CAJAMAR CAJA RURAL SOCIEDAD
COOPERATIVA DE CREDITO AND ENTITIES
FORMING GRUPO COOPERATIVO CAJAMAR

Auditor's Report and Consolidated Annual Accounts

CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CRÉDITO AND ENTITIES FORMING GRUPO COOPERATIVO CAJAMAR (GRUPO COOPERATIVO CAJAMAR)

Auditor's report, consolidated annual accounts
and consolidated directors' report
at 31 December 2011

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This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Cajamar Caja Rural, Sociedad Cooperativa de Crédito,

1. We have audited the consolidated annual accounts of Cajamar Caja Rural, Sociedad Cooperativa de Crédito (the Head Entity) and entities forming Grupo Cooperativo Cajamar (the Group), consisting of the consolidated balance sheet at 31 December 2011, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. As explained in Note 2, the Parent Company's Directors are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

2. In our opinion, the accompanying consolidated annual accounts for 2011 present fairly, in all material respects, the consolidated financial position of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and entities forming Grupo Cooperativo Cajamar at 31 December 2011 and the consolidated results of its operations and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

3. Although our audit opinion is not affected, we wish to draw attention to the content of Note 1.1 of the accompanying notes to the consolidated accounts, which indicates that on 15 December 2011 the Governing Boards of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito approved the plan for the merger of the two entities, this decision having been unanimously ratified by the General Assemblies of the two entities on 17 January 2012. The merger will be completed through the dissolution of the two entities and the creation of a new credit cooperative named Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, which will be the parent of the Grupo Cooperativo Cajamar and the Cooperativo C.R.M. Group. At the preparation date of these consolidated annual accounts and of our audit report, the relevant administrative authorization has yet to be received and therefore the merger deed has not been executed. The merger will be completed for accounting purposes on the date on which all the necessary administrative authorizations have been obtained, which will be the effective date of the merger.

4. The accompanying consolidated directors' Report for 2011 contains the explanations which the Parent Company's Directors consider appropriate regarding the situation of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and entities forming Grupo Cooperativo Cajamar, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated directors' Report is in agreement with that of the consolidated annual accounts for 2011. Our work as auditors is limited to checking the consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and entities forming Grupo Cooperativo Cajamar.

PricewaterhouseCoopers Auditores, S.L.

Fco. Javier Astiz Fernández
Partner

23 March 2012

CAJAMAR CAJA RURAL SOCIEDAD
COOPERATIVA DE CREDITO AND ENTITIES
FORMING GRUPO COOPERATIVO CAJAMAR

Consolidated Annual Accounts and Consolidated Management Report

Year 2011

Assets

Thousands of euros	2011	2010
Cash and balances with central banks	**451,448**	**208,716**
Financial liabilities held for trading	**1,142**	**9,466**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Equity instruments	-	-
Trading derivatives	1,142	9,466
Memorandum item: Loaned or advanced as collateral	-	-
Other financial assets at fair value through profit or loss	**1,817**	**26,148**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	24,513
Debt securities	1,817	1,635
Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	*1,463*
Available-for-sale financial assets	**2,343,704**	**1,709,500**
Debt securities	2,189,117	1,566,240
Equity instruments	154,587	143,260
Memorandum item: Loaned or advanced as collateral	*681,538*	*161,722*
Loans and receivables	**25,932,639**	**25,877,629**
Loans and advances to credit institutions	548,146	895,279
Loans and advances to other debtors	25,384,493	24,982,350
Debt securities	-	-
Memorandum item: Loaned or advanced as collateral	*12,022,245*	*11,313,740*
Held-to-maturity investments	**136,625**	**137,449**
Memorandum item: Loaned or advanced as collateral	*32,787*	*91,396*
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives	**161,810**	**127,979**
Non-current assets held for sale	**212,419**	**107,630**
Investments	**50,414**	**61,272**
Associates	50,414	61,272
Jointly controlled entities	-	-
Insurance contracts linked to pensions	**-**	**-**
Reinsurance assets	**-**	**-**
Tangible assets	**608,736**	**608,076**
Tangible fixed assets	490,564	462,584
For own use	*488,325*	*460,404*
Leased out under an operating lease	-	-
Assigned to the Education and Development Fund	*2,239*	*2,180*
Investment properties	118,172	145,492
Memorandum item: Acquired under a finance lease	-	-
Intangible assets	**42,647**	**40,426**
Goodwill	-	-
Other Intangible assets	42,647	40,426
Tax assets	**182,118**	**157,157**
Current	15,528	11,824
Deferred	166,590	145,333
Other assets	**863,112**	**738,020**
Inventories	808,837	660,029
Other	54,275	77,991
TOTAL ASSETS	**30,988,631**	**29,809,468**

Liabilities

Liabilities	2011	2010
	Thousands of euros	
Financial liabilities held for trading	**1,142**	**836**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	1,142	836
Short positions	-	-
Other financial liabilities	-	-
Other financial liabilities at fair value through profit or loss	**-**	**-**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Subordinated liabilities	-	-
Other financial liabilities	-	-
Financial liabilities at amortised cost	**27,984,780**	**26,999,726**
Deposits from central banks	3,000,821	400,100
Deposits from credit institutions	1,218,155	1,224,778
Deposits from other creditors	20,998,745	21,714,284
Debt certificates including bonds	2,532,802	3,315,595
Subordinated liabilities	57,767	160,117
Other financial liabilities	176,490	184,852
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives	**14,900**	**16,368**
Liabilities associated with non-current assets held for sale	**-**	**-**
Liabilities under insurance contract	**-**	**-**
Provisions	**31,861**	**45,222**
Provisions for pensions and similar obligations	21,952	26,925
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments	4,413	5,076
Other Provisions	5,496	13,221
Tax liabilities	**65,237**	**55,361**
Current	16,877	14,095
Deferred	48,360	41,266
Education and Development Fund	**5,622**	**4,275**
Other liabilities	**218,629**	**182,151**
Capital having the nature of a financial liability	**92**	**181,248**
TOTAL LIABILITIES	**28,322,263**	**27,485,187**

Equity

	Thousands of euros	
	2011	2010
Own funds	**2,680,658**	**2,335,009**
Capital or endowment fund	1,394,087	1,038,910
Issued	1,394,087	1,038,910
Less: Unpaid and uncalled	-	-
Share premium	-	-
Reserves:	-	-
Accumulated reserves (losses)	1,274,054	1,246,945
Reserves (losses) in entities accounted for by the equity method	5,230	13,652
Associates	5,230	13,652
Jointly controlled entities	-	-
Other Equity instruments	4,350	31,831
Equity component of compound financial instruments	-	-
Non-voting equity units and associated funds	-	-
Other equity instruments	4,350	31,831
Less: Dividends and remuneration	-	-
Profit for the period attributed to parent	46,186	35,815
Less: Dividend and remuneration	*(43,249)*	*(32,144)*
Valuation adjustments	**(14,290)**	**(22,194)**
Available-for-sale financial assets	(12,969)	(21,128)
Cash flow hedges	-	-
Hedge of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
Entities accounted for by the equity method	(1,321)	(1,066)
Other valuation adjustments	-	-
Minority interest	**-**	**11,466**
TOTAL EQUITY	**2,666,368**	**2,324,281**
TOTAL LIABILITIES AND EQUITY	**30,988,631**	**29,809,468**

Memorandum Accounts

	Thousands of euros	
	2011	2010
MEMORANDUM ITEM		
Contingent exposures	**733,595**	**744,457**
Contingent commitments	**1,828,894**	**2,043,935**
TOTAL MEMORANDUM ACCOUNTS	**2,562,489**	**2,788,392**

Consolidated Income Statements

	Thousands of euros	
	2011	2010
Interest and similar income	**982,398**	**917,334**
Interest expense and similar charges	**(599,011)**	**(486,202)**
Remuneration of capital having the nature of a financial liability	**-**	**(5,428)**
A) NET INTEREST INCOME	**383,387**	**425,704**
Return in equity instruments	**2,162**	**2,016**
Share of profit or loss of the entities accounted for using the equity method	**7,665**	**5,440**
Fee and comission income	**131,109**	**109,441**
Fee and comission expense	**(20,524)**	**(13,099)**
Gains or losses on financial assets and liabilities (net)	**107,449**	**47,439**
Financial liabilities held for trading	9,458	434
Other financial instruments at fair value through profit or loss	69,023	1,375
Financial instruments not at fair value through profit and loss	24,086	34,756
Other	4,882	10,874
Exchange differences (net)	**1,473**	**1,628**
Other operating income	**54,281**	**51,450**
Insurance and reinsurance premium income	-	-
Sales and income from the provisions of non-financial services	28,892	17,052
Other operating income	25,389	34,398
Other operating expenses	**(49,006)**	**(36,736)**
Insurance and reinsurance premums paid	-	-
Variation in inventories	(24,609)	(22,374)
Other operating expenses	(24,397)	(14,362)
B) GROSS INCOME	**617,996**	**593,283**
Administrative expenses	**(343,112)**	**(324,409)**
Personnel expenses	(251,875)	(240,065)
Other administrative expenses	(91,237)	(84,344)
Depreciation and amortisation	**(41,064)**	**(39,784)**
Provisioning expenses (net)	**8,336**	**23,742**
Impairment losses on financial assets (net)	**(130,952)**	**(152,478)**
Loans and receivables	(121,001)	(152,380)
Financial instruments not at fair value through profit and loss	(9,951)	(98)
C) NET OPERATING INCOME	**111,204**	**100,354**
Impairment losses on other assets (net)	**(59,383)**	**(57,519)**
Goodwill and other intangible assets	(11,146)	(825)
Other assets	(48,237)	(56,694)
Gain (losses) on non-current assets held for sale not classified as discontinued operations	**(4,195)**	**(6,853)**
Negative difference on business combinations	**-**	**-**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(11,915)**	**(3,124)**
D) PROFIT BEFORE TAX	**35,711**	**32,858**
Income tax	**10,796**	**481**
Mandatory transfer to Education and Development Fund	**(321)**	**(700)**
E) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS CONTINUADAS	**46,186**	**32,639**
Profit or loss from discontinued operations (net)	**-**	**-**
F) CONSOLIDATED PROFIT FOR THE PERIOD	**46,186**	**32,639**
Profit attributed to parent	46,186	35,815
Profit attributed to minority interest	-	(3,176)

Consolidated Statements of Recognized Income and Expenses

	Thousands of euros 2011	2010
A) CONSOLIDATED PROFIT FOR THE PERIOD	**46,186**	**32,639**
B) OTHER RECOGNISED INCOME AND EXPENSES	**11,598**	**(18,785)**
Available-for-sale financial assets	15,438	(24,950)
Revaluation gains/losses	11,679	(18,598)
Amounts transferred to income statement	3,759	(6,352)
Other reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial carrying amount of the hedged items	-	-
Other reclassifications	-	-
Hedge of net investments in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Actuarial guarantees (losses) in pension plans	-	-
Entities accounted for by the equity method	(256)	(201)
Revaluation gains/losses	(256)	(201)
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Other recognised income and expenses	-	-
Income tax	(3,584)	6,366
C) TOTAL RECOGNISED INCOME AND EXPENSES	**57,784**	**13,854**
Attributed to parent	57,784	17,030
Attributed to minority interest	-	(3,176)

Consolidated Statement of Total Changes in Equity for the year ended 31 December 2011

Thousands of euros

	Own Funds												
	Capital/ Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) in entities accounted for by the equity method	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total	Minority interest	Total equity
Closing balance at 31 December 2010	1,038,910	-	1,246,945	13,652	31,831	-	35,815	(32,144)	2,335,009	(22,194)	2,312,815	11,466	2,324,281
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	1,038,910	-	1,246,945	13,652	31,831	-	35,815	(32,144)	2,335,009	(22,194)	2,312,815	11,466	2,324,281
Total income and expenses recognised	-	-	-	-	-	-	46,186	-	46,186	11,598	57,784	-	57,784
Other changes in equity	355,177	-	27,109	(8,422)	(27,481)	-	(35,815)	(11,105)	299,463	(3,694)	295,769	(11,466)	284,303
Capital/Endowment fund increase	144,358	-	-	-	-	-	-	-	144,358	-	144,358	-	144,358
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	181,162	-	-	-	-	-	-	-	181,162	-	181,162	-	181,162
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	(44,396)	(44,396)	-	(44,396)	-	(44,396)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	(3,178)	5,440	-	-	(35,553)	33,291	-	-	-	-	-
Increases (reductions) due to risk combinations	29,657	-	41,313	-	(27,481)	-	-	-	43,489	(3,695)	39,794	(11,466)	28,328
Optional transfer to welfare funds	-	-	(10,500)	-	-	-	(262)	-	(10,762)	-	(10,762)	-	(10,762)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	(526)	(13,862)	-	-	-	-	(14,388)	1	(14,387)	-	(14,387)
Closing balance at 31 December 2011	1,394,087	-	1,274,054	5,230	4,350	-	46,186	(43,249)	2,680,658	(14,290)	2,666,368	-	2,666,368

Consolidated Statement of Total Changes in Equity for the year ended 31 December 2010

Thousands of euros

	Own Funds												
	Capital/ Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) in entities accounted for by the equity method	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total	Minority interest	Total equity
Closing balance at 31 December 2009	958,465	-	1,225,985	(3,764)	-	-	65,747	(31,163)	2,215,270	(3,046)	2,212,224	(1)	2,212,223
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	958,465	-	1,225,985	(3,764)	-	-	65,747	(31,163)	2,215,270	(3,046)	2,212,224	(1)	2,212,223
Total income and expenses recognised	-	-	-	-	-	-	35,815	-	35,815	(18,785)	17,030	(3,176)	13,854
Other changes in equity	80,445	-	20,960	17,416	31,831	-	(65,747)	(981)	83,924	(363)	83,561	14,643	98,204
Capital/Endowment fund increase	74,820	-	-	-	6,373	-	-	-	81,193	-	81,193	-	81,193
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	(9,566)	-	-	-	-	(32,144)	(41,710)	-	(41,710)	-	(41,710)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	(23,374)	-	35,786	(2,999)	23,374	-	(63,950)	31,163	-	-	-	-	-
Increases (reductions) due to risk combinations	28,999	-	4,665	21,461	2,084	-	-	-	57,209	(363)	56,846	14,643	71,489
Optional transfer to welfare funds	-	-	-	-	-	-	(1,797)	-	(1,797)	-	(1,797)	-	(1,797)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	(9,925)	(1,046)	-	-	-	-	(10,971)	-	(10,971)	-	(10,971)
Closing balance at 31 December 2010	1,038,910	-	1,246,945	13,652	31,831	-	35,815	(32,144)	2,335,009	(22,194)	2,312,815	11,466	2,324,281

Consolidated Cash Flow Statements

Thousands of euros	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES	**411,255**	**(17,204)**
Profit or loss from the period	**46,186**	**32,639**
Adjustments to obtain cash flows on operating activities:	**247,085**	**217,230**
Depreciation and amortisation	41,063	39,784
Other adjustments	206,022	177,446
Net increase/decrease in operating assets:	**940,627**	**2,405,072**
Financial liabilities held for trading	-	-
Other financial assets at fair value through profit or loss	(24,331)	5,490
Available-for-sale financial assets	635,996	1,297,053
Loans and receivables	149,880	631,328
Other assets de explotación	179,082	471,201
Net increase/decrease in operating liabilities:	**1,056,285**	**2,154,593**
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1,028,673	2,143,764
Other financial liabilities	27,612	10,829
Collection/Payments on account on income tax	**2,326**	**(16,594)**
CASH FLOWS FROM INVESTING ACTIVITIES	**(169,414)**	**(161,587)**
Payments:	**258,808**	**224,363**
Tangible assets	95,646	142,107
Intangible assets	22,602	8,087
Investments	-	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	140,560	74,169
Held-to-maturity investments	-	-
Other settlements related to investing activities	-	-
Collections:	**89,394**	**62,776**
Tangible assets	54,873	35,673
Intangible assets	2,064	353
Investments	10,181	15,253
Other business units	-	-
Non-current assets and associated liabilities held for sale	22,276	11,497
Held-to-maturity investments	-	-
Other payments relating investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**891**	**(56,252)**
Payments:	**145,649**	**175,872**
Dividends	43,249	37,572
Subordinated liabilities	102,400	138,300
Redemption of own equity instruments	-	-
Adquisition of own equity instruments	-	-
Other payments relating financial activities	-	-
Collections:	**146,540**	**119,620**
Subordinated liabilities	-	-
Issuance of own equity instruments	146,540	119,620
Disposal of own equity instruments	-	-
Other collections relating financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**242,732**	**(235,043)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**208,716**	**443,759**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**451,448**	**208,716**

MEMORANDUM ITEM (Thousands of euros)	2011	2010
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	219,182	165,603
Cash equivalent balances with central banks	232,266	43,113
Other financial assets	-	-
Less: Bank overdrafts having the nature of a financial libilitiy	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**451,448**	**208,716**

Contents

1. General Information

1.1. Nature of the Entity

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, was formed in 1963 through an agreement reached by the founding entities.

Its current name was approved by the General Assembly on 28 March 2006 and changed from Caja Rural Intermediterránea, Sociedad Cooperativa de Crédito. Its operating territory is all of Spain and abroad, if advisable for the economic activities carried out by its members and customers.

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, -Cajamar- (hereinafter the Entity or the Parent Entity) was created at a General Assembly held on 8 June 1963 and was classified and entered into the General Registry of Cooperatives at the Ministry of Finance on 15 October 1968 under number 27, Section C. It was also entered into the Special Registry of Cooperatives at the Bank of Spain under code number 3058, and in the Mercantile Registry in Volume 191-AL, Sheet 1 for Cooperatives page 1, entry 1, on 13 July 1994.

The Entity was classified and entered into the Cooperative Registry at the Ministry of Employment and Social Security in Volume XLIX, Sheet 4814, entry 2 by Resolution adopted by the National Institute of Social Economy on 24 October 1994 and subsequently amended on 1 October 2001 by entry 16 at the Sub-Directorate General for Business Development and Support and the Registry of Entities at the Ministry of Employment and Social Issues, and was assigned number 1726 SMT, and it maintained number UC-RCA-10 in the former registry of cooperatives. Tax ID Number: F-04001475 – Accounting code 3058.

The Entity is the result of the merger, carried out in 2000, of Caja Rural de Almería, Sociedad Cooperativa de Crédito and Caja Rural de Málaga, Sociedad Cooperativa de Crédito, which was approved by the respective General Assemblies on 30 June 2000. This merger consisted of the take over of Caja Rural de Málaga, Sociedad Cooperativa de Crédito by Caja Rural de Almería, Sociedad Cooperativa de Crédito, subrogating to all of the target entity's rights and obligations and the target company was wound up as a result of the transaction. Once the legal periods elapsed, the merger documentation was entered into the Mercantile Registry on 6 November 2000.

Prior to the above merger, in 2000 Caja Rural de Malaga, Sociedad Cooperativa de Crédito carried out another merger in which it took over Caja Grumeco, Sociedad Cooperativa de Crédito.

Subsequently, on 24 August 2007 the respective General Assemblies of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada, approved the merger of the two entities. This merger consisted of the takeover of Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada by Cajamar Caja Rural, Sociedad Cooperativa de Crédito, subrogating to all of the target entity's rights and obligations and the target company was wound up as a result of the transaction. Once the legal periods elapsed, and the relevant authorisations were obtained, the merger documentation was entered into the Almeria Mercantile Registry on 27 December 2007.

Finally, on 19 August 2010 the General Assemblies of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caixa Rural de Balears, Sociedad Cooperativa de Crédito approved the merger of both financial institutions, consisting of the takeover of Caixa Rural de Balears, Sociedad Cooperativa de Crédito by Cajamar Caja Rural, Sociedad Cooperativa de Crédito, subrogating to all rights and obligations of the target company and the target company was wound up as a result of the transaction. Once the legal periods elapsed, and the relevant authorisations were obtained, the merger documentation was entered into the Almeria Mercantile Registry on 29 December 2010.

The General Assemblies held on 9 June 2011 approved the merger of Caja Campo, Caja Rural, S. Coop. de Crédito, an entity that was owned by Grupo Cooperativo Cajamar and its related Institutional Protection System (SIP), into Cajamar Caja Rural, Sociedad Cooperativa de Crédito, entailing the succession to all the rights and obligations of Caja Campo, Caja Rural, S. Coop. de Crédito by Cajamar Caja Rural, Sociedad Cooperativa de Crédito, the target entity having been dissolved as a result of the merger. Once the legally stipulated periods had elapsed and the necessary authorisation had been obtained, the merger deed was entered in the Almería Mercantile Register on 27 September 2011 (Notes 2.7 and 3.23)

The above merger transactions applied the special tax system established by current legislation and the information required by that legislation is included in the first annual report approved after the mergers.

In addition to the transactions it carries out directly, Cajamar is the parent entity of a group of subsidiaries (Schedule I), hereinafter the “Group”, the “Grupo Cajamar” or the “Grupo Cooperativo Cajamar”. As a result, it is required to prepare the consolidated annual accounts for the Group, in addition to its own annual accounts, which include the credit institutions participating in Grupo Cooperativo Cajamar and shareholdings and investments in associates.

By virtue of the resolutions adopted by the Extraordinary General Assembly held on 23 June 2009, Cajamar has approved the creation and participation - as the Parent Entity - of Grupo Cooperativo Cajamar and its associate Institutional Protection System.

On 15 December 2011, the Governing Boards of Cajamar, Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito approved the merger of the two entities, which was unanimously ratified by their General Assemblies on 17 January 2012. The merger will be completed by dissolving both entities and creating a new entity named Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. The resulting entity will be the parent entity of Grupo Cooperativo Cajamar and Grupo Cooperativo C.R.M. (formed by Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito and fourteen savings banks in the Valencia region). At the preparation date of these consolidated annual accounts, the necessary administrative authorisation has not been obtained and therefore the merger deed has not been executed. The merger will have effect for accounting purposes once all the necessary administrative authorizations have been obtained, which will be the acquisition date for merger purposes.

