Luque
- Board Member -

D. Gerónimo Simeón Luque Frías
- Board Member -

D. Carlos Martínez Izquierdo
- Board Member -

D. Fernando Martínez Rodríguez
- Board Member -

D. Pedro Palacios Gómez
- Counselor-

Mr. Jochen Phillip
- Board Member -

D. Manuel Ruíz Escudero
- Board Member -

Ms. Dagmar Werner
- Counselor -

Mr. Juan Núñez Pérez
- Board Member -