The primary objective of this merger is to consolidate, integrate and optimize the business efficiency of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito (Rural Caja), as well as of their respective groups, Grupo Cooperativo Cajamar and Grupo C.R.M., so as to increase their size, establish a management model that benefits both groups in their respective zones, and continue to increase capacities and funds in order to overcome the challenges faced in the current economic environment.

Creation of Grupo Cooperativo Cajamar

On 25 May 2009, the Governing Boards took the decision to approve a resolution to create a common financial group under the name and legal system of Grupo Cooperativo Cajamar, which will contribute to the strengthening of the members and through which they will consolidate their balance sheets and follow a common business strategy, management policies and control over risks, solvency and liquidity.

Grupo Cooperativo Cajamar was qualified by the Bank of Spain as an Institutional Protection System. The creation of the Group took place in accordance with Law 27/1999 (26 July) on Cooperatives, which establishes a broad and flexible general framework to channel collaboration and integration initiatives for several cooperative companies and, in particular, Article 78 of that Law, which covers the creation of the so-called cooperative groups, which are understood to be, for the purposes of this Law, "the entity formed by several cooperative companies, of any type, and the entity leading the group that exercises authority or issues mandatory instructions to the member cooperatives, such that there is decision taking unity within the scope of that authority"

Similarly, Article 80.8 of European Parliament and Council Directive 2006/48/CE (14 June 2006) and the relevant transposition legislation in Spain, in particular Bank of Spain Circular 3/2008 (22 May), and subsequent amendments, regarding the calculation and control over minimum equity resources, establish the purposes, objectives and rules for the so-called "Institutional Protection Systems" (**"Sistemas Institucionales de Protección")**, hereinafter SIP, that Law 36/2007 (16 November) brought into Spanish legislation and Royal Decree 216/2008 (15 February) developed in terms of regulations. Based on these bodies of legislation, the Bank of Spain issued Circular 3/2008, and subsequent amendments, and Point Two and Fifteen stipulate the conditions under which the Bank of Spain would consider a SIP exists and would authorise the relevant conditions.

Taking into consideration both bodies of legislation, the entities indicated in the preceding paragraph concluded a contractual agreement to create and operate Grupo Cooperativo Cajamar and amended their by-laws to include the main conditions established in that Agreement, under which Cajamar Caja Rural, Sociedad Cooperativa de Crédito is considered to be the Group's lead entity and its Governing Body the maximum decision taking authority with the Group, which involves senior management and the supervision of the activities carried out by the Group. It also has the exclusive authority over strategic management, external representation, internal coordination, establishment of risk policies and rules, control and audit, the approval of business plans and the establishment of commercial policies, prices and distribution.

Under this agreement, and also in response to the requirements established by Circular 3/2008 and subsequent amendments, a reciprocal, direct and unconditional solvency commitment was established in order to avoid any insolvency proceedings and to evaluate the Group's capital requirements as a whole and establish a solvency target for the group that all participants will maintain and implementing a mandatory capitalisation plan to be invoked in the event that any member has a deficit of resources compared with the mandatory objective. The Agreement also includes a liquidity commitment, and should any member have insufficient resources a Liquidity Plan will be implemented to return the member to a normal situation.

All of the aforementioned commitments do not represent any obstacle, in accordance with the legislation on which the Agreement is based, for each of the credit institutions signing the agreement and any joining in the future, to be open to new members, maintain full legal status, governing and management bodies, employees and employment framework, their own brand and the management of their Education and Promotion Fund.

The Executive Committee at the Bank of Spain agreed to consider Grupo Cooperativo Cajamar as a consolidated group of credit institutions, and also classified the agreement concluded by the participating rural banks as an Institutional Protection System (SIP).

The integrated entities in Grupo Cooperativo Cajamar -as participants- as well as their incorporation date approved by their General Assemblies, and the date of authorization by the Bank of Spain Executive Committee are detailed as follows:

Entity	Assembly Celebration Date	Bank of Spain Authorisation Date
Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana	23/06/2009	10/12/2009
Caixa Rural Albalat dels Sorells, Cooperativa de Crédito Valenciana	02/10/2009	27/02/2010
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	16/04/2010	18/10/2010
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	19/05/2010	18/10/2010
Caja Rural de Castellón-S. Isidro, Sociedad Cooperativa de Crédito Valenciana	26/05/2011	02/09/2011

(*) Caja Campo, Caja Rural Sociedad Cooperativa de Crédito formed part of the Group Cooperativo Cajamar by General Assembly approval on 23 June 2009, being its incorporation approved by the Executive Commission of the Bank of Spain on 10 December 2009.

In the General Assembly held on 22 December 2011, Caja Rural de Canarias, Sociedad Cooperativa de Crédito resolved to join Grupo Cooperativo Cajamar, having signed the Deed of Adherence on 16 January 2012. At the date of these annual accounts, the necessary authorisation has not been issued by the Bank of Spain and therefore this entity did not form part of the Consolidated Group at 31 December 2011.

The Cajamar Group's consolidated annual accounts for 2010 were approved by the General Assembly held on 6 June 2011. The consolidated annual accounts of the Group, the Entity and all the Group entities for 2011 are pending approval by their respective General Assemblies; the Entity's Governing Board expects them to be approved without changes.

At 31 December 2011, total Assets, Equity and results of the year coming from the lead Entity represent 97.42%, 96.99% and 96.21% compared to those coming from Grupo Cooperativo Cajamar (95.06%, 99.33% and 97.57% respectively at 31 December 2010).

The individual balance sheets, the individual income statements, individual statements of recognised revenues and expenses, individual statements of changes in equity and the individual cash flow statements for Cajamar for the years ended 31 December 2011 and 2010, prepared in accordance with the accounting standards and policies and valuation standards established by Bank of Spain Circular 4/2004 and subsequent amendments published in Bank of Spain Circular 6/2008, are presented below.

a) Individual balance sheets from Cajamar Caja Rural Sociedad Cooperativa de Crédito as at 31 December 2011 and 2010:

Asset	Thousands of euros 2011	2010
Cash and balances with central banks	446,757	197,131
Financial liabilities held for trading	1,135	10,407
Other financial assets at fair value through profit or loss	-	24,513
Available-for-sale financial assets	2,252,735	1,676,669
Loans and receivables	25,635,737	24,832,627
Held-to-maturity investments	124,813	124,204
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	161,779	127,830
Non-current assets held for sale	200,314	101,346
Investments	84,818	98,465
Associates	*14,698*	*19,959*
Jointly controlled entities	*16*	*17*
Group entities	*70,104*	*78,489*
Insurance contracts linked to pensions	-	-
Tangible assets	541,783	536,443
Tangible fixed assets	*458,382*	*423,526*
Investment properties	*83,401*	*112,917*
Intangible Assets	36,817	34,484
Goodwill	-	-
Other Intangible assets	*36,817*	*34,484*
Tax assets	163,501	133,454
Current	*12,357*	*6,743*
Deferred	*151,144*	*126,711*
Other assets	541,655	442,590
TOTAL ASSETS	**30,191,844**	**28,340,163**

Liabilities and Equity

	Thousands of euros 2011	2010
Financial liabilities held for trading	1,158	1,684
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	27,279,339	25,698,462
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	14,751	14,573
Liabilities associated with non-current assets held for sale	-	-
Provisions	29,159	49,818
Tax liabilities	60,612	48,078
Current	*15,115*	*11,782*
Deferred	*45,497*	*36,296*
Education and Development Fund	5,015	3,436
Other liabilities	215,525	169,240
Capital having the nature of a financial liability	-	181,162
TOTAL LIABILITIES	**27,605,559**	**26,166,453**
Own Funds	**2,592,881**	**2,198,265**
Capital	1,394,087	1,038,910
Issued	*1,394,087*	*1,038,910*
Less: Unpaid and uncalled	-	-
Share premium	-	-
Reserves	1,197,608	1,155,781
Other Equity instruments	-	-
Less: Dividends and remuneration	-	-
Profit for the period	44,435	34,778
Less: Dividend and remuneration	(43,249)	(31,204)
Valuation adjustments	**(6,596)**	**(24,555)**
Available-for-sale financial assets	(6,596)	(24,555)
Cash flow hedges	-	-
Hedge of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
Rest of valuation adjustments	-	-
TOTAL EQUITY	**2,586,285**	**2,173,710**
TOTAL LIABILITIES AND EQUITY	**30,191,844**	**28,340,163**

Memorandum item

	2011	2010
Contingent exposures	679,003	631,488
Contingent commitments	1,790,436	1,957,459
TOTAL MEMORANDUM ACCOUNTS	**2,469,439**	**2,588,947**

b) Individual income statements from Cajamar Caja Rural Sociedad Cooperativa de Crédito for the years ended 31 December 2011 and 2010:

	Thousands of euros	
	2011	2010
Interest and similar income	976.004	877.505
Interest expense and similar charges	(591.925)	(466.371)
Remuneration of capital having the nature of a financial liability	-	(5.428)
NET INTEREST INCOME	**384.079**	**405.706**
Return in equity instruments	10.500	11.495
Fee and commission income	128.629	100.178
Fee and commission expense	(12.628)	(12.593)
Gains or losses on financial assets and liabilities (net)	98.364	46.695
Exchange differences (net)	1.473	1.628
Other operating income	22.496	36.761
Other operating expenses	(24.050)	(13.279)
GROSS INCOME	**608.863**	**576.591**
Administrative expenses	(314.871)	(293.176)
Personnel expenses	*(225.020)*	*(208.370)*
Other administrative expenses	*(89.851)*	*(84.806)*
Depreciation and amortisation	(38.751)	(36.966)
Provisioning expenses (net)	15.343	18.453
Impairment losses on financial assets (net)	(149.351)	(172.481)
NET OPERATING INCOME	**121.233**	**92.421**
Impairment losses on other assets (net)	(75.015)	(52.002)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(4.552)	(4.391)
Negative difference un business combinations	-	-
Gains (losses) on non-current assets held for sale not classified as discontinued operations	(7.613)	(1.614)
PROFIT BEFORE TAX	**34.053**	**34.414**
Income tax	10.514	761
Mandatory transfer to Education and Development Fund	(132)	(397)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**44.435**	**34.778**
Profit or loss from discontinued operations (net)	-	-
PROFIT FOR THE PERIOD	**44.435**	**34.778**

c) Individual statements of revenues and expenses from Cajamar Caja Rural Sociedad Cooperativa de Crédito recognised for the years ended 31 December 2011 and 2010:

	Thousands of euros	
	2011	2010
A) CONSOLIDATED PROFIT FOR THE PERIOD	**44,435**	**34,778**
B) OTHER RECOGNISED INCOME AND EXPENSES	**17,959**	**(20,102)**
Available-for-sale financial assets	23,809	(27,127)
Revaluation gains/losses	23,860	(20,775)
Amounts transferred to income statement	51	(6,352)
Other reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial carrying amount of the hedged items	-	-
Other reclassifications	-	-
Hedge of net investments in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Actuarial guarantees (losses) in pension plans	-	-
Other recognised income and expenses	-	-
Income tax	(5,850)	7,025
C) TOTAL RECOGNISED INCOME AND EXPENSES	**62,394**	**14,676**

d)) Individual statements of changes in equity from Cajamar Caja Rural Sociedad Cooperativa de Crédito for the years ended 31 December 2011 and 2010:

	Thousands of euros									
	Own Funds									
	Capital/ Endowment fund	Share premium	Reserves	Other Equity instruments	Less: Treasury shares	Profit for the period:	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total Equity
Closing balance at 31 December 2010	1,038,910	-	1,155,781	-	-	34,778	(31,204)	2,198,265	(24,555)	2,173,710
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	1,038,910	-	1,155,781	-	-	34,778	(31,204)	2,198,265	(24,555)	2,173,710
Total income and expenses recognised	-	-	-	-	-	44,435	-	44,435	17,959	62,394
Other changes in equity	355,177	-	41,827	-	-	(34,778)	(12,045)	350,181	-	350,181
Capital/Endowment fund increase	144,358	-	-	-	-	-	-	144,358	-	144,358
Capital reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	181,162	-	-	-	-	-	-	181,162	-	181,162
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	(44,396)	(44,396)	-	(44,396)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	2,427	-	-	(34,778)	32,351	-	-	-
Increases (reductions) due to risk combinations	29,657	-	49,900	-	-	-	-	79,557	-	79,557
Optional transfer to welfare funds	-	-	(10,500)	-	-	-	-	(10,500)	-	(10,500)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	-	-	-	-	-	-	-	-
Closing balance at 31 December 2011	1,394,087	-	1,197,608	-	-	44,435	(43,249)	2,592,881	(6,596)	2,586,285

	Thousands of euros									
	Own Funds									
	Capital/ Endowment fund	Share premium	Reserves	Other Equity instruments	Less: Treasury shares	Profit for the period:	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total Equity
Closing balance at 31 December 2009	935,091	-	1,134,010	-	-	63,501	(31,163)	2,101,439	(3,309)	2,098,130
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	935,091	-	1,134,010	-	-	63,501	(31,163)	2,101,439	(3,309)	2,098,130
Total income and expenses recognised	-	-	-	-	-	34,778	-	34,778	(20,102)	14,676
Other changes in equity	103,819	-	21,771	-	-	(63,501)	(41)	62,048	(1,144)	60,904
Capital/Endowment fund increase	74,820	-	-	-	-	-	-	74,820	-	74,820
Capital reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	(31,204)	(31,204)	-	(31,204)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	(1,144)	(1,144)
Reclassifications	-	-	30,541	-	-	(61,704)	31,163	-	-	-
Increases (reductions) due to risk combinations	28,999	-	(8,770)	-	-	-	-	20,229	-	20,229
Optional transfer to welfare funds	-	-	-	-	-	(1,797)	-	(1,797)	-	(1,797)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	-	-	-	-	-	-	-	-
Closing balance at 31 December 2010	1,038,910	-	1,155,781	-	-	34,778	(31,204)	2,198,265	(24,555)	2,173,710

e) Individual cash-flow statements from Cajamar Caja Rural Sociedad Cooperativa de Crédito for the year ended 31 December 2011 and 2010:

	Thousands of euros	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES	**411,063**	**16,920**
Profit or loss from the period	**44,435**	**34,778**
Adjustments to obtain cash flows on operating activities:	**274,094**	**253,178**
Depreciation and amortisation	38,751	36,966
Other adjustments	235,343	216,212
Net increase/decrease in operating assets:	**1,602,490**	**2,202,749**
Financial liabilities held for trading	-	-
Other financial assets at fair value through profit or loss	(24,513)	3,855
Available-for-sale financial assets	563,962	1,306,897
Loans and receivables	923,324	724,150
Other assets de explotación	139,717	167,847
Net increase/decrease in operating liabilities:	**1,692,947**	**1,941,354**
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1,648,689	1,933,916
Other financial liabilities	44,258	7,438
Collection/Payments on account on income tax	**2,077**	**(9,641)**
CASH FLOWS FROM INVESTING ACTIVITIES	**(189,803)**	**(192,059)**
Payments:	**244,298**	**230,705**
Tangible assets	108,088	94,351
Intangible assets	8,685	6,962
Investments	30,436	61,614
Other business units	-	-
Non-current assets and associated liabilities held for sale	97,089	67,778
Held-to-maturity investments	-	-
Other settlements related to investing activities	-	-
Collections:	**54,495**	**38,646**
Tangible assets	28,969	26,366
Intangible assets	118	347
Investments	1,389	82
Other business units	-	-
Non-current assets and associated liabilities held for sale	24,019	11,851
Held-to-maturity investments	-	-
Other payments relating investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**28,366**	**(63,802)**
Payments:	**145,649**	**174,932**
Dividends	43,249	36,632
Subordinated liabilities	102,400	138,300
Redemption of own equity instruments	-	-
Adquisition of own equity instruments	-	-
Other collections relating financial activities	-	-
Collections:	**174,015**	**111,130**
Subordinated liabilities	-	-
Issuance of own equity instruments	174,015	111,130
Disposal of own equity instruments	-	-
Other collections relating financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**249,626**	**(238,941)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**197,131**	**436,072**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**446,757**	**197,131**

	Thousands of euros	
MEMORANDUM ITEM	2011	2010
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	214,528	154,028
Cash equivalent balances with central banks	232,229	43,103
Other financial assets	-	-
Less: Bank overdrafts having the nature of a financial labilitiy	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**446,757**	**197,131**

1.2. Corporate purpose

The Entities participating in the Group and, therefore, the Group itself, have the corporate purpose to serve the financial needs of its members and third parties, and may perform any credit or deposit-taking activity, banking or quasi-banking service, giving preference to the financial demands of its members and may carry out credit operations with non-members up to a limit of 50% of the bank's total resources.

1.3. Registered office

The lead Entity of the Group is headquartered at Plaza Barcelona 5 in Almeria and has a network of 1,008 offices, mainly located in Almeria, Malaga, Murcia, Barcelona, Valladolid, Madrid, Valencia and the Balearic Islands (see Schedule II for a list of offices by geographic area).

1.4. Legal matters

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

- Maintaining a minimum percentage of resources on deposit at the national central bank of a country participating in monetary union (euro) to cover the minimum reserve ratio, which was established at 2% of qualifying liabilities at 31 December 2011 and 2010. (Note 7.2). Starting 18 January 2012, the minimum coefficient has been fixed on to 1%

- Distribution of at least 20% of the available surplus obtained during the year to the Mandatory Reserve Fund that serves the purpose of consolidating and guaranteeing the Group (established at 80% by Cajamar's by-laws – Note 20) and 10% to the Education and Promotion Fund (see Note 3.13).

- Keeping a minimum level of capital and reserves (Notes 3.15 and 20).

- Making an annual contribution to the Deposit Guarantee Fund to provide a further guarantee, in addition to the bank's capital and reserves, to its creditors and customers. (Note 3.17).

The Lead Entity is basically regulated by Law 13/1989 (26 May) on Credit Cooperatives and by its Enabling Regulations published in Royal Decree 84/1993 (22 January). The Entity is also subject to the general regulations covering credit institutions and, furthermore, by general legislation governing cooperatives.

The Lead Entity has adapted its by-laws to meet the provisions of Law 13/1989 (26 May) on Credit cooperatives, which was published in the Official State Gazette on 31 May 1989 and Law 27/1999 (16 July) on Cooperatives, published in the Official State Gazette on 17 July 1999.

In accordance with the Lead Entity's current by-laws, cooperatives of any type, size or location, individuals and public or private companies, either Spanish or foreign, may become members provided that membership is permitted or not prohibited by legislation in force and they do not engage in any activity that competes with the Bank.

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

Article 55.3 of Cajamar's by-laws, relating to the calculation and application of results, establishes the following distribution of the available surplus: 10% to the Education and Promotion Fund, 80% to the Mandatory Reserve Fund and the remaining 10% as determined by members at a General Assembly, based on a proposal from the Governing Body (Note 5).

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

- RDL 1298/1986 (28 June) on the adaptation of current law governing credit institutions to meet EU legislation (published in the BOE on 30 June).
- Law 26/1988 (29 July) on Credit Institution Discipline and Intervention (published in the BOE on 30 July).
- International Financial Reporting Standards (IFRS) adopted by the European Union.
- Bank of Spain Circular 4/2004 (22 December), and subsequent amendments, regarding Public and Reserved Financial Information, and subsequent amendments in Bank of Spain Circular 6/2008 (26 November), the preamble to which indicates that the content of the International Financial Reporting Standards adopted by the European Union has been respected.
- Bank of Spain Circular 3/2008 (22 May) and subsequent amendments, regarding the calculation and control of minimum equity resources on a consolidated basis for the credit institutions, as defined by Law 36/2007 (16 November) which amends Law 13/1985 (25 May), on investment ratios, equity and reporting obligations for financial intermediaries. This circular gives rise to the adaptation of Spanish legislation governing credit institutions to EU Directives 2006/48/CE and 2006/49/CE issued by the European Parliament.
- RD 1332/2005 (11 November), which enables Law 5/2005 (22 April) on the supervision of financial conglomerates (Mixed Groups).
- RD 716/2009 (24 April), which enables Law 2/1981 (25 March), which regulates the Mortgage Market. (Note 7.5.b.6.).
- RD 2/2011 (18 February) on the strengthening of the financial system and calculation of the Core Capital of credit institutions.

Standards and interpretations issued by the International Accounting Standards Board (IASB) that came info force in 2011

In 2011 the following amendments to International Financial Reporting Standards (IFRS), or interpretations of IFRS (IFRIC), came into effect, the adoption of which amendments did not have a significant impact on these consolidated annual accounts:

Norms and norm modifications	Mandatory application in 2011
IAS 24 (Modification)	Information to reveal regarding related party transactions
IAS 32 (Modification)	Financial instruments presentation - classification
IFRS 1 (Modification)	Limited extension of the requisite of revealing comparative informative regarding IFRS 7, aplicable to Entities adopting NIIF for the first time
IFRIC 14 (Modification)	Payments in advance whe the obligation of maintaining a minimun level of financing
IFRIC 19 (Modification)	Financial liabilities cancellation with Equity Interest
IFRS improvement project	Third annual improvement project of the IFRS (2010)

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

At 31 December 2011 the following standards and interpretations that could be applicable to the Group had been published by the IASB and/or IFRS Interpretations Committee but are not yet in force, either because their effective date is after the date of the consolidated financial statements or because they have not yet been approved by the European Union:

The Group has evaluated the impact that from it derivates and had decided not to execute the option of early application, if possible, due to its immateriality.

Norms and norm modifications		Mandatory aplication year
IFRS 7 (Modification)	Financial instruments: revealing information - Transfers regarding financial assets	2012
IFRS 9 (1)	Financial instruments	2015
IFRS 9 (Modification) (1)	Entry in force date and transaction breakdown	2015
IAS 12 (Modification) (1)	Income tax: Recuperation of underlying assets	2012
IFRS 1 (Modification) (1)	High hyperinflation level and elimination of the fixed dates applicable to first adoptants	2012
IFRS 10 (1)	Consolidated financial statements	2013
IFRS 11 (1)	Good joint agreement	2013
IFRS 12 (1)	Breakdown of investments in other Entities	2013
IAS 27 (Modification) (1)	Separated financial statements	2013
IAS 28 (Modification) (1)	Investments in associates and joint ventures	2013
IFRS 13 (1)	Fair value valuation	2013
IAS 1 (Modification) (1)	Presentation of financial statements	2013
IAS 19 (Modification) (1)	Retributions to employees	2013
IFRIC 20 (1)	Stripping costs in the production phase of a surface mine	2013
IAS 32 (Modification) and IAS 7 (Modification) (1)	Compensation of financial assets with financial liabilities	2014 and 2013

(1) Standards and interpretations not yet adopted by the European Union at 31 December 2011

2. Accounting standards and basis of presentation of the Annual Accounts

2.1. True and fair view

The consolidated annual accounts have been prepared in accordance with the Entity's accounting records and those kept by each of the companies and credit institutions making up the Group and include all adjustments and reclassifications necessary to uniformly present the accounting and presentation criteria, and they are presented in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union, such that they reflect a true and fair view of the Group's equity, financial situation and results ; with the Spanish Code of Commerce; with Royal Decree-Law 1/2010 (2 July), whereby the revised Spanish Companies Act 2010 was introduced (LSC), repealing the Spanish Companies Act and the Spanish Limited Liabilities Companies Act; with Royal Decree 6/2010 on measures to encourage economic recovery and employment, with respect to the legal regime applicable to Institutional Protection Systems (SIP); and other applicable Spanish legislation, such that they give a fair view of the Group's equity, financial situation and results at 31 December 2011.

The 2011 consolidated annual accounts prepared by the Governing Body will be submitted for the approval of the General Assembly, which is expected to be obtained without any modification being necessary.

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

Unless otherwise stated, these annual accounts are presented in thousand Euros.

Entry of the Credit Institutions in the Group into the scope of consolidation

In accordance with applicable accounting legislation (International Financial Reporting Standards and Bank of Spain Circular 4/2004 and subsequent amendments) in the business combinations involving financial institutions the various assets and liabilities relating to the entities considered to have been acquired, in this case the entities forming part of the Group other than the Lead Entity, must be adjusted for the purposes of the consolidated financial statements for the resulting Group, so that they reflect, in general, their fair value.

Likewise the integrated entities have charged reserves in the individual accounts for adjustments equal to the differences in value between the amounts recorded in their accounts and the amount recorded in the consolidated annual accounts for Grupo Cooperativo Cajamar. The individual annual accounts for the entities therefore record the change in the value of their net assets in equity, in the same manner in which they are recorded by the Group arising no difference between the ways the items are recognised in the SIP's consolidated annual accounts.

In 2011, Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito was consolidated for the first time with Grupo Cooperativo Cajamar, its financial statements having been fair valued through an adjustment against reserves of € 17,749 thousand € 23,917 thousand excluding the tax effect). The adjustment was also made in the entity's individual annual accounts, as authorized by the Bank of Spain on 19 January 2012.

2.2. Going concern principle

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

2.3. Accrual basis of accounting

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

2.4. Offset of balances

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

2.5. Comparability

The Entity's Governing Body presents the figures for 2010 for each of the items set out in these annual accounts together with the figures for 2011, for comparative purposes, although it should be noted that the 2011 figures include the assets, liabilities and contingent liabilities of Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito, which joined the Group in 2011, and that the entities Caixa Albalat dels Sorells, Sociedad Cooperativa Valenciana, Caja de Crédito de Petrel, Caja Rural Cooperativa de Crédito Valenciana and Caja Rural de Turis, Cooperativa de Crédito Valenciana were included in the Group's consolidated accounts in 2010

In accordance with the provisions of IAS 8, when omissions or inaccuracies are observed with respect to prior years due to the use of information that was not available in those periods, any such omissions or inaccuracies will be corrected by applying the same rules governing changes in the accounting policies applied. These rules require that inaccuracies relating to prior years that are of relative importance be corrected retroactively in the first financial statements that are prepared after discovery, as if they had never taken place, restating both the information included in the notes to the accounts for that year and the preceding year and the oldest opening balance sheet in which information is presented.

The Group's consolidated annual accounts for 2010 were approved by the General Assembly held on 9 June 2011.

Unless otherwise stated, these annual accounts are presented in thousand Euros.

Movements in the balance sheet items are disclosed in the relevant notes and the balances relating to the Group's credit institutions (Note 1.1) are included in the line "Integration of Group Entities".

The individual balances sheets and income statements for the Group's credit institution subsidiaries for the years ended 31 December 2010 and 2009 are set out below and have been prepared in accordance with the accounting standards and regulations established in Bank of Spain Circular 4/2004 and subsequent amendments.

During the consolidation of these financial entities, the comparison of the cost of the business combination with the entity's net fair value of the assets, liabilities and contingent liabilities gave rise to differences that were taken to reserves.

a) Individual balance sheets of, Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana, Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana, Caja de Crédito de Petrel, Caja Rural Cooperativa de Crédito Valenciana, Caixa Rural de Turís, Cooperativa de Crédito Valenciana and Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana as at 31 December 2011 and 2010:

	C R Casinos		C R Albalat		Caixapetrer		Caixa Turís		C R Castellón	
	Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
ASSETS										
Cash and balances with central banks	115	254	221	411	1,021	1,247	238	307	3,084	2,693
Financial liabilities held for trading	-	-	-	-	14	46	-	-	10	2,314
Other financial assets at fair value through profit or loss	-	-	-	-	-	1,635	-	-	1,817	532
Available-for-sale financial assets	298	309	886	303	3,641	4,587	1,128	951	81,629	55,120
Loans and receivables	42,333	41,564	36,622	37,602	136,681	136,985	37,734	42,512	334,483	397,433
Held-to-maturity investments	-	-	-	-	2,603	-	9,209	10,173	-	-
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	31	28	-	-	-	-
Non-current assets held for sales	50	133	2,283	1,356	309	214	1,334	241	8,752	6,062
Investments	-	-	-	-	-	-	-	-	-	-
Tangible assets	805	853	1,410	1,469	3,018	3,020	1,128	1,229	17,133	16,785
Intangible assets	1	4	-	-	-	1	2	4	10	22
Tax assets	611	573	923	792	2,076	2,016	1,163	582	10,984	2,749
Other assets	62	88	410	412	331	212	136	98	243	314
TOTAL ASSETS	**44,275**	**43,778**	**42,755**	**42,345**	**149,725**	**149,991**	**52,072**	**56,097**	**458,145**	**484,024**

	C R Casinos		C R Albalat		Caixapetrer		Caixa Turís		C R Castellón	
	Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
LIABILITIES AND EQUITY										
Financial liabilities held for trading	-	-	-	-	-	46	1	21	-	61
Other financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	38,681	38,178	34,546	33,854	128,387	130,349	43,954	46,445	428,842	431,650
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	149	158	-	-	-	-
Liabilities associated with non-current assets held for sale	-	-	-	-	-	-	-	-	-	-
Provisions	181	161	217	99	1,139	561	10	157	1,089	166
Tax liabilities	148	273	326	324	445	390	120	81	2,429	2,296
Education and Development Fund	23	31	-	27	199	290	38	112	347	432
Other liabilities	254	271	421	533	1,246	437	487	201	340	813
Capital having the nature of a financial liability	56	53	13	10	23	23	-	-	-	-
TOTAL LIABILITIES	**39,343**	**38,967**	**35,523**	**34,847**	**131,588**	**132,254**	**44,610**	**47,017**	**433,047**	**435,418**
Own funds	**4,863**	**4,735**	**7,191**	**7,449**	**17,504**	**17,076**	**7,571**	**8,972**	**32,105**	**49,779**
Capital	90	90	1,052	1,052	866	866	168	166	2,174	2,199
Share premium	-	-	-	-	-	-	-	-	-	-
Reserves	4,644	4,474	6,361	6,243	16,180	15,772	8,787	8,720	29,747	47,221
Other equity instruments	-	-	-	-	-	-	-	-	-	-
Less: Treasury shares	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	129	171	(222)	154	458	438	(1,384)	86	184	359
Less: dividends and remuneration	-	-	-	-	-	-	-	-	-	-
Valuation adjustments	**69**	**76**	**41**	**49**	**633**	**661**	**(109)**	**108**	**(7,007)**	**(1,173)**
Available-for-sale financial assets	69	76	49	49	633	661	(109)	108	(7,007)	(1,173)
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Hedge of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-
Rest of valuation adjustments	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	**4,932**	**4,811**	**7,232**	**7,498**	**18,137**	**17,737**	**7,462**	**9,080**	**25,098**	**48,606**
TOTAL LIABILITIES AND EQUITY	**44,275**	**43,778**	**42,755**	**42,345**	**149,725**	**149,991**	**52,072**	**56,097**	**458,145**	**484,024**
MEMORANDUM ITEM										
Contingent exposures	1,296	1,656	1,735	2,931	7,613	9,266	1,905	2,252	43,319	49,268
Contingent commitments	1,845	2,369	1,082	2,363	5,375	6,548	2,065	2,745	28,092	32,075
TOTAL MEMORANDUM ACCOUNTS	**3,141**	**4,025**	**2,817**	**5,294**	**12,988**	**15,814**	**3,970**	**4,997**	**71,411**	**81,343**

b) Individual income statements of, Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana, Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana, Caja de Crédito de Petrel, Caja Rural Cooperativa de Crédito Valenciana, Caixa Rural de Turís, Cooperativa de Crédito Valenciana and Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana as at 31 December 2011 and 2010:

	C R Casinos		C R Albalat		Caixapetrer		Caixa Turís		C R Castellón	
	Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Interest and similar income	1,866	1,814	1,354	1,541	4,968	4,829	1,757	1,665	14,840	14,150
Interest expense and similar charges	(829)	(710)	(641)	(612)	(1,584)	(1,385)	(841)	(709)	(8,101)	(7,506)
Remuneration of capital having the nature of a financial liability	-	-	-	-	-	-	-	-	-	-
NET INTEREST INCOME	**1,037**	**1,104**	**713**	**929**	**3,384**	**3,444**	**916**	**956**	**6,739**	**6,644**
Return on equity instruments	8	6	8	6	104	164	22	37	295	716
Fee and commission income	179	210	223	209	675	748	209	202	1,785	1,713
Fee and commission expense	(17)	(18)	(14)	(14)	(53)	(24)	(28)	(15)	(24,802)	(37,836)
Gains or losses on financial assets and liabilities (net)	-	-	-	-	136	72	13	(7)	26,701	41,206
Exchange differences	1	4	1	3	(5)	11	-	-	29	11
Other operating income	27	36	18	51	134	72	70	38	178	220
Other operating expenses	(46)	(57)	(55)	(61)	(113)	(100)	(46)	(98)	(332)	(369)
GROSS INCOME	**1,189**	**1,285**	**894**	**1,123**	**4,262**	**4,387**	**1,156**	**1,113**	**10,593**	**12,305**
Administrative expenses	(749)	(747)	(803)	(798)	(3,557)	(3,352)	(1,007)	(966)	(9,056)	(7,863)
Personnel expenses	*(424)*	*(416)*	*(399)*	*(386)*	*(2,546)*	*(2,347)*	*(610)*	*(611)*	*(5,954)*	*(5,027)*
Other administrative expenses	*(325)*	*(331)*	*(404)*	*(412)*	*(1,011)*	*(1,005)*	*(397)*	*(355)*	*(3,102)*	*(2,836)*
Depreciation and amortisation	(51)	(50)	(58)	(60)	(165)	(161)	(56)	(55)	(594)	(590)
Provisioning expenses (net)	(69)	(144)	(119)	(19)	(776)	(119)	(6)	(149)	(45)	41
Impairment losses on financial assets (net)	(158)	(56)	(209)	30	897	(86)	(1,946)	263	(461)	(1,480)
NET OPERATING INCOME	**162**	**288**	**(295)**	**276**	**661**	**669**	**(1,859)**	**206**	**437**	**2,413**
Impairment losses on rest of assets (net)	-	-	-	-	(8)	-	-	-	-	(249)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	-	-	-	-	-	-	-	(54)	-	145
Negative difference un business combinations	-	-	-	-	-	-	-	-	-	-
Gains (losses) on non-current assets held for sale not classified as discontinued operations	3	(58)	(2)	(64)	(2)	(34)	7	(51)	(147)	(1,909)
PROFIT BEFORE TAX	**165**	**230**	**(297)**	**212**	**651**	**635**	**(1,852)**	**101**	**290**	**400**
Income tax	(13)	(29)	75	(31)	(40)	(51)	468	(6)	(75)	22
Assigned to the Education and Development Fund	(23)	(30)	-	(27)	(153)	(146)	-	(9)	(32)	(63)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**129**	**171**	**(222)**	**154**	**458**	**438**	**(1,384)**	**86**	**183**	**359**
Profit or loss discontinued operations (net)	-	-	-	-	-	-	-	-	-	-
PROFIT OR LOSS FOR THE PERIOD	**129**	**171**	**(222)**	**154**	**458**	**438**	**(1,384)**	**86**	**183**	**359**

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

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

- Impairment losses affecting financial assets (Notes 3.1.a, 3.1.c, 3.3, 7.4.c, 7.5.c and 7.6).
- The assumptions used in the actuarial calculations used to evaluate the liabilities and commitments for post-employment compensation (Note 3.20).
- Impairment losses and the useful life of property, plant and equipment and intangibles (Notes 3.8, 3.9, 12 and 13).
- The fair value of certain financial assets not listed on official secondary markets (Notes 3.1 and 3.27).
- Losses on future obligations deriving from contingent risks (Note 3.3 and 3.12).
- The reversal period for timing differences (Notes 3.18).
- The fair value of certain guarantees linked to the collection of assets

The estimates and assumptions used are based on past experience and other factors that have been considered to be the most reasonable at present and they are reviewed on a regular basis.

2.7. Consolidation principles

These consolidated annual accounts have been prepared using the full, proportional and equity methods of consolidation as stipulated by the aforementioned legislation, including the following companies at 31 December 2011 and 2010:

Company	2011 % shareholding		2010 % shareholding	
	Direct	Indirect	Direct	Indirect
Group Entities				
Caja Rural Castellón-San Isidro, S.C.C.V. (a)	-	-	-	-
Caixa Rural Albalat dels Sorells, C.C.V. (b)	-	-	-	-
Caixa Rural de Turís, C.C.V. (b)	-	-	-	-
Caja Campo Caja Rural, S.C.C. (c)	-	-	-	-
Caja de Crédito de Petrel, Caja Rural, C.C.V. (b)	-	-	-	-
Caja Rural de Casinos, S.C.C.	-	-	-	-
Cajamar Gestión, S.A.U.	100.00%	-	100.00%	-
Cajamar Inter. Op. Banca Seg. Vinculado, S.L.U.	100.00%	-	100.00%	-
Cajamar Renting, S.L.U.	100.00%	-	100.00%	-
Cimenta2 Gestión e Inversiones, S.L.U.	100.00%	-	83.13%	-
Eurovía Informática, A.I.E. (d)	95.00%	5.00%	96.00%	4.00%
Eurovía Tecnología S.L.U. (f) (e)	-	100.00%	-	100.00%
Grupo Hispatec Informática Empresarial, S.A.U.	100.00%	-	100.00%	-
Hotel Envía Golf, S.L.U. (g)	-	100.00%	-	83.13%
Sunaria Capital, S.L.U.	100.00%	-	100.00%	-
Talia Formación S.L.U. (f)	-	100.00%	-	100.00%
Tarket Gestión, A.I.E.	94.00%	6.00%	95.00%	5.00%
Jointly controlled entities				
Safei Rural Málaga, S.A.	50.00%	-	50.00%	-
Associates				
Acuariums de Almería, S.L.	-	25.00%	-	25.00%
Agrocolor, S.L.	32.37%	-	32.37%	-
Alevines del Sureste, S.L. (h)	-	-	-	17.78%
Almagra Pro-2000, S.L. (i)	-	-	23.50%	-
Apartamentos Media Luna, S.A. (g)	-	50.00%	-	41.57%
Biocolor, S.L.	-	22.19%	-	22.19%
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	50.00%	-	50.00%	-
Cajamar Vida, S.A. de Seguros y Reaseguros	50.00%	-	50.00%	-
Cultipeix S.L.	-	21.28%	-	21.28%
Iniciativas Económicas de Almería S.C.R., S.A. (j)	-	-	24.97%	-
Inversiones Turísticas y Hoteleras INMO, S.L.	-	19.71%	-	19.71%
Murcia Emprende S.C.R., S.A.	25.00%	-	25.00%	-
Occidental Arroyomolinos, S.L.	-	25.00%	-	25.00%
Occidental Benalmádena, S.L. (h)	-	-	-	25.00%
Parque Científicio-Tecnológico de Almería, S.A.	30.05%	-	30.05%	-
Proyecta Ingenio, S.L.	-	24.90%	-	24.90%
Sabinal Agroservicios, S.L.	50.00%	-	50.00%	-
Savia Biotech, S.A.	19.23%	-	19.23%	-
Tino Stone Group, S.A.	24.96%	-	24.96%	-

(a) Entities integrated in Grupo Cooperativo Cajamar during year 2011 according to Caption 1.1.
(b) Integrated societies in Grupo Cooperativo Cajamar during 2010 according to Caption 1.1.
(c) Society forming part of Grupo Cooperativo Cajamar which has been absorbed during 2011
(d) Previously named DSF Almariya A.I.E.
(e) Previously named Sodesban, S.L.U.
(f) Indirect participation through Sunaria Capital, S.L.U (preciously through Grupo Hispatec Soluciones Globales, S.L.U.).
(g) Indirect participation through Cimenta2 Gestión e Inversiones, S.L.
(h) Sold societies during 2011.
(i) Liquidated company during 2011
(j) Society involved in the Andalusian Venture Capital merger process during 2011.

Changes in shareholdings in 2011 that affect the scope of consolidation are as follows:

Acquisitions or increase of participation in depending entities, joint ventures or associates at 31 December 2011

Denomination of the Entity (or branch of activity) acquired or merged	Category	Effective date	Net cost of the combination (a)+ (b) (Thousands of euros)		% of votes acquired	% of total vote rights in the Entity after the acquisition
			Amount (net) paid in the acquisition + other costs directly attributable (a)	Fair value of quity instruments emitted for the acquisition of the Entity (b)		
Apartamentos Media Luna, S.A. (1)	Associate	11/11/2011	-	-	8.43%	50.00%
Caja Rural Castellón-San Isidro, S.C.C.V.	Dependent	02/09/2011				
Cimenta2 Gestión e Inversiones, S.L.U.	Dependent	11/11/2011	16,620	-	16.87%	100.00%
Eurovía Informática, A.I.E. (2)	Dependent	27/09/2011	-	-	1.00%	95.00%
Hotel Envía Golf, S.L.U. (1)	Dependent	11/11/2011	-	-	16.87%	100.00%
Tarket Gestión, A.I.E. (2)	Dependent	27/09/2011	-	-	1.00%	94.00%

Decrease of participation in depending entities, joint ventures or associates at 31 December 2011

Denomination of the Entity (or branch of activity) acquired or merged	Category	Effective date	% of disposed righting votes or eliminated	% of total vote rights in the Entity after disposal	Profit/(Loss) generated (Thousands of euros)
Alevines del Sureste, S.L.	Asociada	14/07/2011	17.78%	-	360
Almagra Pro 2000, S.L.	Asociada	21/02/2011	23.50%	-	(1)
Caja Campo Caja Rural, S.C.C. (3)	Dependiente	27/09/2011	-	-	-
Eurovía Informática, A.I.E. (4)	Dependiente	26/01/2011	2.00%	94.00%	-
Iniciativas Económicas de Almería S.C.R., S.A. (5)	Asociada	30/12/2011	24.97%	-	-
Occidental Benalmádena, S.L	Asociada	28/02/2011	25.00%	0.00%	-
Tarket Gestión, A.I.E. (4)	Dependiente	26/01/2011	2.00%	93.00%	-

(1) Indirect increase in participation derived from the direct increase in Cimenta2 Gestión e Inversiones, S.L.U.
(2) Direct increase in participation derived from the merger by abpsortion of Caja Campo Caja Rural, S.C.C.
(3) Merger by absorption.
(4) Decrease in participation due to the sell of 1% to Caixa Rural de Turis, C.C.V. and 1% to Caja de Crédito de Petrel, Caja Rural, C.C.V.
(5) Decrease in participation due to the merger of the Andalusian venture capital societies.

Caja Rural Castellón-San Isidro, S.C.C.V. joined Grupo Cooperativo Cajamar in 2011, as explained in Note 1.1.

The merger by absorption of Caja Campo Caja Rural, S.C.C. (target company), which had formed part of Grupo Cooperativo Cajamar since 2009, was also completed.

In 2011, additional shares in Cimenta2 Gestión e Inversiones, S.L.U. were acquired to reach a 100% shareholding; indirect interests through Cimenta2 Gestión e Inversiones, S.L.U. in the companies Hotel Envía Golf, S.L.U. and Apartamentos Media Luna, S.A. also increased to 100% and 50%, respectively.

The most relevant deconsolidations in 2011 related to the sale of the companies Alevines del Sureste, S.L. and Occidental Benalmádena, S.L. (interests held indirectly through Sunaria Capital, S.L.U.); the liquidation of Almagra Pro 2000, S.L. and the exit from Iniciativas Económicas de Almería, S.C.R. de Régimen Común, S.A. as a result of the merger of the Andalusian venture capital companies.

In 2010 Caja Rural Albalat del Sorells, C.C.V., Caixa Rural de Turis, C.C.V. and Caja de Crédito de Petrel, Caja Rural, C.C.V. were integrated into Grupo Cooperativo Cajamar in accordance with the matters described in Note 1.1.

In 2010 there was a merger between the companies Grupo Cimenta2 Gestión e Inversiones, S.L. (acquiring company) and Grupo Inmobiliario Aguamar S.L. (target company), with the consequent dilution of the 100% direct shareholding held in Cimenta2 Gestión Inversiones, S.L. in 2009 to 62,72%, and the transfer of the indirect shareholdings.

Subsequently, through acquisitions the percentage held in Cimenta2 Gestión e Inversiones, S.L. rose to 83.13%, and, as a result, the indirect shareholdings through Cimenta2 Gestión e Inversiones, S.L., in the companies Hotel Envía Golf, S.L. and Apartamentos Media Luna, S.A. rose to 83.13% and 41.57%, respectively.

The scope of consolidation expanded to include the company Biocolor, S.L. (indirect shareholding through Sunaria Capital, S.L.U.) that was transferred to the permanent portfolio through the increase of its indirect shareholding to 22.19% in 2010.

The most relevant exits from the scope of consolidation relate to the sale of Albabío Andalucía, S.L.U. (indirect stake through Sunaria Capital, S.L.U.) and the entire shareholding in the company Hiposervi, S.L.U.

The information relating to subsidiaries, multi-group and associated companies are set out in Appendix I.

Subsidiaries

“Subsidiaries” are considered to be those companies that form part of a group of credit institutions together with the Entity and constitute a decision-taking unit. The Entity presumes that a decision taking unit exists when it possesses a majority of voting rights, it has the power to appoint or remove the majority of the members of the governing body and may have, by virtue of the agreements reached with other shareholders, the majority of voting rights or has exclusively designated the majority of the members of the governing body. The accompanying consolidated annual accounts include all subsidiaries, even those that carry out activities or business that are different from those carried out by other group companies.

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

The financial statements for the "subsidiaries" are consolidated with those of the Entity using the full consolidation method and therefore all the significant balances and transactions between the consolidated entities have been eliminated during the consolidation process. The equity and results of subsidiaries relating to outside shareholders are recognised under Group equity and the results are recorded under the headings "Minority interests" and "Results attributed to minority interests", respectively in the consolidated balance sheet and consolidated income statement, respectively (Notes 17 and 25).

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

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

Multi-group companies

Multi-group companies are considered to be those that are not subsidiaries but are jointly controlled by two or more companies, including the Entity or other group entity.

The financial statements for those investee companies classified as "multigroup companies" are consolidated using the proportional method such that the inclusion of balances and subsequent eliminations take place only in the proportion to which the Entity holds a stake in the share capital of those companies.

Associates

"Associated companies" are considered to be those in which the Entity, individually or together with the remaining group companies, has a significant influence and it is not a subsidiary or multigroup company. To determine the existence of a significant influence the Entity considers, among other situations, the representation on the Board of Directors or equivalent management body at the investee company, the participation in the process of establishing policies, including those relating to dividends and other distributions, the existence of significant transactions between the Entity and the investee companies and the exchange of senior management personnel and the supply of essential technical information.

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

In the consolidated financial statements, associated companies are measured at cost at the acquisition date and subsequently using the "Equity Method" as defined in IASB 28 i.e. based on the percentage of equity that the Group's shareholding represents in its share capital, taking into consideration the dividends received and other equity eliminations. At the time of acquisition, the cost of the shareholding is assigned to its assets, liabilities and contingent liabilities, taking into consideration their fair values, the positive differences between the cost of acquisition and the aforementioned fair values) Goodwill - Notes 3.9 and 11), are recorded under the heading "Shareholdings" in the account "Associated companies" in the consolidated balance sheet as an increase in the equity shareholding.

The results generated by transactions between the associated company and the group entities are eliminated in the percentage represented by the group's shareholding in the associated company.

The results obtained during the year by the associated entity, after the elimination referred to in the preceding section, increase or decrease, as appropriate, the value of the shareholding in the consolidated financial statements. The amount of these results is recorded in the heading "Results from entities measured using the equity method" in the consolidated income statement (Note 25).

Changes in the adjustments in the measurement of the associated company, subsequent to the acquisition date, is recorded as an increase or decrease in the value of the shareholding. The amount of these changes was recorded in the heading "Measurement adjustments" under consolidated equity (Note 7.4.d).

2.8. Other general principles and environmental information

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

Given the main activity in which the Group companies and Lead Entity are involved, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to the Group's equity, financial situation and results. Therefore no specific breakdown is included in the following Annual Accounts regarding environmental aspects.

2.9. Agency contracts

In accordance with the provisions of Article 22 of Royal Decree 1245/1995 (14 July), Appendix III lists the financial agents with which the Group operates in 2011 and 2010.

3. Accounting policies and criteria applied

3.1. Financial instruments

A financial instrument is a contract that gives rise to a financial asset at one entity and, simultaneously, a financial liability or equity instrument at another entity. The financial instruments issued by the Group, as well as its components, are classified as financial assets or liabilities at the date of initial recognition, in accordance with its financial substance when it does not coincide with its legal form.

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

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

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

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

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

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

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

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

a) Financial assets

Among other things, financial assets are considered to be cash balances, deposits at central banks and credit institutions, customer loans, debt securities, equity instruments acquired, except for those in subsidiaries, multi-group or associated companies, and those traded derivatives and hedges.

Classification of financial assets

The Group classifies its financial investments in the following portfolios for measurement purposes:

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

- "Investments held to maturity": this portfolio includes debt securities that are traded on an active market with fixed maturity dates and cash flows in an amount that are certain or may be determined, and for which the Group initially had, and continues to have, both the intention and demonstrated financial capacity to hold them until maturity.

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

- "Financial assets available-for-sale": this portfolio includes debt securities not included in other categories and equity instruments relating to companies that are not subsidiaries, associated or multi-group companies and has not been included in other categories.

Measurement of financial assets

At initial recognition in the consolidated balance sheet, financial assets are stated at fair value. Fair value is the amount at which an asset could be transferred, or a liability settled, between duly informed parties in a transaction carried out under mutually independent conditions.

After initial recognition, the Group measures all financial assets, including derivatives that are assets, at fair value without deducting any transaction cost that may be incurred on their sale, or any other form of disposal, with the following exceptions:

- The financial assets included in the portfolios "Loan investments" and "Investments held to maturity" which are measured at amortized cost. Amortised cost is the amount at which the financial instrument was initially measured, adjusted for the repayment of the principal and plus or minus, as appropriate, the part allocated to the consolidated income statement through the effective interest rate method of the difference between the initial amount and repayment value at maturity and less any impairment losses directly recognised as a decrease in the amount of the asset or through a value adjustment account.

- Financial assets that are equity instruments whose fair value cannot be reliably estimated, as well as the derivatives that are the underlying asset for those instruments and which are settled by their transfer, which are measured at cost.

Changes in fair value that affect "Financial assets stated at fair value" will be recognised in the consolidated income statement in the category of "Financial assets at fair value through changes in profit or loss" and "Equity - Measurement adjustments" with respect to those that are classified as "Financial assets available for sale".

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

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

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

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

Write-off of financial assets from the consolidated balance sheet

Financial assets are eliminated from the Group's consolidated balance sheet when the contractual rights regarding the cash flows have expired or when they are transferred, provided that the transfer includes substantially all risks and benefits or, even if there is no substantial transfer or retention of those items, control over the financial asset is transferred. In the latter case, when control over the asset is not transferred, it will continue to be recognised based on the continued commitment, i.e. in an amount equal to the Entity's exposure to the changes in the value of the transferred financial assets.

Impairment losses on financial assets

The carrying value of financial assets is adjusted by the Group against the consolidated income statement when there is objective evidence that there are impairment losses. This is the case where:

- Impairment losses on debt instruments

  There is objective evidence of the impairment of debt instruments, understood as loans and debt securities, when, following their initial recognition, there is an event or combined effect of various events which have a negative impact on the relevant future cash flows.

  The objective evidence of impairment is determined on an individual basis for significant debt instruments and on an individual and collective basis for groups of instruments that are not individually significant.

In the case of debt instruments measured at amortized cost, the amount of the impairment losses is equal to the difference between their carrying value and the present value of their future estimated cash flows, although the Group considers their market value to be a substitute for the present value of the cash flows for listed instruments, provided that it is sufficiently reliable. Estimated future cash flows of a debt instrument are all the amounts, principal and interest, that the Group considers it will obtain over the life of the instrument. This estimate takes into account all significant information available at the date of preparation of the financial statements concerning the possible future collection of contractual cash flows. Similarly, the estimate of future cash flows from instruments secured by mortgage, takes into account the flows that would be obtained on realisation, less the amount of the necessary costs for their obtainment and subsequent sale, irrespective of the probable enforcement of the guarantee.

When calculating the present value of estimated future cash flow, the original effective interest rate of the instrument is used as the discount rate if the contractual rate is a fixed rate. Alternatively, the effective interest rate at the date to which the financial statements refer, determined in accordance with the contract terms, is used when a variable rate is involved.

The amount of estimated impairment losses is recognised in the income statement and the balancing entry is an adjustment to the value of the assets. When the recovery of the loss is considered to be remote, the amount is written off from assets

In the case of “Financial assets available-for-sale”, in order to determine whether or not impairment losses exist the positive difference between the acquisition cost, net of any repayments of principal, and the fair value, less any impairment losses previously recognised in the income statement is used as the starting point. When there is objective evidence of a decline in the fair value of an asset classified as available-for-sale due to impairment, all of the latent capital losses recognised in “Measurement adjustments” under “Equity” are immediately taken to the consolidated income statement.

Recoveries of impairment losses affecting debt securities are recognised in the consolidated income statement in the period in which the recovery takes place.

All those debt instruments that are classified as impaired by the Group, as well as those that collectively have impairment losses due to having outstanding amounts older than three months no longer accrue interest.

Note 3.3 describes the method followed by the Group to calculate impairment losses affecting financial assets with respect to credit risk.

- **Impairment losses on equity instruments**

Objective evidence of the impairment of equity instruments exists when after initial recognition there is an event, or a combination of events, that lead to the estimate that the carrying value will not be recovered.

In the case of equity instruments measured at fair value and included in the portfolio “Financial assets available-for-sale”, any impairment loss is calculated as the difference between the acquisition cost and fair value, less any previously recognised impairment losses. The Group considers objective evidence of impairment affecting the assets in this portfolio to consist of a significant and prolonged decline in fair value (more than 18 months and 40% of the listed price). Latent capital losses recognised directly in “Measurement adjustments” under “Equity” are recorded in the consolidated income statement when the decline in fair value is determined to be caused by impairment. If subsequently all or part of the impairment losses is recovered, the amount is recognised in “Measurement adjustments” under “Equity”.

In the case of equity instruments measured at cost in the portfolio “Financial assets available-for-sale”, the impairment loss is calculated as the positive difference between the carrying value and the present value of expected future cash flows, restated using the market yield rate for other similar securities. When calculating impairment, the equity in the investee company is taken into consideration, except for “Measurement adjustments” due to cash flow hedges, adjusted for any tacit capital gains that exist at the measurement date. These losses are recorded in the consolidated income statement, directly reducing equity instruments, and the amount cannot be subsequently recovered except in the case of a sale.

b) Financial liabilities

Financial liabilities, among other things, are deposits from central banks and credit institutions, customer deposits, negotiable securities, negotiable derivatives and hedges, subordinated liabilities and short equity positions.

Classification of financial liabilities

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

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

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

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

Measurement of financial liabilities

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

- Those included in the category "Financial liabilities at fair value through changes in profit or loss", which will be measured at fair value, unless the derivatives that have equity instruments as the underlying asset and whose fair value cannot be reliably estimated, in which case they will be measured at cost.
- The financial liabilities arising from the transfer of assets that do not comply with the conditions to eliminate the asset from the balance sheet of the assigning entity, since the assigning entity maintains control over the financial assets and the risks and benefits are not substantially transferred or retained.
- Financial liabilities designated as hedges, or as accounting hedge instruments that meet the criteria and standards established under Notes 3.4.

Write-off of financial liabilities from the consolidated balance sheet

Financial liabilities are eliminated from the Group's consolidated balance sheet when they have been extinguished or are acquired. The difference between the carrying value of financial liability that have been extinguished and the compensation provided is recognised immediately in the consolidated income statement.

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

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

c) Gains and losses in the value of financial assets

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

- For the financial instruments included in the category “At fair value through changes in profit or loss”, changes in fair value are recognised directly in the consolidated income statement, taking a distinction for instruments that are not derivatives between the portion attributable to the yields accrued by the instrument, which are recorded as interest or as dividends in accordance with their nature, and the rest is recorded as results obtained from financial transactions. The returns on financial instruments included in this category are calculated using the effective interest method.

- For financial instruments measured “At amortized cost”, changes in fair value are recognised when the financial instrument is eliminated from the consolidated balance sheet and, in the case of financial assets, when any impairment arises. The interest on financial instruments included in this category is calculated using the effective interest method.

- The following criteria are applied to “Financial assets available-for-sale”:

  - Accrued interest, calculated in accordance with the effective interest rate method and, when appropriate, accrued dividends, are recognised in the consolidated income statement.

  - Impairment losses are recorded in accordance with the description provided in this Note.

  - Differences on exchange are recognised in the consolidated income statement when involving monetary financial assets and, transitional the, under equity as “Measurement adjustments”, when involving non-monetary financial assets until they are eliminated from the consolidated balance sheet, at which time these differences are taken to the consolidated income statement.

  - All other changes in value are recognised directly under Group equity until the financial asset is eliminated from the consolidated balance sheet.

Objective evidence of impairment will be determined individually for all debt instruments that are significant and individually or collectively for the groups of debt instruments which are not individually significant. When a specific instrument cannot be included in any group of assets with similar risk characteristics, it will be analysed solely on an individual basis to determine whether it is impaired and, if appropriate, estimate the impairment loss.

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

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor capacity to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk which are taken into account in order to group together assets are, inter alia, the type of instrument, the debtor's sector of activity, geographical area of activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.

- Future cash flows in each group of debt instruments are estimated based on the Group's experience of historical losses for instruments with similar credit risk characteristics to those of the respective group, following the necessary adjustments to adapt historical data to current market conditions.

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

d) Reclassification among financial instrument portfolios

Reclassifications among financial instrument portfolios only take place, when appropriate, in accordance with the following criteria:

i. Unless the exceptional circumstances described in section iv) below arise, financial instruments cannot be reclassified into or out of the fair value measurement category through changes in profit or loss once acquired, issued or assumed.

ii. If a financial asset, as a result of a change in the intention or the financial capacity ceases to be classified in the portfolio of investments held to maturity, it is reclassified to the category "Financial assets available-for-sale". In this case, the same treatment will be applied to all financial instruments classified under the portfolio of investments held to maturity, unless that reclassification comes under the grounds allowed by applicable legislation (sales very close to the maturity date, or once practically all the principal of the financial asset has been collected or sales attributable to an isolated event that is non-recurring and will could not have been reasonably predicted by the Group).

In 2011 no sale took place that is not allowed by legislation applicable to financial assets classified in the portfolio of investments held to maturity.

iii. If a reliable measurement of a financial asset or liability becomes available, and was not previously available, and it is mandatory to measure them at fair value, such as unlisted equity instruments and derivatives that have equity instruments as the underlying asset, these financial assets or liabilities will be measured at fair value and the difference with respect to the a carrying value will be treated in accordance with the provisions established for that class of portfolio.

In 2011 no reclassification described above took place.

iv. If, as a result of a change in the Group's intention or financial capacity, after the end of the two-year penalty period established by applicable legislation for the case of the sale of financial assets classified in the portfolio of investments held to maturity, financial assets (debt securities) included in the category of "Financial assets available-for-sale" may be reclassified to the "Portfolio of investments held to maturity". In this case, the fair value of these financial instruments that the transfer date becomes the new amortized cost and the difference between this amount and the repayment value is taken to the consolidated income statement by applying effective interest rate method over the residual life of the instrument concerned.

In 2011 no reclassification described above took place.

v. Since 2008, a financial asset that is not a derivative financial instrument may be classified outside of the trading portfolio if it ceases to be held for the purpose of being sold or repurchased in the short-term, provided that one of the following circumstances arises:

- In rare and exceptional circumstances, unless involving assets that may be included in the loan investment category. For these purposes, rare and exceptional circumstances are those that arise from a particular event that is unusual and it is highly unlikely that it will be repeated in the foreseeable future.

- When the entity has the intention and financial capacity to maintain the financial asset in the foreseeable future or until maturity, provided that at initial recognition it complied with the definition of a loan investment.

In these situations, the reclassification of the assets is done at fair value on the date of reclassification, without reversing results and taking this value into consideration as its cost or amortized cost, as appropriate. In no case may these financial assets be reclassified to the trading portfolio.

In 2011 no reclassification of financial assets included in the trading portfolio took place.

3.2. Contributions to the share capital

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

The General Assembly of 9 June 2011 amended Cajamar's Articles of Association to bring them into line with recommendations of domestic and international supervisory bodies on solvency and share capital; as a result, reimbursements of capital contributions require prior acceptance from the Governing Board (Note 19).

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

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

The share capital of Caja Rural de Casinos is variable and the minimum is 90,151.82 Euros. Reimbursement is subject to the condition that there is no insufficiency of minimum mandatory share capital, reserves, equity or solvency ratio, as well as the provisions of Article 22 of the by-laws. Any future compensation of capital is subject to the condition that there are net positive results or freely available reserves to pay the amount concerned. As a result, the difference between share capital and the aforementioned minimum is recognised under the heading “Reimbursable capital on demand”.

At 31 December 2011 Caixa Rural de Albalat considered the amount exceeding 1,052 thousand Euros to be a financial liability. This minimum share capital amount, which is not recognised as capital as it is considered to be a financial liability, is the minimum established by the Order issued by the Ministry of Finance on 25 May 1998 which authorises the creation of this credit cooperative, and one of the requirements is that the initial minimum share capital be 1,052 thousand Euros, in accordance with the minimum share capital amount established by Article 6 of Law 13/89 (26 May) on Credit Cooperatives and Article 3 of Royal Decree 84/1993 (22 January), which approved the enabling regulations for the aforementioned law.

The by-laws of Caixa Petrer stipulate that share capital, excluding the portion of capital considered to be a financial liability, consists of mandatory shareholder contributions totalling 866 thousand Euros. The contributions are represented by registered shares with a par value of 60.10 Euros, and do not accrue any interest whatsoever. Capital taking the form of a financial liability relates to the portion of the contribution whose reimbursement is not subject to any conditions. According to the By-laws, the amount of the contributions whose reimbursement is not mandatory is subject to the condition: that the reimbursement give rise to insufficient coverage of mandatory minimum share capital, reserves, equity or solvency ratio and, as a result of the reimbursement of contributions, whether minimum or not, taking place since the start of the year, share capital falls below 95% of the figure stated in the latest approved annual accounts.

At 31 December 2011 the share capital of Caixa Rural de Turis is 168 thousand Euros, fully subscribed and paid in, and is represented by 2,504 and 113 share capital contributions represented by registered shares number sequentially, with a par value of 66.11 Euros and 264.44 Euros, respectively. The minimum contributions to share capital did not accrue interest in 2011 and 2010, in accordance with the resolutions adopted by the General Assembly, subject to the limits that are established by the legislation in force at any given moment. The total amount of the contributions of a single shareholder to share capital may not exceed 20% of the capital when involving a legal person and 2.50% when involving a natural person.

The minimum capital of Caja Rural de Castellon – S. Isidro, Sociedad Cooperativa de Crédito Valenciana is set at € 1,503 thousand and is fully subscribed and paid up, pursuant to Royal Decree 84/1993 (22 January). Under Article 17 of the Articles of Association, mandatory contributions are represented by nominative certificates with a single value of € 60.10. Additionally, the Entity's Articles stipulates that mandatory contributions do not bear interest, and that the General Assembly must determine the annual interest rate applicable to voluntary contributions, subject to the applicable limits. All the Entity's capital is treated as equity in accordance with Article 7.c of the Articles of Association and Article 7.4 of Law 13/1989 (26 May).

The compensation for interest accrued on share capital classified as "Reimbursable capital on demand" must be recognised as financial expense in the income statement under the heading "Compensation for reimbursable capital on demand".

In any event, Bank of Spain Circular 3/2008 (22 May) and subsequent modifications, regarding the calculation and control of minimum equity for credit institutions, stipulates that the contributions to the share capital of credit cooperatives, independent of its accounting classification as a financial liability or as equity, will form part of Tier 1 capital in accordance with the terminology used by the Basel Committee on Banking Supervision.

3.3. Credit risk hedges and calculation method

Debt instrument portfolios, contingent risks and contingent commitments, irrespective of the holder, arrangement or guarantee, are analysed in order to determine the credit risk to which the Group is exposed and estimate coverage requirements for impairment. In order to draw up the financial statements, the Group classifies its transactions on the basis of the credit risk, analysing separately the insolvency risk attributable to the customer and the country-risk to which, if appropriate, it may be exposed.

- **Insolvency risk attributed to the customer**

  Debt instruments not recognised at fair value through changes in profit or loss, contingent risks and contingent commitments are classified, based on the solvency risk attributable to the customer or the transaction, in the following categories: normal risk, sub-prime risk, doubtful risk due to customer default, doubtful risk for other reasons and bad debts.

  The Group classifies those instruments, and contingent risks and commitments as doubtful when there is objective evidence of impairment that refers mainly to the existence of outstanding payments, defaults, refinancing or the existence of information that indicates the possibility that the agreed future flows will not be recovered in full.

  To cover this insolvency risk attributable to customers, the Group maintains the following types of hedges:

  - A specific hedge calculated on an individual basis for those instruments classified as doubtful, taking into account the age the amount has been outstanding, the guarantees provided and the customer's financial situation and, if appropriate, the guarantors. This estimate is made in accordance with the minimum hedges in accordance with the default schedule established by Bank of Spain Circular 4/2004 in Schedule IX and subsequent amendments, which have been estimated by the Bank of Spain based on its experience and the information it possesses regarding the Spanish banking sector.

- A specific hedge calculated on a collective basis for those instruments classified as sub-prime taking into account the approximate difference between the amount recorded under assets for those instruments and the present value of the cash flows that are expected to be collected by the Group, discounted at the average contractual interest rate.

- A general hedge to cover inherent losses, which are understood to be those incurred at the date of the financial statements that have yet to be assigned to specific transactions relating to the debt instruments not measured at fair value through changes in profit or loss, as well as contingent risks classified as normal risk bearing in mind past impairment experience and other circumstances that are known at the time of the measurement.

To calculate the general hedge, given that the Group does not have sufficient past experience and statistics in this respect, it has applied the method established in Schedule IX of Bank of Spain Circular 4/2004 and subsequent amendments that contain the parameters established by the Bank of Spain, based on its experience and the information it has regarding the sector, which determine the method and amount to be used to hedge the inherent impairment losses incurred on debt instruments and contingent risks classified as normal risk, which are modified regularly in accordance with the evolution of the aforementioned information and an allocation is recorded in an amount equal to the sum of multiplying the positive or negative value of the change in the period affecting the amount of each class of risk by the relevant parameter α, plus the sum of the result of multiplying the total amount of the transactions included in each class of risk at the end of the period by the relevant parameter β, less the amount of the net allocation for the specific overall hedge for the period. The latter is understood to be the allocation made for the specific allocation made for the specific hedge for insolvencies attributable to the customer for debt instruments and contingent risks, less the recovery of the specific hedges and assets in default during the period, excluding the allocations made for country risk.

The amounts of the parameters α and β for each class of risk are:

	Parameters	
	α	β
Negligible risk	0.00%	0.00%
Low risk	0.60%	0.11%
Medium-low risk	1.50%	0.44%
Medium risk	1.80%	0.65%
Medium-high risk	2.00%	1.10%
High risk	2.50%	1.64%

The overall balance of the general hedge cannot exceed 125% of the amount that results from adding the product obtained from multiplying the amount in each class of risk by the relevant parameter α.

- **Country risk**

  Similarly, debt instruments not measured at fair value through the income statement and contingent risks, irrespective of the customer, are analysed to determine the credit risk by reason of country risk. Country risk is understood as the risk attaching to customers resident in a specific country due to circumstances other than the habitual business risk.

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

  The Group will recognise the assets received as payment of debts at the lower of the carrying value of the financial assets applied, i.e. the amortised cost less estimated impairment at a minimum of 10%, and the appraised value of the asset received in its current state, less the estimated cost of sale which cannot be lower than 10% of the appraised value in any case. The net amount of both items will be considered to be the initial cost of the asset received.

  The percentage of the indicated allocation will be changes with respect to the age of the assets received as payment of debts rising to 20% in the event that the age exceeds twelve months and 30% when the age exceeds 24 months. In the latter case the hedges may be replaced and therefore are replaced by the figures reflected in an appraisal at the date to which the financial statements refer. Under no circumstances will the hedge amount be less that the estimated amount of the assets remaining on the balance sheet in more than twelve months.

3.4. Hedge accounting

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

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

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

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

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

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

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

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

The Group classifies its accounting hedges based on the type of risk that are covered by fair value hedges, cash flow hedges and hedges of net investments in foreign businesses:

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

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

- Cash flow hedges: the gain or loss that arises from measuring the fair value of a hedge instrument (on the effective portion of the hedge) is recognised transitionally under the account "Measurement adjustments" under equity. The value of the instrument relating to the ineffective portion of the hedge is recorded immediately in the consolidated statement of income.

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

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

- Cash flow hedges: the gain or loss that arises from measuring the fair value of a hedge instrument (on the effective portion of the hedge) is recognised transitionally under the account "Measurement adjustments" under equity. The rest of the gain or loss on the instrument is immediately recognised in the consolidated income statement.

The gains and losses on hedge instruments are recognised directly under equity and remain under that heading until they are disposed of or are eliminated from the consolidated balance sheet, at which time they are recognised under the consolidated income statement.

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

- Interest rate: fundamentally certain liabilities referenced to a fixed interest rate.
- Market: certain structured liabilities whose compensation is associated with the evolution of indexes.

The instruments used to apply these hedges are fundamentally interest rate swaps, equity swaps and index options (Note 8). Note 6 describes the policies established by the Group to manage the risks to which it is exposed.

3.5. Transfers and write-off of financial assets from the consolidated balance sheet

A financial assets will be subject of write off the consolidated balance of the Group only when one of this circumstances is given:

- When all the contractual rights have expired upon the cash flows it generates.
- When all the contractual rights to receive the cash flows it generates are transmitted, or even when retaining this rights, the contractual obligation exists of being paid to the buyers
- When even no existing transmission or substantial retention of the risks and benefits, but the control of the financial assets is transmitted preview evaluation regarding the following.

The term transferred *financial asset* is used to describe to the total or one part of one financial assets or group of similar financial assets.

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

- If all the risks and benefits are substantially transferred to third parties, such as in unconditional sales, sales under repos at fair value on the repurchase date, sales of financial assets with a call option acquired or put option issued deeply OTM, asset securitization in which the assignor retains no subordinated financing and nor grants any type of credit enhancement to the new holders, the financial instrument transferred is written off the consolidated balance sheet and at the same time any right or obligation retained or created as a result of the transfer is recognised.

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

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

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

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

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

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

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

3.6. Financial guarantees

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

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

When the Group issues this type of contract, they are recognised under the heading “Financial liabilities at amortised cost - Other financial liabilities” on the liability side of the consolidated balance sheet at fair value, plus transaction costs that are directly attributable to their issue (Note 7.7.f) and, at the same time, under the heading “Loan investments - Customer loans” Note 7.5.b) at the present value of future outstanding cash flows to be received by using, for both items, a discount rate similar to financial assets granted by the Group to a counterparty with a similar term and risk.

Subsequent to their issue, the value of the contracts recorded under “Loan investments - Customer loans” will be up-dated recording the differences as financial income and the fair value of the guarantees recognised under the heading “Financial liabilities at amortised cost - Other financial liabilities” on the liability side of the balance sheet will be attributed on a straight-line basis over their useful life to commission income received.

In the event that a provision needs to be set up for the financial guarantees, the commissions outstanding that are recorded under the caption “Financial liabilities at amortised cost - Other financial liabilities” on the liability side of the accompanying balance sheet, are reclassified to the corresponding provision.

3.7. Non-current assets held for sale

Non-current assets for sale on the consolidated balance sheet include the carrying value of the individual items, included in a disposal group or which are part of the business unit that is intended to be sold (discontinued operations) and where there is a high probability that the sale will be made, under the conditions in which said assets are currently to be found, within one year as from the date referred to in the annual accounts.

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

The real estate assets or other non-current assets received by the Group to pay off all or part of the payment obligations of its debtors with regard to the Group are deemed non-current assets for sale, unless the Group has decided to use these assets on an on-going basis.

Furthermore, Liabilities associated with non-current assets for sale include the creditor balances associated with the Group’s disposal groups or discontinued operations.

The assets classified as non-current assets for sale are generally measured at the lower of the carrying value at the time they are considered such and fair value net of their estimated selling costs. While they are classified as non-current assets for sale, property, plant and equipment and intangible assets that are depreciable/ amortizable by nature are not depreciated/ amortised.

In the event that the carrying amount exceeds the fair value of the assets, net of cost of sales, the Group adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption "Gains/losses on the disposal of non-current assets for sale not classified as discontinued operations" in the consolidated income statement. In the event that the fair value of the assets increases at a later date, the Group reverses the losses previously recognised by increasing the carrying amount subject to the limit of the carrying amount prior to any impairment. A balancing entry is made in the caption "Gains/losses on the disposal of non-current assets for sale not classified as interrupted operations" in the consolidated income statement.

The results in the year for those Group components that have been classified as discontinued operations are recorded under the "Result from discontinued operations (net)" caption in the consolidated income statement both if the Group component has been eliminated from assets and if it is still included under assets at the year end.

3.8. Property, plant and equipment

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

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

The cost of the property, plant and equipment include the payments made, both at the time of their acquisition and production, and subsequently if there is any expansion, replacement or improvement, it is considered likely to obtain future profits from their use. In accordance with the provisions of IFRS 1 and section B).6 of Transitional Provision One of Circular 4/2004 and subsequent amendments, regarding the first-time application of this Circular, the cost of acquisition of property, plant and equipment for its use that is freely available, including their fair value appraisal at 1 January 2004, which is its attributed cost at that date. That fair value at 1 January 2004 was obtained based on independent expert valuations. Property, plant and equipment deriving from business combinations are stated at fair value at the date of the combination, and that is its new attributed cost (Note 2.6 and 3.23).

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

The acquisition or production cost of property, plant and equipment, except for plots of land (which are considered to have an indefinite life and are not depreciated), net of their residual value are amortised on a straight-line basis over their estimated useful lives, as follows:

	Years of useful life	Annual depreciation rate
Property	50	2%
Furniture	3-10	10% - 33%
Fixtures	4-13	8% - 25%
IT equipment	3-8	12.5% - 33%
Transport elements	5-10	10% - 20%

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

Repair and maintenance expenses for property, plant and equipment for own use are recorded in the consolidated income statement in the year in which they are incurred.

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

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

Property, plant and equipment is eliminated from the consolidated balance sheet when the assets become available, even when assigned under a finance lease or when permanently removed from use and no financial benefits are expected to be received in the future for their disposal, assignment or abandonment. The difference between the sale and the carrying value is recognised under the consolidated income statement in the period in which the asset is eliminated.

The Group regularly determines whether or not there is any internal or external indication that any asset could be impaired at the date to which the consolidated financial statement refer. It estimates the recoverable amount relating to the property, plant and equipment, which is understood to be the higher of: (i) fair value less necessary selling costs and (ii) value-in-use. If the recoverable value determined in this manner is less than the carrying value, the difference is recognised in the consolidated income statement, reducing the carrying value of the asset to its recoverable amount.

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

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

3.9. Intangible assets

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

Computer software acquired

Computer software acquired is initially recognised at cost and subsequently at cost less accumulated amortisation, when appropriate, and any impairment loss. The years of useful life and amortisation rates used by the Group are 3 and 4 years and between 33% and 25%, respectively.

Computer software developed internally

The computer software developed internally is recognised as intangible assets when, among other things, basically the capacity to use them or sell them, those assets may be identified and their capacity to generate profits in the future can be demonstrated. The expenses incurred during the research phase are recognised directly in the consolidated income statement in the year incurred, and they cannot be subsequently taken to the carrying value of the intangible assets. The years of useful life and amortisation rates used by the Group are 3 and 8 years and between 33% and 12.5%, respectively.

Administrative concessions

Administrative concessions are initially recognised at cost and subsequently at cost less accumulated amortisation, when appropriate, and any impairment loss. The years of useful life are established based on the term of the concession.

Goodwill

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

Positive differences between the cost of the shareholdings in the capital of Subsidiaries, Multigroup companies and Associates with respect to the relevant carrying values acquired, adjusted at the date of the first consolidation, are allocated as follows:

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

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

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

Goodwill acquired as from 1 January 2004 is shown at acquisition cost, while goodwill acquired before that date is carried at the net amount recognised at 31 December 2003. At each accounting close the Group tests goodwill for any impairment that may have reduced its recoverable amount to below the carrying amount. In this case, goodwill is written down and a balancing entry is made in the caption "Asset impairment losses – Goodwill" in the consolidated income statement.

Losses for impairment of goodwill it cannot subsequently be reversed.

Negative differences between the cost of the shareholdings in the capital of Subsidiaries, Jointly controlled companies and Associates with respect to the relevant carrying values acquired, adjusted at the date of the first consolidation, are allocated as follows:

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

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

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

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

3.10. Leases

Lease contracts are presented on the basis of the economic substance of the transaction, irrespective of its legal form, and are classified from inception as finance or operating leases.

- A lease is considered a finance lease when substantially all the risks and benefits attaching to the ownership of the assets subject to the contract are transferred.

  Whenever the Group acts as a lessor of an asset, the sum of the present values of the amount that will be received from the lessee plus the guaranteed residual value, usually the purchase option price when the lease terminates, are recorded as financing provided to third parties. It is therefore included in the heading Credits, loans and discounts on the consolidated balance sheet, in accordance with the nature of the lessee.

  When the Group acts as the lessee, the cost of the leased assets is recorded on the consolidated balance sheet, on the basis of the nature of the asset covered by the contract, and at the same time, a liability is booked for the same amount, which will be the lower of the fair value of the leased asset or the sum of the present value of the amounts payable to the lessor, plus, if appropriate, the purchase option exercise price. These assets are depreciated using similar rates as those applied to property, plant and equipment for own use as a whole.

  Financial income and expense arising on these contracts is credited and debited respectively, to accounts in the consolidated income statement such that the return is consistent over the contract term.

- Lease contracts not considered to be finance leases are classified as operating leases.

  When the Group acts as the lessor, the acquisition cost of the leased assets is recorded under Property, plant and equipment. The criteria applied by the Group to recognise the acquisition cost of the assets assigned under operating lease with respect to depreciation and the estimate of their respective useful lives and the recording of impairment loses, agree with the those described for property, plant and equipment for own use. Revenues from lease agreements are recognised in the consolidated income statement on a straight-line basis.

  When the Group acts as the lessee, lease expenses, including the incentives granted, if appropriate, by the lessor, are recorded on a straight-line basis in the consolidated income statement.

3.11. Foreign currency transactions

To all the effects of these consolidated annual accounts the Euro has been considered as functional and presenting currency, understanding as foreign currency any different to the Euro.

At initial recognition, receivable and payable balances in foreign currency are converted to euro using the spot exchange rate. After that time, the following rules are applied to translate balances denominated in foreign currency to euro:

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

Exchange differences arising from the conversion of balances in foreign currency are recorded in the consolidated income statement, with the exception of differences arising on non-monetary items at fair value whose adjustment to that fair value is taken to equity, breaking out the exchange rate component of the restatement of the non-monetary item.

At the end of 2011, the overall amount of assets expressed in foreign currency by the Group totals 46,031 thousand Euros (47,074 thousand Euros in 2010) and the overall amount of the liabilities items expressed in foreign currency 43,881 thousand Euros (43,640 thousand Euros in 2010) (Note 6.b.3).

3.12. Other provisions and contingent liabilities

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

- A legal or contractual requirement.
- An implicit or tacit obligation, arising from a valid expectation created by the Group for third parties for the assumption of certain kinds of responsibilities. Such expectations are created when the Group accepts responsibility publicly, and they derive from past conduct or business policies that are public knowledge.
- The virtually certain development of certain aspects of legislation, in particular, legislative bills which the group will be unable to circumvent.

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

Provisions and contingent liabilities are classified as probable when the likelihood of occurrence is greater than that of not occurrence, possible when the likelihood of occurrence is less than that of not occurrence, and remote when their occurrence is extremely rare.

The Group includes in the consolidated annual accounts all significant provisions with respect to which the probability of its having to settle the obligation is considered greater than the contrary. Contingent liabilities are not recognised in the consolidated annual accounts. Instead, they are reported unless the possibility of they giving rise to an outflow of funds which include economic benefits is considered remote.

Provisions are quantified taking into account the best available information concerning the consequences of the event that originated them and are estimated at each accounting close. They are used to address the specific obligations for which they were recognised and may be reversed in full or in part when such obligations no longer exist or decrease.

At the 2011 and 2010 year-end, a number of legal proceedings and claims had been initiated against the Group, arising in the ordinary course of business. The Entity's legal advisors and its directors understand that the finalisation of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the consolidated annual accounts for the years in which they finalise.

3.13. Promotion and Education Fund

The appropriations made by the Group to the Education and Development Fund are recognised as an expense during the year when they are mandatory. If additional appropriations are made they are recognised as an application of profits.

Grants, donations and other assistance related to the Education and Development Fund in accordance with the law or funds deriving from the levying of fines by the cooperative to members who are members of said fund, will be recognised as cooperative income and an appropriation will be made to say fund for the same amount.

The expenses relating to the Education and Development Fund are presented on the balance sheet as a deduction from the heading “Other liabilities - Education and Development Fund”, and under no circumstances are they charged to the income statement.

Property, plant and equipment and the liabilities associated with Community projects are presented in separate headings on the balance sheet.

The creation of Grupo Cooperativo Cajamar does not limit the operation and management of Education and Development Fund to the Governing Body of the lead entity, and this responsibility falls to the Governing Body of each entity forming part of the Group, as follows:

- Article 55.3 of Cajamar's by-laws stipulates that the mandatory appropriations to the Education and Development Fund is 10% of the surplus available from the distribution of profits (Notes 1, 4 and 5).

- The by-laws of Caja Rural de Casinos stipulate that the Fund will be funded as follows: at least 15% of the net surplus available in each year, the allocations and any other kind of assistance received to comply with the purposes of that fund, the amount of the penalties that may be imposed on members, yields that may be obtained from the materialisation of the amounts available in the fund and any gains obtained on the disposal of associated assets and any other amounts that must be attributed to the Fund in accordance with current legislation.

- The by-laws of Caixa Albalat and Law 8/2003 (24 March) on Cooperatives in Valencia, stipulate that the Fund will be funded by the following allocations: At least 15% of the net surplus available in each year, the allocations and any other kind of assistance received to comply with the purposes of that fund, the amount of the penalties that may be imposed on members, yields that may be obtained from the materialisation of the amounts available in the fund, bank deposits, public debt securities and any gains obtained on the disposal of associated assets and any other amounts that must be attributed to the Fund in accordance with current legislation.

- Caixa Petrel must apply a minimum of its net surplus for the period to the creation of the Education and Development Fund, as indicated in Law 13/1989 (26 May) on Credit Cooperatives, partially amended by Law 20/1990 (19 December) on the tax system for Cooperatives, which is not freely distributable to members and must only be used for educational, social and cooperative development initiatives. The investments and expenses charges against the Cooperative Education and Development Fund will be agreed by the Governing Body in accordance with the relevant investment and expense plan, which must be approved by the General Assembly on an annual basis for each year, and the General Assembly will also approve the liquidation of the budget from the immediately preceding year, The Cooperative Education and Development Fund will be funded by the following allocations: at least 25% of the net surplus available in each year, the allocations and any other kind of assistance received to comply with the purposes of that fund, the amount of the penalties that may be imposed on members, yields that may be obtained from the materialisation of the amounts available in the fund, bank deposits, public debt securities and any gains obtained on the disposal of associated assets and any other amounts that must be attributed to the Fund in accordance with current legislation.

- Caixa Rural de Turis must apply a minimum of its net surplus for the period to the creation of the Education and Development Fund, as indicated in Law 13/1989 (26 May) on Credit Cooperatives, partially amended by Law 20/1990 (19 December) on the tax system for Cooperatives, which is not freely distributable to members and must only be used for educational, social and cooperative development initiatives. The Education and Development Fund serves the purpose of training and educating members and employees of the principles and values of cooperatives, employment issues or the specific matters involving the activities carried out by the Entity and other cooperative activities, the promotion of cooperatives, relationships between cooperatives and the promotion of cultural, professional and assistance activities in the local environment or the community in general, as well as the improvement of the quality of life and development of the community and environmental protection action.

- At Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana, appropriations to the Education and Promotion Fund are recognized as an expense when they are mandatory; any additional appropriations are recognized as profit distributions. Fund applications are generally credited to cash and banks, unless the amount is assigned to the Entity's own activities, in which case the balance in the item "Other liabilities – Community Projects Fund" is reduced and income is simultaneously recognized in the income statement

- The Cooperative Group members, Caja Rural de Casinos and Caixa Albalat, ensure that this fund is applied properly by crediting cash, unless the education and development fund amount arises from the activities carried out by each entity, in which case the amount recorded under "Education and Development Fund", simultaneously recognising revenue in the income statement.

3.14. Asset Swaps

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

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

3.15. Minimum capital requirement

Spanish legislation on the calculation and control of minimum equity for credit institutions, both at the individual and consolidated group level, and the manner in which computable equity is calculated, is established by Bank of Spain Circular 3/2008 (22 May), Law 36/2007 (16 November), which amends Law 13/1985 (25 May), on investment ratio, equity and information reporting obligations for financial intermediaries, and subsequent amendments. This legislation finalizes the process of adapting Spanish legislation governing credit institutions to EU Directives 2006/48/CE, issued by the European Parliament and Council (14 June) relating to accessing and carrying out credit institution activities and 2006/49/CE issued by the European Parliament and Council (14 June) on the adequacy of investment service company and credit institution capital.

Commission Directive 2009/27/CE (7 April), and Commission Directive 2009/83/CE (27 July) amended certain appendices to Directives 2006/48/CE and 2006/49/CE, mentioned above, as regards the technical provisions relating to risk management.

In 2010 the Bank of Spain published Circular 9/2010, which amends isolated standards established by Circular 3/2008 relating to the calculation of credit risk equity requirements using both the standard method and a method based on internal ratings, to the reduction of credit risk, securitization, counterparty risk treatment and the trading portfolio, as well as reporting information to the market.

In 2011, the Bank of Spain published Circular 4/2011 in order to continue with the adaptation of Spain's prudential regulations to the criteria established by the Basel Committee on Banking Supervision (Basel III), the basic aim being to assure the future computability of equity instruments issued as from 2012, without affecting the essential availability of credit or distorting the capacity to secure funds

In addition, Chapter Thirteen, Standard 124 of Bank of Spain Circular 3/2008, and subsequent amendments, covers the reporting obligations arising from Law 5/2005 (22 April) for Mixed Groups.

On 18 February 2011, Royal Decree-Law 2/2011 was published to bolster the financial system, with the aim of considerably increasing the solvency and resilience of credit institutions, even in the most adverse and unlikely scenarios, and facilitating their financing so as to guarantee the channeling of credit into the real economy and, thus, growth and employment. This Royal Decree stipulates that credit institutions must have core capital at least equal to 8% of their total risk-weighted exposures, calculated in accordance with Law 13/1985 (25 May) on investment ratios, equity capital and information obligations of financial intermediaries. This increases to 10% in the case of entities that exceed 20% wholesale financing and have not placed at least 20% of their instruments with third parties.

The creation of Grupo Cooperativo Cajamar (Note 1.1), and also in response to the requirements established by Bank of Spain Circular 3/2008 and subsequent amendments, a reciprocal, direct and unconditional solvency commitment among participating entities was established in order to avoid any insolvency proceedings and to evaluate the Group's capital requirements as a whole and establish a solvency target for the group that all participants will maintain and implementing a mandatory capitalisation plan to be invoked in the event that any member has a deficit of resources compared with the mandatory objective.

At 31 December 2011 and 2010, the Group and the Mixed Group's computable equity exceeded the amount required by those regulations (Note 20).

3.16. Commissions

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

- Financial fees: This type of commission, which forms an integral part of the yield or effective cost of a financial transaction that is paid or received in advance, is recognised in the consolidated income statement over the course of the expected term of the financing, net of the direct associated costs, as an adjustment to the effective cost or yield on the transaction.

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

3.17. Deposit Guarantee Fund

Through Royal Decree-Law 16/2011 (15 October), whereby the Deposit Guarantee Fund for Credit Institutions was created, the Group's credit institutions form part of this new fund. Article 2 of the Royal Decree-Law dissolved the Deposit Guarantee Fund for Savings Banks, the Deposit Guarantee Fund for Banking Establishments and the Deposit Guarantee Fund for Credit Cooperatives, their assets having been included in the Deposit Guarantee Fund for Credit Institutions, which became subrogated to all their rights and obligations.

On 2 December 2011, Royal Decree-Law 19/2011 (2 December) came into force, amending Royal Decree Law 16/2011, establishing that the amount of entities' contributions to the Deposit Guarantee Fund for Credit Institutions will increase to two thousandths of the calculation base, formed by the deposits guaranteed (creditor account balances plus nominative certificates of deposit) and by five percent of the listed price of guaranteed securities (marketable securities and financial instruments entrusted to the credit entity in Spain or any other country for custody or registration, or for an investment service) on the final trading day of the year in the relevant secondary market. This Royal Decree applies to contributions paid as from the date it came into effect. To 2 December 2011, the amount of contributions was set at 0.8 thousandths of the calculation base.

When the net worth of the Deposit Guarantee Fund is sufficiently funds to serve its purpose, the Ministry of Finance, at the request of the bank of Spain, may approve a reduction in the above-mentioned contributions. In any event, contributions are suspended when the uncommitted assets in the fund equals or exceeds 1% of the calculation base for projected contributions.

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

Finally, on 4 July 2011 Circular 3/2011 (30 June) came into effect, for member entities of the Deposit Guarantee Fund, on additional contributions to the Fund. The Circular imposes the obligation to make additional quarterly contributions in the case of member entities that arrange term deposits or settle demand accounts at interest rates exceeding certain levels, depending on the deposit term or its demand deposit nature. This contribution is calculated by assigning a 500% weighting to deposits arranged or settled at rates that exceed the stipulated rates, in the calculation base used to determine the ordinary contributions.

In 2011 and 2010, expenditure incurred in respect of (ordinary and additional) contributions by Group entities to the Fund totaled € 18,678 thousand and € 11,704 thousand, respectively, and is recognized in the item "Other operating expenses - Contribution to the Deposit Guarantee Fund" in the accompanying consolidated income statement (Note 25). The expense incurred in 2011 includes the additional contribution of € 5,610 thousand to the Fund .

3.18. Income tax

The corporate income tax expense is determined by tax payable calculated with respect to the tax base for the year, taking into account the variations during that year deriving from temporary differences, deductions and credits and tax losses.

Income tax expense is recognised in the consolidated income statement except when the transaction is recorded directly under equity in which the deferred tax is recognised as an additional equity item.

In order for deductions, credits and tax-loss carry forwards to be effective they must comply with the requirements established by current legislation.

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

The tax rate applicable in 2011 and 2010 was the reduced 25% rate for cooperative profits and the general 30% rate for non-cooperative profits (Note 24).

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

3.19. Recognition of revenue and expense

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

Revenues and expense relating to interest and similar items are generally carried on an accruals basis and under the effective interest rate method.

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

Financial service fee and commission expense or income, however contractually denominated, is classified under financial commissions and non-financial commissions (Note 3.16), which determines their allocation to the statement of income:

Income and expense in respect of fees and similar items are carried in the consolidated income statement generally in accordance with the following:

- Those related to financial assets and liabilities measured at fair value through the income statement are recorded at the time of collection.

- Those that relate to transactions or services which are carried out over a period of time are recorded in the period in which such transactions or services take place.

- Those relating to a transaction or service performed in a single act are recorded when such act takes place.

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

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

3.20. Staff costs and post-employment remuneration

Short-term compensation

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

Post-employment remuneration

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

- **Defined contribution plan**

  The Group recognises the contributions made to these plans by recording the expense under the heading “Personnel expenses” in the accompanying consolidated income statement and crediting the account “Pension and similar obligations” under the heading “Provisions” in the accompanying consolidated balance sheets. Payments of the contributions are recorded by charging the accounts “Pension and similar obligations”.

- **Defined benefit plan**

  The Group calculates the present value of its legal and implicit obligations deriving from its defined benefit plan at the date of the financial statements, after deducting any actuarial loss, plus any actuarial gain, the cost of past services yet to be recognised and the fair value of the plan’s assets, including insurance policies, if the following conditions:

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

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

- They cannot return to the Entity except when the assets remaining in the plan are sufficient to cover all commitments to employees to reimburse the Entity for benefits it pays.
- When the assets are held by an entity (or fund) relating to long-term post-employment benefits, such as a pension fund, they cannot be non-transferable financial instruments issued by the Entity.

The figure obtained as indicated above is recorded in the account “Pension and similar obligations” under the heading “Provisions” in the accompanying consolidated balance sheets, if positive, or under “Other assets” if negative (Notes 15 and 16).

In the event that the figure calculated is negative, and if the absolute value of that figure exceeds the sum of any net actuarial loss and the cost of past services yet to be recognised, plus the present value of any financial benefit available in the form of refunds from the plan or reductions in future contributions to the plan, only the latter asset is recognised.

Post-employment remuneration from defined benefit plans is recorded in the consolidated income statement as follows:

- Current service costs, i.e. the increase in the present value of the defined benefit obligations arising from the services provided by employees in the current year, are recognised in “Personnel expenses”.
- Interest costs, i.e. the increase during the period in the present value of the defined benefit obligations that accrue during the year due to the passage of time, are recognised in “Interest and similar charges”.
- The expected yield from any asset in the plan, as well as any right to a refund, which is understood to be the interest, dividends and other income, together with the gains and losses on these assets, even if not realised, less any administration cost for the plan and applicable taxes, as “Interest or similar yields”.
- Actuarial losses and gains, understood to be those that derive from differences between past actuarial assumptions and reality, and those that derive from changes in the actuarial assumptions used, recognised during the year as “Allocations to provisions (net)”, except when the Entity chooses to recognise them under equity.
- The cost of past services relating to the year is recognised under “Allocations to provisions (net)”.
- The effect of any reduction or liquidation of the plan as “Allocations to provisions (net)”.
- The effect, if any, of the application of the limitation concerning the asset to be included in the balance referred to in the preceding section, except when the Group chooses to recognise the actuarial gains and losses under Equity.

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

The Group defers the actuarial losses and gains over the following five years, using a fluctuation band.

Other long-term remuneration for the benefit of employees

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

Severance benefits

Severance benefits are recorded under the heading "Personnel expenses" and the accompanying consolidated income statement crediting the accounts "Pension fund and similar obligations" under the heading "Provisions" in the accompanying consolidated balance sheet only when the Entity is demonstrably committed to terminating an employee or group of employees before their normal retirement date, or to pay remuneration as a result of an offer made as an incentive for the voluntary resignation of the employees.

Pension commitments entered into by the Group

Pension commitments entered into by the Group relating to personnel rendering services to the Group's Credit institutions are governed by the current collective wage agreement and, if appropriate, in the relevant resolutions adopted by the Governing Body and ratified by the General Assembly.

Of the Group entities, three have created pension plans governed by the Regulation dated 23 December 1993, adapted to Law 8/1987 on Pension Plan and Fund Regulations, Cajamar in Fondo Cajamar VI, Fondo de Pensiones, and Cajamar Vida, S.A. de Seguros y Reaseguros is the managing entity and Cajamar holds the funds deposits, Caixa Albalat and Caja Rural de Castellón in RGA, Fondo de Pensiones, and for the latter two funds Rural Pensiones, Entidad Gestora de Planes y Fondos de Pensiones is the managing entity and Banco Cooperativo Español holds the fund's deposits.

In addition, the Group's credit entities maintain several insurance policies covering the following commitments:

- Widow(er) and orphan benefit included in the collective wage agreement.
- Death or disability for active employees.
- Dedication award.
- Those cases in which the necessary contribution is higher than the limit for pension plans.
- Commitments acquired with Group employees joining from other banks acquired to form part of its branch network and which had been employed by those banks since before 8 March 1980.

As part of its defined contribution commitments, the Group has assumed with Cajamar personnel that have been employed for more than two years or under an indefinite employment contract and not included in the defined benefit retirement pension supplement included in Subplan B of Pension Plan, an annual contribution consisting of 37.5% of the total ordinary payroll salary amount in November, with a minimum of 100% of the monthly base salary amount. With employees of Caixa Rural Albalat with at least two years of employment at the company and which have voluntarily joined the pension plan, there is an obligation to make annual contributions to all participants totalling up to 3% of the entity's net profits, subject to compliance with certain conditions. And with the employees of Caja Rural de Castellón, the obligation of annually contributing a variable percentage depending on the profits obtained along the year, with a maximum contribution of 150 thousand Euros per year, whereas employees have the obligation to contribute with the 15% of the contribution made by Caja Rural de Castellón.

The defined benefit commitments taken into consideration are:

- Pension supplementing social security pensions, defined as the difference between the amount of the latter and the ordinary salary amount paid during the last month of an employee's employment, for employees that joined the former Caja Rural de Almería, Sociedad Cooperativa de Crédito up to 31 December 1984 and for personnel from other banks acquired to form part of its branch office network that were entitled to this right at their former place of employment, and for employees coming from Caja Rural de Castellón, those joined before 1969.

- Supplementary widow(er) and orphan pension in the terms established by the Collective wage agreement and the pension plan regulations for all employees of the Group's credit institutions.

- Death and absolute disability indemnities (22.75 thousand Euros), occupational accident (45.5 thousand Euros) or severe disability (75.71 thousand Euros) for all employees of Cajamar, and accident coverage in accordance with the collective wage agreement for the entire Group's other credit institutions.

- Dedication award covering all employees of the Group's credit institutions in the event of retirement or disability after more than 20 years of employment by these entities, consisting of three ordinary monthly salary payments. Cajamar extends this commitment to cover death contingencies for its employees.

The Group has entered into commitments with some employees covering early retirement situations and therefore, the Entity has recorded funds to cover the commitments entered into with employees taking early retirement in relation to salaries and welfare charges from the time of their early retirement to the date of their actual retirement age and the cover of the remuneration as from the date of their actual retirement has been completed.

At 31 December 2011 and 2010 the Group does not record any severance commitments other than those indicated in the Plan.

On 31 December 2011 and 2010, actuarial studies have been carried out relating to the coverage of the main post-employment compensation, using the projected credit unit calculation method. The main assumptions used in the actuarial studies, both for retired and early-retired personnel are presented in detail below for each credit institution:

Actuarial assumptions adopted for Cajamar Caja Rural Sociedad Cooperativa de Crédito

	2011		2010	
	Assets	Early Retirement	Assets	Early Retirement
Mortality tables	PERM/F 2000	PERM/F 2000	PERM/F 2000	PERM/F 2000
Disability tables (only for risk benefit)	Not applicable	Not applicable	Not applicable	Not applicable
Retirement age				
Pension plan	Earliest age	58 +	Earliest age	58 +
Collective Labour Agreement for banks	Earliest age	58 +	Earliest age	58 +
Annual effective technical interest rate				
Pension plan	4,00%	4,00%	4,00%	4,00%
Collective Labour Agreement for banks	4,00%	4,00%	4,00%	4,00%
Yield on assets				
Pension plan	4,00%	4,00%	4,00%	4,00%
Collective Labour Agreement for banks	4,00%	4,00%	4,00%	4,00%
Salary trend (including drifts)	3,50%	3,50%	3,50%	3,50%
Increase in consumer price (CPI)	2,00%	-	2,00%	-
Increase un pensions	75% salary increment	-	75% salary increment	-
Maximum Social Security Pension (in thousands of euros)	34,9	34,9	34,5	34,5
Annual revaluation of the maximum monthly Social Security pension	1.50%	-	1.50%	-
Annual increase in the Social Security contribution bases	According to CPI	-	According to CPI	-

Actuarial assumptions adopted for C.R. Casinos, C.R. Albalat, Caixa Petrer , Caixa Turís and C.R. Castellón

	Assets	
	2011	2010
Mortality tables	PERM/F 2000P	PERM/F 2000
Disability tables (only for risk benefit)	Not applicable	Not applicable
Rotation tables	Not applicable	Not applicable
Discount interest rate	4.60%	4.10%
Inflation	2.00%	2.00%
Salries increase	3.00%	3.00%
Retirement age	On a general basis, 65 years. For the employees that have contributed to the Social security before 1/1/1967, 60 years is considered or the nezt birthday if they have already that age. If the theoretical retirement regarding the previous does not apply to a pension, that pension in which the right to collection, with a 70 years maximum	On a general basis, 65 years. For the employees that have contributed to the Social security before 1/1/1967, 60 years is considered or the nezt birthday if they have already that age. If the theoretical retirement regarding the previous does not apply to a pension, that pension in which the right to collection, with a 70 years maximum
Collective Labour	Closed: no posible future incorporation of employers are forseen	Closed: no posible future incorporation of employers are forseen
Capitalization system	Individual capitalization and prospetive mmethod	Individual capitalization and prospetive mmethod
Valuation method	Proyected Credit Unit method	Proyected Credit Unit method
Fluctuation band	Actuarial profit and loss should be assumed as a cost of the year or amortized regarding the fluctuation band stablished in the regulation 35 Circular 4/2004 from Bank of Spain. In the case of Caja Rural de Casinos, the Entity has decided to amortize accumulated profit and loss in a 5 year period with a fluctuation band of 10%	Actuarial profit and loss should be assumed as a cost of the year or amortized regarding the fluctuation band stablished in the regulation 35 Circular 4/2004 from Bank of Spain. In the case of Caja Rural de Casinos, the Entity has decided to amortize accumulated profit and loss in a 5 year period with a fluctuation band of 10%

The expected yield from assets, which is only applicable to Cajamar pension plans, is as follows:

	Expected return on assets	
	2011	2010
Pension Plan	4.00%	4.00%
Banks	4.00%	4.00%
Early retirement	4.00%	4.00%

In August 2011, Law 27/2011 on the updating, adaptation and modernization of the Social Security system was published. This reform amends certain parameters that are required to calculate public retirement benefits, such as ordinary retirement age, early retirement age and the number of years necessary to calculate the regulatory base.

As a result of these amendments, the Parent entity's pension commitments only affect commitments with personnel entitled to receive a Social Security pension supplement. In accordance with applicable regulations and the Entity's prior-year approach, most of this effect is deferred applying a fluctuation band. The effect of this change on the rest of the Group entities is not material.

3.21. Off-balance sheet customer deposits

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

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

The commissions collected for these services are recorded under the heading "Commissions received" in the consolidated income statement (Note 25).

3.22. Consolidated cash-flow statement

The terms employed in the consolidated cash flow statements have the following meanings:

- Cash flows: inflows and outflows of cash and cash equivalents, understood as short-term investments which are highly liquid and involve a low risk of changes in value.
- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities and interest paid for some financing received.

- Investment activities: acquisition, disposal or other elimination of long-term assets and other investments not included under cash and cash equivalents.
- Financing activities: the activities that give rise to changes in the size and composition of equity and the liabilities that do not form part of operating activities.
- Cash equivalents: highly liquid short-term investments that have a low risk of change in value, such as the balances at central banks, bills of exchange and short-term treasury promissory notes, and on-demand balances at other credit institutions.

3.23. Business combinations

In accordance with the provisions of IFRS 3 International Financial Reporting Standards, a business combination is the union of two or more entities or independent financial units within a single company or group of companies that may result as the result of an acquisition:

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

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

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

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

- The acquiring company will include in its financial statements, or the consolidated accounts, the assets, liabilities and contingent liabilities of the acquired company, including the intangible assets not recognised by the latter, that on that date complies with the requirements to be recognised as such, measured at fair value calculated in accordance with the valuation criteria indicated in the International Financial Reporting Standards.
- The cost will be the sum of the fair value of the assets delivered, the liabilities incurred, and any capital instruments issued by the acquiring company together with any fees paid to legal advisors and consultants to carry out the combination. Contracting and issue costs for the financial liabilities and equity instruments are not included.

- The acquiring company will compare the cost of the business combination against the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities recorded by the acquired company and the difference resulting from this comparison will be recognised:
  - When positive, such as goodwill in assets which, in any event, will be amortised but on an annual basis will be subjected to the impairment test established in the International Financial Reporting Standards.
  - When negative, they will be recognised in the consolidated income statement as revenue under “Negative differences on business combinations”, after verification of the fair values assigned to all of the assets and liabilities and the cost of the business combination.

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

The deferred tax assets that at initial recognition do not satisfy the criteria for being recognised as such, but do at a subsequent date, will be recognised as revenue in accordance with IFRS 3 and, simultaneously, an expense will be recorded to reduce the carrying value of goodwill to the amount that would have been recognised of the tax asset had been recorded as an identifiable asset at the acquisition date.

Merger with Caja Campo, Caja Rural, Sociedad Cooperativa de Crédito

On 9 June 2011, the General Assemblies of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Campo, Caja Rural, S. Coop. de Crédito approved the Merger Plan drawn up and signed by their respective Governing Boards.

The plan referred to the merger of Caja Campo, Caja Rural, S. Coop. de Crédito into Cajamar Caja Rural, Sociedad Cooperativa de Crédito. Once the necessary administrative authorization was obtained, the merger deed was entered in the Almería Mercantile Register on 27 September 2011. The merger had effect for individual accounting purposes as from 1 January 2011 (Note 1.1).

As a result of the merger by absorption, and due to the dissolution of the target entity, the target’s shareholders obtained a capital contribution to Cajamar Caja Rural, Sociedad Cooperativa de Crédito of 61 Euros per contribution, entailing a nominal value of 60.11 Euros, in the capital of Caja Campo, Caja Rural, S. Coop. de Crédito.

On the basis of the operations described in this note, Cajamar Caja Rural, Sociedad Cooperativa de Crédito has included in its financial statements the assets, liabilities and contingent liabilities of Caja Campo, Caja Rural, S. Coop. de Crédito, including the intangible assets not recognized by the latter entity, which at the effective date for accounting purposes fulfilled requirements to be recognized as such and are carried at fair value.

The tax effects of the merger are described in Note 24.

At 1 January 2011 (*), the balance from Caja Campo, Caja Rural, S. Coop. de Crédito, integrated in Cajamar Caja Rural, Sociedad Cooperativa de Crédito are as follows:

Assets	Thousands of euros
Cash and balances with central banks	9,354
Financial liabilities held for trading	-
Other financial assets at fair value through profit or loss	-
Available-for-sale financial assets	20,387
Loans and receivables	1,106,378
Memorandum item: Loaned or advanced as collateral	*139,930*
Held-to-maturity investments	3,071
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	121
Non-current assets held for sale	4,280
Investments	-
Insurance contracts linked to pensions	-
Tangible assets	20,198
Intangible Assets	56
Tax assets	13,087
Other assets	1,840
TOTAL ASSETS	**1,178,772**
Liabilities	
Financial liabilities held for trading	72
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at amortised cost	1,077,004
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	1,637
Liabilities associated with non-current assets held for sale	-
Provisions	2,963
Tax liabilities	3,298
Education and Development Fund	379
Other liabilities	12,164
Capital having the nature of a financial liability	-
TOTAL LIABILITIES	**1,097,517**
Equity	
Structured	29,657
Reserves	48,297
Profit for the period	2,721
Less: Dividend and remuneration	(940)
Valuation adjustments	1,520
TOTAL EQUITY	**81,255**
TOTAL LIABILITIES AND EQUITY	**1,178,772**
Memorandum item	
Contingent exposures	98,379
Contingent commitments	72,451
TOTAL MEMORANDUM ACCOUNTS	**170,830**

(*) Figures correspond to Audited Annual Accounts in 2010.

The preceding balances have been adjusted and unified with respect to both the elimination of common balances maintained between the two entities and the results generated by them and the measurement of the fair value of the target company's assets, liabilities and equity, in accordance with IFRS 3R and Standard 43 of Bank of Spain Circular 4/2004 (22 December) and subsequent amendments.

Merger with Caixa Rural de Balears, Sociedad Cooperativa de Crédito

On 19 August 2010 the General Assemblies of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caixa Rural de Balears, Sociedad Cooperativa de Crédito approved the Merger Project prepared and proposed by their respective Governing Bodies.

The aforementioned project included a merger transaction under which Caixa Rural de Balears, Sociedad Cooperativa de Crédito was taken over by Cajamar Caja Rural, Sociedad Cooperativa de Crédito. Once the necessary administrative authorisations were obtained, the merger was entered into the Almeria Mercantile Registry on 29 December 2010. Therefore, the transaction took effect for accounting purposes on 29 December 2010 (Note 1.1).

As a result of the merger project, and given that the target company was wound up, its shareholders received a capital contribution from Cajamar Caja Rural, Sociedad Cooperativa de Crédito with a par value of 60.11 Euros, in the capital of Caixa Rural de Balears, Sociedad Cooperativa de Crédito.

In accordance with the matters described in this Note, Cajamar Caja Rural, Sociedad Cooperativa de Crédito has included the assets, liabilities and contingent liabilities of Caixa Rural de Balears, Sociedad Cooperativa de Crédito in its financial statements and included intangible assets not recognised by the latter, which at the accounting effective date comply with the requirements to be recognise as such at fair value.

The balances relating to Caixa Rural de Balears, Sociedad Cooperativa de Crédito included in the financial statements of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, were as follows:

Assets	Thousands of euros
Cash and balances with central banks	2,497
Financial liabilities held for trading	8,792
Other financial assets at fair value through profit or loss	-
Available-for-sale financial assets	74,725
Loans and receivables	488,047
Memorandum item: Loaned or advanced as collateral	*148,005*
Held-to-maturity investments	3,165
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	61
Non-current assets held for sales	6,926
Investments	-
Insurance contracts linked to pensions	-
Tangible assets	12,707
Intangible assets	-
Tax assets	10,012
Other assets	1,090
TOTAL ASSETS	**608,022**

Liabilities	Thousands of euros
Financial liabilities held for trading	43
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at amortised cost	582,879
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	233
Liabilities associated with non-current assets held for sale	-
Provisions	2,011
Tax liabilities	712
Accrual and deferred income	121
Other liabilities	2,939
Capital having the nature of a financial liability	-
TOTAL LIABILITIES	**588,938**
Equity	
Own funds	20,228
Valuation adjustments	(1,144)
TOTAL EQUITY	**19,084**
TOTAL LIABILITIES AND EQUITY	**608,022**
Memorandum item	
Contingent exposures	69,760
Contingent commitments	27,391
TOTAL MEMORANDUM ACCOUNTS	**97,151**

The preceding balances have been adjusted and unified with respect to both the elimination of common balances maintained between the two entities and the results generated by them and the measurement of the fair value of the target company's assets, liabilities and equity, in accordance with IFRS 3R and Standard 43 of Bank of Spain Circular 4/2004 (22 December) and subsequent amendments.

The balancing entry for the difference between the previous carrying value and the net fair value of these assets, liabilities and contingent liabilities at the entity have been recorded by charging/crediting the heading "Reserves - Accumulated Reserves (losses)" in the accompanying balance sheet (Note 20). At 31 December 2010, the figures shown in the balance sheet for the entity at that date reflect the fair value of its assets and liabilities.

3.24. Inventories

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

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

Inventories include land and other properties that are held by the Group for sale as part of its property development business.

Inventories are stated at the lower of cost, which includes all amounts paid to acquire and transform the inventories and all direct and indirect costs incurred to bring them to their present condition and location, and “net realisable value”. The net realisable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses.

Decreases in and, if applicable, subsequent recoveries of the net realisable value, below their carrying amount, are recognised in the consolidated income statement in the year they are incurred, in the caption “Impairment losses (net) – Other assets” (Note 25).

3.25. Insurance policies

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

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

When providing a guarantee, the Group initially recognises the fair value of the guarantee plus transaction costs under “Other liabilities” in the consolidated balance sheet and this fair value is the amount of the premium received plus the present value of the cash flows to be received, if applicable (Note 15). Simultaneously, it recognises under assets the present value of the cash flows pending receipt.

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

The classification of a guarantee contract as doubtful means it will be reclassified to the heading “Provisions for risks and contingent liabilities”, which are measured in accordance with IFRS 4.

3.26. Statement of changes in equity

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

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

Statement of income and expenses recognised

This statement presents the income and expenses generated by the Group as a result of the activity during the year, making a distinction between those recognised as results in the income statement for the year, in accordance with the provisions of current legislation, directly under equity.

Statement of total changes in equity

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

- Adjustments due to changes in accounting policies and error correction: include changes to consolidated equity as a result of the retroactive restatement of financial statement balances.
- Income and expenses recognized during the period: include the aggregate total of all the above-mentioned items recognized in the Consolidated Statement of Recognized Income and Expense.
- Other changes in equity: include the rest of the items recognized in equity, such as capital increases or reductions, distributed results, operations with own equity instruments, transfers between equity items and any other increase or decrease in the Group's consolidated equity

3.27. Fair value of financial instruments

As is indicated in Note 2.1 of these annual accounts, after receiving the authorization issued by the Bank Spain and 29 December 2010 and as a result of the Integration Contract that creates a financial group configured as an SIP, the Group has recorded certain assets at fair value in the individual annual accounts for the participating entities at 31 December 2011, 31 December 2010 and 31 December 2009. The net overall effect of recording these assets and liabilities at fair value is described in Note 2.1, together with the assumptions and measurement criteria used in the calculation.

Fair value of financial assets

The fair value of "Debt securities" that are listed on active markets is calculated based on the market price. For those debt securities that are not listed on an active market the measurement is carried out in accordance with the zero coupon curve through the TIR, adjusted by a spread that will depend on the solvency of the issuer of the securities, specifically the sector, remaining term and the rating of the issue. The zero coupon curve used for each issue will depend on the characteristics of that issue.

The account "Other equity instruments" includes investment funds and other investments listed on active markets whose measurement is carried out at fair value, i.e. using the market price on the last business day of the year. Those other investments existing at the Entity that are not listed on organized markets are measured using the method of discounting future expected cash flows, adjusted to the market yield rate for other securities with similar characteristics.

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

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

"Hedging derivatives" are measured at fair value using the listed price, the discount of expected future cash flows updated to the current date and other accepted measurement methods

Fair value of financial liabilities

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

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

Measurement of financial instruments at fair value:

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

The following tables present the fair value of the Group's financial instruments at 31 December 2010, broken down by class of financial assets and liabilities and the following levels:

- Level 1: Financial instruments whose fair value has become impaired, taking into account their listed prices on active markets without making any changes to those prices.
- Level 2: Financial instruments whose fair value has been estimated based on listed prices on organized markets for similar instruments or through the use of other measurement techniques in which all of the significant inputs are based on market information that is directly or indirectly observable.

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

The table of consolidated financial assets and liabilities at fair value at 31 December 2011 is as follows:

	Thousands of euros				
			Fair Value Hierarchy		
	Total Balance	Fair Value	Level 1	Level 2	Level 3
Cash and balances with central banks	451,448	451,448	-	-	451,448
Financial liabilities held for trading	1,142	1,142	-	1,132	10
Other financial assets designated at fair value with changes in P&L	1,817	1,817	1,817	-	-
Available-for-sale financial assets	2,343,704	2,343,704	1,345,330	860,372	132,111
Loans and receivables	25,932,639	25,932,639	-	-	25,932,639
Held-to-maturity investments	136,625	134,002	124,894	9,108	-
Hedging derivatives	161,810	161,810	-	161,810	-
TOTAL ASSETS	**29,029,185**	**29,026,562**	**1,472,041**	**1,032,422**	**26,516,208**

	Thousands of euros				
			Fair Value Hierarchy		
	Total Balance	Fair Value	Level 1	Level 2	Level 3
Financial liabilities held for trading	1,142	1,142	-	1,142	-
Other financial assets designated at fair value with changes in P&L	-	-	-	-	-
Financial liabilities at amortised cost	27,984,780	27,984,780	-	57,767	27,927,013
Hedging derivatives	14,900	14,900	-	14,900	-
TOTAL LIABILITIES	**28,000,822**	**28,000,822**	**-**	**73,809**	**27,927,013**

The table of consolidated financial assets and liabilities at fair value at 31 December 2010 is as follows:

	Thousands of euros				
			Fair Value Hierarchy		
	Total Balance	Fair Value	Level 1	Level 2	Level 3
Cash and balances with central banks	208,716	208,716	1,554	-	207,162
Financial liabilities held for trading	9,466	9,466	46	1,615	7,805
Other financial assets designated at fair value with changes in P&L	26,148	26,148	1,635	-	24,513
Available-for-sale financial assets	1,709,500	1,709,500	922,333	661,736	112,841
Loans and receivables	25,877,629	25,877,629	-	152,062	25,725,567
Held-to-maturity investments	137,449	137,449	130,602	6,847	-
Hedging derivatives	127,979	127,979	28	127,890	61
TOTAL ASSETS	**28,096,887**	**28,096,887**	**1,056,198**	**950,150**	**26,077,949**

	Thousands of euros				
			Fair Value Hierarchy		
	Total Balance	Fair Value	Level 1	Level 2	Level 3
Financial liabilities held for trading	836	836	46	747	43
Other financial assets designated at fair value with changes in P&L	-	-	-	-	-
Financial liabilities at amortised cost	26,999,726	26,999,726	-	278,393	26,721,333
Hedging derivatives	16,368	16,368	158	15,977	233
TOTAL LIABILITIES	**27,016,930**	**27,016,930**	**204**	**295,117**	**26,721,609**

4. Errors and changes in accounting estimates

In 2011 and up to the date the consolidated annual accounts were prepared, there have been no error or change in accounting estimates that, due to their relative importance, had to be included in the annual accounts prepared by the Governing Body.

The estimates described in Note 2.6 were made based on the best information available at 31 December 2011 and 31 December 2010 concerning the facts analysed. Nonetheless, future events could generate significant adjustments (upward or downward) in coming years, which would be made prospectively if necessary, in accordance with IAS 8 and Standard 19 of Bank of Spain Circular 4/2004 (22 December) and subsequent amendments, to recognise the impact of the change in the estimate on the income statement for the years in question.

When an error relating to one or more years is corrected, mention will be made, together with the nature of the error, of:

- The amount of the correction for each of the headings in the financial statements that are affected in each of the years presented for the purposes of comparison.
- The amount of the correction in the opening balance sheet in the earliest year for which information is presented, and
- The circumstances that make retroactive restatement impractical and a description of how and since when the error has been corrected.

The Group entities will indicate the nature and the amount of any change in an accounting estimate that affects this year or is expected to affect future years. When it is impractical to make an estimate of the effect in future years, this will be disclosed.

There have been no accounting changes that significantly affect the comparability of the annual accounts for 2011 and 2010.

5. Distribution of results

The proposal for distributing the Lead Entity's profits in 2011 that the Governing Body will submit for the approval of the General Assembly, together with that for 2010, is as follows:

	Thousands of euros	
	2011	2010
Profit for the year prior attribution to the Parent before the mandatory transfer to the Education and Development Fund and after Income Tax	46,318	35,115
Remainder (Caja Rural de Balears profits not distributed before the mandatory transfer to the Education and Development Fund and after Income Tax)	-	2,203
Interest on capital contributions (Note 18)	(43,249)	(36,632)
Interest on contributions to the capital of Caja Rural de Balears	-	(1,147)
Interest on capital contributions recorded as financial expenses (Notes 18 and 25)	-	5,428
Profits from consolidation	(1,751)	60
Total distributable or available surplus (Note 1.4.)	**1,318**	**5,027**
To mandatory reserve fund	1,054	4,022
To voluntary reserve fund	132	491
To Education and Development Fund - mandatory transfer (Note 3.14)	132	514
To Education and Development Fund - voluntary transfer (Note 3.14)	-	-
Total distributed	**1,318**	**5,027**

The retained earnings recorded by Caja Rural de Balears, Sociedad Cooperativa de Crédito during 2010, have been distributed to the various reserve funds and the education and development funds, in accordance with the by-laws governing the entity.

The proposal for 2010 and the subsequent distribution were approved by the General Assembly on 9 June 2011.

6. Risk management

This section is intended to describe the various financial risks faced by the Entity and, as a result, by the Group, deriving from its banking activity as well as the objectives and policies relating to risk management, assumption, measurement and control, including the strategies and processes, the structure and organisation of the relevant risk management unit and hedging policies, broken down for each of the main types of financial instruments or planned transactions for which accounting hedges are used. The new Entities included in the Group (Note 1.1) maintained, before entering into the group, risk management objectives and policies that do not differ significantly from those applied by Cajamar, the unification and definitive implementation of common policies, according to the provisions of the contractual agreement (Note 1.1), is being carried out gradually with the computer integration of the participating Entities except for Caja Rural de Castellón – San Isidro, Sociedad Cooperativa de Crédito Valenciana which is planned for the second semester of 2012.

Irrespective of the fact that the Business and Financial Management units perform risk acceptance and recovery functions, risks are basically controlled by the Control General Management unit.

6.1. Corporate risk culture: general risk management principles

The Group has a clear retail banking focus and its main risks are typical retail banking risks, i.e. credit risk, liquidity risk and interest rate risk; operational risk and market risk are not significant.

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

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

6.2. Credit risk and credit concentration risk

On 29 September 2005, Cajamar's Governing Board agreed on the content structure and competency limits for a Credit Risk Policies and Procedures Guide.

The Guide is updated periodically, regulating the following aspects: (i) principles and criteria underlying the credit policy; (ii) management and control policies; (iii) bodies responsible for management and control; and (iv) management and control procedures.

For clarity, the following sections extracted from the Guide reflect the most relevant aspects of its content and scope:

a) Basic principles and guidelines for defining credit risk management and control policies

a.1) The basic principles are established by the Cajamar's Group's Governing Board and underlie the credit policy. The five basic principles are as follows:

- Principle of independence: Credit risk decisions must always be taken on the basis of the established credit policy and must not be made conditional upon the fulfillment of commercial objectives.

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

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

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

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

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

  In order to guarantee fulfillment of this principle, the Governing Board has defined the limits of the regulation competencies contained in the Credit Risk Guide, reserving for the governing bodies the establishment of criteria, policies and bodies responsible for credit risk management and control, and delegating to the Cajamar Group's General Management and Control General Management the definition of procedures to implement management and control, respectively.

- Principle of consistency: As one of the main credit portfolio management criteria is diversification, a common and consistent measure must be in place to quantify credit risk in operations, together with uniform evaluation methods, irrespective of the segment, portfolio or sub-portfolio.

In accordance with the Basel Committee's recommendations, the common measure that must be used to compare the size of credit risk assumed in each operation is the economic capital required in each case, i.e. the amount of capital that the entity must hold to cover its unforeseen losses.

In order to reliably estimate economic capital and therefore guarantee the consistency principle, the Entity requires:

> Rating and scoring tools consistently incorporating the risk factors deemed relevant to each type of operations and providing an objective appraisal of the probability of non-compliance.

> Periodic estimates of credit exposure and loss severity values, in the event of non-compliance.

> Adjustment of total credit portfolio loss distribution and periodic estimates of the amount of capital necessary to cover the losses, with a confidence level that is compatible with the entity's solvency objective.

> A criterion for allocating the total economic capital required to each current or potential operation.

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

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

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

- Principle of delegation: The Cajamar Group's Governing Board assumes its responsibility as the ultimate credit risk management and control body, which does not preclude reasonable delegation to subordinate bodies to favour rapid adaptation and response to changing circumstances and to customer demands.

Accordingly, the Cajamar Group's Governing Board delegates:

> To its Executive Committee, the approval of credit operations that cannot be resolved by subordinate bodies but must be resolved before the next Governing Board meeting, and the definition of the content of chapter two of the Credit Risk Guide which, according to the principles and criteria stipulated in the Guide, must regulate credit risk management and control policies.

> To the Chief Executive Officer, the definition of the content of chapter three of the Credit Risk Guide, which must regulate the bodies responsible for credit risk management and control.

> To General Management, the definition of the content of chapter four of the Credit Risk Guide, which must regulate the credit risk control procedures.

> To Control General Management, the definition of the content of chapter five of the Credit Risk Guide, which must regulate the credit risk control procedures and the supervision of amendments to the content of the Credit Risk Guide as a whole.

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

- **Regarding the risk acceptance policy:**

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

> Credit quality. Criteria for approving operations must depend basically on the borrower's capacity to fulfill financial obligations in due time and form, based on revenue from a business or habitual source of income. Nonetheless, personal or real property guarantees must be sought to secure recovery as a secondary course of action, when the primary procedure has failed.

> Operational security. Loans must be arranged through a secure procedure which guarantees that agreements concluded have full legal effect and faithfully reflect the applicable terms and conditions.

> Yields. Loans must have yields that match the inherent risk.

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

> Relative importance. Actions to prevent loan losses must be graduated on the basis of the harm that could be caused to the Group's results by default, seeking a reasonable balance between the cost and benefits of the control procedure. In order to achieve this objective, criteria must be defined to control all borrowers representing significant exposures, for which oversight and control actions must be intensified.

> Anticipation. Actions to prevent loan losses must be implemented sufficiently in advance in order to assess and optimize management of loan recovery options. This entails defining a borrower rating system that defines the risk policy to be implemented when certain alerts are notified.

- **Regarding the past due loan collection policy:**

  > Resolute management. A default situation must be managed in a resolute manner so as to regularize the loan, propose a restructuring of the debt or initiate a claim in or out of court as soon as possible.

  > Economic effectiveness. A court claim for debts is not always the best recovery route. On occasions it is preferable to accept payment proposals comprising the dation of assets or reductions and/or deferrals; in other cases, the amount owed or the debtor's limited solvency make other forms of collection management more advisable.

- **Regarding the policy for appraising and restating real property guarantees:**

  > Objective valuation. As price formation in property markets is clearly imperfect, guarantees based on such assets must be valued as objectively as possible, since this determines the correct and rational management of the secured credit risk.

  > Efficient restatement of appraisals. The value of properties securing loans must be restated periodically both to take credit risk management decisions and to correctly calculate impairment and capital for the purposes of regulatory compliance. Nonetheless, restatement procedures must be efficient in terms of both frequency and the instruments employed.

b) Parameters defining the credit policy

b.1) Credit risk concentration limits

As diversification is one of the criteria guiding credit risk acceptance, the Group has established a limits structure to guarantee diversification; limits become more conservative when certain levels defined by the Supervisor are reached. The limits are explained below:

• **Limits on concentration by segment, credit portfolio and credit sub-portfolio**

The Group has defined a set of precise criteria for segmenting its credit operations, giving rise to five Segments that group together 12 Credit Portfolios, which in turn group together 21 Sub-portfolios. A credit exposure limit is applicable to each of these groups, depending on overall portfolio exposure, as shown in the following table:

Segment/ Portfolio/ Sub-Portfolio

1. Retail:	**80%**
1.1 Home	**60%**
Normal	60%
Other uses	12%
1.2 Other financing for families	**10%**
Micro-consumption	3%
Automobiles	5%
Other goods and services	10%
1.3 Automatically renewable	**5%**
Credit cards	5%
Overdrafts	1%
1.4 Small businesses	**20%**
Business activity of individuals	15%
Micro-businesses	15%
1.5 Agri-food retail	**20%**
Horticulture under plastic	15%
Other agri-food sector	15%

2. Corporate:	**40%**
2.1 Developers	**15%**
Developer	15%
Land	3%
Other developers	3%
2.2 Corporate agri-food	**15%**
2.3 SMEs:	**15%**
Small	10%
Medium	10%
2.4 Large businesses	**10%**
3. Public administrations	**15%**
4. Non-profit organisations	**5%**
5. Financial intermediaries	**5%**

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

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

% on Own Funds

Borrowed limit or group	10%
Relevant exposure	4%
Limit of the sum of relevant exposure	400%

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

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

> Companies controlled by the Cajamar Group

> Limit on risk accumulated with each company: 5%

> Limit on sum of risks of all companies: 10%

> Companies not controlled by the Cajamar Group

> Limit on risk accumulated with each company: 5%

> Limit on sum of risks of all companies: 50%

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

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

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

> Executive Committee

> Investment Committee

> Territorial Risk Committees

> Business Committees (two levels)

> Offices (five different categories)

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

> Assets and Liabilities Committee, for financial market operations.

> Employee Financing Committee, for operations requested by employees under Collective Agreements and arrangements with personnel.

> Microcredit Committee, for operations relating to microcredit facilities arranged.

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

> Credit quality modules:

According to the **reports** generated by the models that are classed as **binding for acceptance** purposes, the powers held by the delegate bodies are modulated as follows:

> When the report indicates “grant”, powers held by Offices to approve lending operations are increased by one level.

> When the report indicates “doubtful”, powers to approve loans held by bodies represented only by the sales network are reduced by one level.

> Bodies represented only by the sales network may not grant loans where the report indicates “refuse within limit”.

> New financing for which the report indicates “refuse outside limit” is subject to a special authorisation process that may only be completed by a body forming part of the Entity’s General Management.

Depending on the accounting situation of the borrower or economic group, and on the rating issued following an expert analysis or by a customer monitoring model, special powers must be exercised to approve these loans:

> Where the operation affects a customer or group with doubtful or past due positions, the decision will be submitted to the next highest body and cannot in any event by resolved by bodies represented only by the sales network.

> Bodies represented only by the sales network may not approve operations with the following customers:

- Classified as subject to special monitoring.

- Classified as restructured customers.

- For which the risk policy, established by customer monitoring models, is restrictive.

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

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

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

> An initial limit is assigned based on parameters measuring the counterparty's size.

> This limit is adjusted based on the counterparty's solvency and profitability.

> The adjusted value is corrected based on the rating, providing an overall limit for the counterparty analyzed.

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

In both cases, as a measure to mitigate counterparty risk in uncertain situations, since 2008 a number of reductions have been applied to the limits stipulated in the established methodology. These adjustments are summarised below:

> 50% reduction applied to the line on the result obtained using the algorithm.

> Limit the maximum line granted (after applying the 50% reduction) to 10% of our equity capital.

> Not open a counterparty line for entities that do not show a minimum limit of € 10,000 thousand after applying the above-mentioned reductions.

b.2) Mitigation of credit risk. Guarantee acceptance policy

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

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

> The fair value of the assets owned by the borrower and the guarantors amount to more than twice the value of their debts.

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

	% LTV
1. Home	
1.1 Borrower habitual residence	80%
1.2 Other Uses	70%
2. Offices, building for commercial premises, naves	**70%**
3. Land for building	**50%**
4. Rural Land	
4.1 Intensive horticulture exploited land	70%
4.1 Other exploited land	50%
5. Rest of properties	**50%**
6. Monetary deposits	**100%**
7. Transferable securities	
7.1 Type A	90%
7.2 Type B	80%
7.3 Type C	70%

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

b.3) Policy for the valuation of properties securing loans.

• Internal authorization of valuation companies

Valuations of buildings securing loans are entrusted to valuation companies authorized by the Cajamar Group.

In order to be authorized, a valuation company must fulfill the following requirements:

> Be entered in the Bank of Spain's Register of Valuation Companies.

> Be independent from the Cajamar Group, which entails:

> Not being a related party under Rule 61 of Bank of Spain Circular 4/2004.

> The Cajamar Group must not contribute more than 25% of the company's turnover.

> Having human and technical resources to perform the work, as well as appropriate, recent experience.

> Have internal procedures to assure independence and detect conflicts of interest.

> Have an internal control department that reviews the valuer's work.

• **Valuation of properties for new risk acceptance**

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

> Purchase price declared in a public deed, plus all post-acquisition costs incurred during construction, repair, extension or development of the building, excluding commercial and financial charges, and provided there are documents supporting the costs. If the purchase price and/or subsequent costs were incurred more than three years earlier, they may be restated applying appropriate restatement coefficients.

> The appraised value, which must fulfill the following requirements:

> Issued by a valuation company authorized by the Cajamar Group.

> Issued less than three months earlier.

> Prepared for mortgage market purposes and in accordance with the ECO Order.

> No determining factors.

• **Restatement of the value of properties securing loans**

> Time-related criteria.

In general, the value of properties securing loans must be restated every three years.

> Restated values.

The restated value of a property securing a loan is the lower of the following:

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

> Restatement appraised value.

b.4) Rules for measuring customer payment capacity

The analysis performed before a loan is granted must study and measure the borrower's capacity to meet scheduled repayments. This entails:

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

> Elimination of payment facilities included in products for commercial differentiation purposes and, in particular:

> In the case of a variable interest product, the foreseeable level of interest rates must be considered for a time horizon of at least two years; loan repayments must be recalculated if the interest rate is expected to rise.

> When the product includes increasing repayments, payment capacity is verified either as a constant payment or in year four, based on the total term of the loan.

> When the product includes a grace period, payment capacity at the end of that period is verified.

> When the total term of the loan exceeds 30 years, payment capacity is verified based on a 30-year period.

For loans covered by scoring or rating models, this evaluation is provided by the model itself, through one of the following two systems:

> Including one or more payment capacity variables in the algorithm that estimates the probability of default.

> Calculating a specific payment capacity report which, combined with the socio-economic profile report, forms the final report on the operation.

When the operation is not evaluated using a model, the delegate body empowered to take the decision must apply similar criteria and rules.

b.5) Policy for loan terms, grade periods and settlement periods; general criteria

> Loan term:

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

The maximum repayment period for loan secured by real property is the property's useful life, subject to a maximum of 25 years.

> Settlement periods:

Principal and interest must be settled on a monthly basis.

> Grace period:

Interest payment grace periods are not permitted.

Principal repayment grace periods are only allowed in the following cases:

> Bridge financing, for a maximum one-year period.

> Project financing, where a principal repayment grace period to the project completion and start-up date may be agreed.

b.6) Restructuring policy

Where the solution to a borrower's situation is addressed by means of a debt restructuring, the aim must be to improve the Entity's risk position or, in any event, to maintain similar quality levels, applying the following criteria:

> In general, payment of interest accrued to the restructuring date must be demanded.

> Where interest cannot be repaid and must be fully or partially included in the restructured principal, it is essential to obtain real property or personal guarantees subject to the guarantee acceptance policy.

> An increase in exposure for reasons on any other groups will only be justified if a clear and substantial improvement in the Entity's risk position is achieved, such as when the increase permits the completion of the project financed and, therefore, the start of return flows, or when the increase is used to settle prior charges that would complicate recovery through the enforcement of guarantees.

c) Organisation of the risks, powers, responsibilities and delegation function Risk unit reports. Management tools and control procedures.

The principal body responsible for the credit risk management and control system is the Cajamar Group's Governing Board, which delegates to the other bodies.

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

c.1) Credit risk acceptance phase:

> Bodies involved

> Bodies empowered to grant loans:

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

The delegate bodies must exercise their powers while observing established policies relating to feasibility, guarantees and loan terms; when a decision is taken that does not fulfill these policies, the reasons must be placed on record.

> Credit risk acceptance area:

The area's functions are to (i) analyze, from a technical viewpoint, and report on the credit operation proposed by the Commercial Network; (ii) participate in decision-taking, forming part of the delegate bodies, and oversee compliance with established policy; (iii) manage loan arrangement, ensuring that agreements faithfully reflect the grant terms; (iv) propose the authorization of valuation companies for approval by the Investment Committee; and (v) implement valuation request procedures and oversee compliance; and (vi) define restatement criteria and manage the restatement of assets securing loans that are restructured, classed as doubtful or claimed in court.

> Acceptance phase management tools:

In addition to the limits structure explained above, other tools are employed in the acceptance process:

> Credit rating models: The Entity uses model map during acceptance:

> Retail segment

> General reactive scoring of private individuals.

> Reactive scoring of new residents.

> Reactive scoring of small businesses.

> Proactive scoring of natural persons.

> Proactive scoring of microenterprises.

> Scoring of intensive horticulture activities.

> Corporate segment

> SME ratings.

> Large company ratings.

Both the models applied to the retail segment and the SME ratings are fully integrated into management processes and are binding for empowered bodies represented only by the Commercial Network; a powers modulation system is triggered by the model's credit quality assessment.

There is also a special regime for new financing in respect of which the probability of cycle-adjusted default exceeds 12%; such financing may only be approved by the Investment Committee, chaired by the Entity's General Manager.

The portfolios to which credit granting models fully integrated into management processes are applied account for 78.83 % of the Entity's total credit risk, and all retail and corporate segment portfolios are evaluated, representing 41.13 % of exposure.

> Electronic case file: Risk case file management application.

> Powers circuit: Loan approval tool.

> Management centres: Manages the circuits through which a case file must travel.

> Acceptance controls:

The main control procedures in the acceptance phase are the limits assigned to the delegate bodies, as explained above.

c.2) Credit and concentration risk monitoring, measurement and control phase:

> Bodies involved

Responsibility for defining the evaluation systems and rating loans and customers is attributed to Global Risk Control Management, through the following organisational units and systems:

> Risk measurement methodology staff

This unit's main mission is to build credit scoring and rating models for Acceptance and Monitoring.

> Credit risk control area

Comprises the following units:

> ***Credit portfolio control:*** This unit's main functions are to control concentration limits by Segment, Portfolio and Sub-portfolio, control general compliance with the credit policy and study the evolution of portfolio credit risk.

> ***Borrower control:*** The unit's main functions are to analyse and rate borrowers representing significant exposure and to control compliance with acceptance policies.

> ***Property guarantee and risk control:*** The main functions are to control valuation companies and appraisal quality, as well as the value of properties securing loans.

> Market risk control

Responsible for controlling credit and counterparty risks relating to financial institutions.

> Monitoring, measurement and control tools:

The main tools employed to monitor, measure and control credit risk are listed below:

> Customer monitoring models. The following models are used to rate customers based on a credit policy comprising three values: Favourable, neutral and restrictive. These models are applied to customers representing 77.21% of credit exposure.

> Proactive scoring of natural persons

> Proactive scoring of microenterprises

> Follow-up scoring of intensive horticulture activities

> SME ratings

> Operation monitoring models: Although they are used mainly to efficiently calculate regulatory capital, these models are also useful when monitoring portfolios. Frontier values are determined to categorise the risk of each operation as low, medium, high and very high. Set out below are a list of models in place, applicable to 72.32% of total credit exposure:

> Behavioural scoring of natural persons.

> Behavioural scoring of microenterprises.

> Follow-up scoring of operations with intensive horticulture activities

> Follow-up rating of SME operations.

> Risk Datamart: A Risk Datamart is being implemented to achieve three major objectives:

> Systematise and improve management reporting and the underlying data model;

> Provide an adequate storage system for risk management parameters; and

> Allow the calculation of regulatory capital for advanced approaches.

> SGT: Application used to channel counterparty risk control.

> Monitoring controls:

> Customer rating using customer monitoring models.

The following credit policy options are defined:

Favorable: Customers showing good credit quality.

Neutral: Customers with a credit quality that raises certain doubts.

Restrictive: Customers showing clear signs of impaired credit quality.

> Operation rating using operation monitoring models.

Operations are grouped into four categories on the basis of default probabilities:

Low risk: The loan is unlikely to become past due.

Average risk: There is a certain likelihood of the loan becoming past due.

High risk: The loan is quite likely to become past due.

Very high risk: The loan is very likely to become past due.

> Rating of Significant Exposure borrowers.

The Borrower Control Office performs individual reviews of borrowers and risk groups to which exposure is significant.

> Monitoring of credit and counterparty risks relating to financial institutions.

A daily check is performed of compliance with the credit risk limits assigned to each counterparty; counterparty credit quality is also monitored in case line updates are required.

> Control over restructured loans

In view of the persistent economic crisis and the potential relevance of loan restructuring with respect to delays in loss recognition, efforts have been made to correctly identify and monitor restructured loans, as follows:

> A broad definition of a **restructured lending operation has been adopted:**

> Loans that have been used mainly to make repayments, regularise past due positions or settle in advance future payments on pre-existing loans, so as to bring payment flows into line with the customer's payment capacity.

> Loans the face value of which has been reduced, that have been updated or the future payments on which have been made in advance through a restructuring operation.

> Loans the terms of which are modified, resulting in a shift to a progressive repayment system or the extension of the loan term, the grace period and/or the face value, so as to bring payment flows into line with the customer's payment capacity.

> A definition of a **restructured customer has been adopted**. A restructured customer fulfils one of the following conditions:

> Where the outstanding risk of restructured lending operations of the economic group (or the customer not forming part of a group) exceeds 25% of the total outstanding risk of the economic group (or the customer not forming part of a group).

> Where an asset has been acquired from the customer (or a member of its economic group) to repay its debts in the past five years.

> Measures are in place to capture at source sufficient information to correctly identify the Entity's restructured loans.

> A system has been defined to periodically report to Governing Board's Risk Committee on the evolution of the Group's restructured lending operations.

c.3) Impaired asset recovery phase:

> Bodies involved

The recovery phase is performed mainly by two functional units:

> Debt recovery area, its principal missions being to oversee recovery management and direct, manage and control court actions initiated.

> Debt recovery units of Territorial Management (URD): Their mission is to manage recovery in their areas of influence and to directly manage the most significant infringements.

> Recovery management tools:

The Entity's recovery process is managed using a number of applications:

> Past due loan management. A list is generated for consultation of loans as from the first day of default.

> Overdraft management. Provides information on overdrafts and excesses as from the first day of default.

> Management of past due loans in each Office's commercial portfolio.

> Management of past due loans in foreign lending operations.

> Application that takes charge of the loan after a 15-day default period. In this application, the offices classify loans in four levels of seriousness and on this basis different management periods and actions are applicable.

> Information on past due risks.

> Recovery controls:

Procedure manuals are in place describing actions to be taken by each body involved in management and in what time frame, modulating the involvement of higher bodies based on the default period and amount.

d) Total exposure to credit risk

The following table shows the Group's total credit risk net of valuation adjustments at the end of 2011 and 2010.

	Thousands of euros	
	2011	2010
Loans and advances to other debtors	25,384,493	25,006,863
Credit institutions	548,146	895,279
Debt securities	2,327,559	1,705,324
Hedging securities	161,810	127,979
Contingent exposures	733,595	744,457
Total Risk	**29,155,603**	**28,479,902**
Credit available to third parties (Note 27)	1,634,002	1,702,680
Maximum exposure	**30,789,605**	**30,182,582**

Risk is distributed by geographic area based on the location of the Entity's customers and most is assigned to businesses located in Spain and a low number of customers located in the European Union. There are no customers in the rest of Europe or the world.

The composition of risk, based on the total amount per customer recorded in the account "Customer loans" under the heading "Loan investments" in 2011 and 2010 is as follows:

	Thousands of euros					
	2011			2010		
Thousands of euros	Risk	Distribution (%)	Of which: Non-performing assets	Risk	Distribution (%)	Of which: Non-performing assets
Greater than 6.000	3,647,239	14.07%	346,466	3,647,209	14.25%	236,966
Between 3.000 y 6.000	1,231,266	4.75%	121,519	1,253,011	4.89%	87,719
Between 1.000 y 3.000	1,980,343	7.64%	241,021	1,909,541	7.46%	183,320
Between 500 y 1.000	1,509,749	5.82%	167,812	1,475,526	5.76%	123,211
Between 250 y 500	2,782,713	10.74%	168,683	2,663,986	10.41%	150,933
Between 125 y 250	6,821,175	26.32%	293,986	6,813,011	26.61%	244,079
Between 50 y 125	5,919,217	22.84%	147,311	5,811,574	22.71%	131,013
Between 25 y 50	1,126,976	4.35%	26,124	1,089,185	4.25%	22,110
Less than 25	901,161	3.48%	50,060	935,809	3.66%	52,712
Valuation adjustments	(535,345)			(591,989)		
Loans and advances to other debtors	**25,384,493**	**100.00%**	**1,562,981**	**25,006,863**	**100.00%**	**1,232,063**

The following table shows loans and receivables utilized and contingent risks at 31 December 2011 and 2010 by segment, portfolio and sub-portfolio:

Thousands of euros

	2011		2010	
	Exposure	Distribution (%)	Exposure	Distribution (%)
Retail:	**19,041,635**	**66.81%**	**18,412,573**	**67.98%**
Home:	**12,554,256**	**44.05%**	**12,492,995**	**46.13%**
Normal	11,172,925	39.20%	11,111,365	41.03%
Other uses	1,381,331	4.85%	1,381,630	5.10%
Other financing for families:	**1,128,889**	**3.96%**	**1,067,394**	**3.94%**
Micro-consumption	63,350	0.22%	63,316	0.23%
Automobiles	194,980	0.68%	233,162	0.86%
Other goods and services	870,559	3.05%	770,916	2.85%
Automatically renewable:	**391,978**	**1.38%**	**108,054**	**0.40%**
Credit cards	366,915	1.29%	83,404	0.31%
Overdrafts	25,063	0.09%	24,650	0.09%
Small businesses:	**3,357,429**	**11.78%**	**3,109,829**	**11.48%**
Business activity of individuals	1,708,285	5.99%	1,580,923	5.84%
Micro-businesses	1,649,144	5.78%	1,528,906	5.64%
Agri-food retail:	**1,609,084**	**5.65%**	**1,634,302**	**6.03%**
Horticulture under plastic	896,394	3.14%	911,536	3.37%
Other agri-food sector	712,690	2.50%	722,766	2.67%
Corporate:	**8,164,684**	**28.65%**	**7,631,509**	**28.18%**
Developers:	**4,049,312**	**14.21%**	**4,165,585**	**15.38%**
Developer	2,414,391	8.47%	2,473,335	9.13%
Land	1,021,381	3.58%	1,055,149	3.90%
Other developers	613,540	2.15%	637,101	2.35%
Corporate agri-food	**1,612,661**	**5.66%**	**1,000,868**	**3.70%**
SMEs:	**1,856,320**	**6.51%**	**1,784,629**	**6.59%**
Small	1,063,459	3.73%	1,147,584	4.24%
Medium	792,861	2.78%	637,045	2.35%
Large businesses:	**646,391**	**2.27%**	**680,427**	**2.51%**
Public administrations:	**620,024**	**2.18%**	**455,071**	**1.68%**
Non-profit organisations:	**302,757**	**1.06%**	**222,503**	**0.82%**
Financial intermediaries:	**373,447**	**1.31%**	**361,696**	**1.34%**
Total Credit Portfolio	**28,502,548**	**100.00%**	**27,083,353**	**100.00%**

Note: The previous figures correspond to the information managed by the Area of Credit Loan Control and not to the ciphers in the balance including loans and advances to other debtors, contingent liabilities, balances drawable by third parties (except promoters, where the balance drawable through subrogation is excluded), write-off assets and securitized loans written of the balance sheet; not including valuation adjustments.

6.3. Market and Exchage-rate Risk

a) Risk policy: limits, diversification and mitigation

During 2010 the Cajamar Group's Governing Board approved the Group's Market and Exchange Risk Guide, regulating the following matters: (i) basic principles governing these risks; (ii) applicable limits; (iii) bodies responsible for management and control; (iv) procedures for calculating risks and limits; and (v) management and control reports.

The basic **principles** are as follows:

- The Group's exposures to market and exchange risks must never be speculative in nature, in the sense that they must never be incurred to obtain gains from short-term price fluctuations. Consequently, there is a prohibition on trading portfolios, which does not preclude certain instruments, contracted for hedging purposes, being recognised as trading instruments under applicable regulations.

- Derivative instruments and forward currency transactions may only be contracted to hedge previously authorised risk positions.

- Fixed-income or equity instruments may only be acquired as part of the management of a "portfolio" the creation of which must be specifically authorized by the Executive Committee, which will establish the portfolio's investment policy and management objectives and, if applicable, will impose limits on value losses and value at risk. Where no limits are necessary, the reasons must be stated in the agreement.

- Exchange risk limits are reduced to levels strictly necessary to fulfil customers' operating needs, resulting in the following three specific exchange risk limits:

  > The sum of the equivalent value in Euros of currency positions, using absolute values, may not exceed 0.60% of computable capital.

  > The equivalent value in Euros of the position in each currency, in absolute terms, may not exceed 0.40% of computable capital.

  > The value at risk of the currency position expressed in annual terms and at a 99% confidence level may not exceed 0.08% of computable capital.

- The net market risk position may not exceed 50% of computable capital.

- The net market risk position in equity portfolios may not exceed 5% of computable capital.

b) Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports

The following bodies are responsible for managing and controlling market and exchange risks:

- Assets and Liabilities Committee (ALCO)
- Treasury Capital Markets Management
- Market risk control
- Treasury Administration

The Market Risk Control office is responsible for controlling market, counterparty, exchange, liquidity and interest rate risks, reporting to the Market and Operational Risk Control Area, which forms part of Global Risk Control Management.

The Market Risk Control Office reports monthly to the Assets and Liabilities Committee on compliance with market and exchange risk limits.

c) Management tools: measurement, communication, control and monitoring systems

The Entity manages market risk using the SGT application. This is a front-to-back system, meaning that the information captured at source (front office) travels directly to back office, avoiding capture duplication and possible operating errors.

Although the Entity's treasury unit is currently engaged in risk coverage and not in taking speculative positions, the SGT tool includes a market risk measurement module that applies VaR methodology, allowing the use of tools to analyze and control market risk and set overall limits, by management portfolio or by product type, as well as a back-testing stress testing estimation program.

At 31 December 2011 and 2010 the impact of exchange rate risk is not significant at the Group since it does not maintain any relevant positions denominated in foreign currencies.

The following table summarizes the Group's exposure to exchange risk:

	Thousands of euros	
	2011	2010
Assets		
Cahs and Cash Equivalents	1,421	1,413
Loans and advances to credit institutions	34,407	41,572
Rest of assets	10,203	4,089
Total	**46,031**	**47,074**
Liabilities		
Deposits from other creditors	43,356	42,917
Other Liabilities	525	723
Total	**43,881**	**43,640**
Net position	**2,150**	**3,434**
Other currency buy and sale	**13,739**	**10,127**

The net amount of exchange-rate risks recognised in the consolidated income statement, except for those included in the portfolio of financial assets and liabilities at fair value through changes in profit or loss totals 1,473 thousand euros in 2011 (1,628 thousand Euros in 2010).

In 2011 and 2010 the Group did not record any "Exchange differences" under the heading "Measurement adjustments" in "Equity".

6.4. Operational risk

a) Risk policy: limits, diversification and mitigation

In 2009 the Cajamar Group's Governing Board approved the Operational Risk Control and Management Policies Guide, regulating the following matters: (i) Basic management and control principles; (ii) action framework; (iii) risk management cycle; (iv) bodies responsible for risk management and control; and (v) operational risk management and measurement tools.

The general principles of operational risk management and control that must be observed in all related activities are as follows:

> Principle of responsibility.

> Principle of unity.

> Principle of transparency.

> Principle of adaptation to change.

> Principle of assurance.

The fundamental objectives of operational risk management and control are listed below:

> Identify events that could cause a loss.

> Define appropriate controls to avoid losses.

> Measure the capital necessary to cover operational risk.

> Prepare periodic reports on exposure to operational losses.

In order to achieve these objectives, a five-phase **management cycle** has been defined: identification, evaluation, monitoring, measurement and mitigation.

The **scope of application** of the management cycle is the entire organisation, through all levels, such that it is applied to all risks entailing material exposure, including the analysis of special purposes companies.

The general focus of operational risk management is low risk tolerance, which requires:

> Prevention or mitigation of all significant operational risks, preferably through preventive controls, and where such controls are insufficient, mitigating controls, particularly insurance policies or self-insurance hedging systems. Exceptions (acceptance of residual risk) must be clearly documented and reported to management.

> Availability of business continuity plans limiting the impact of operational interruptions, which must: (i) be realistic and possible to execute; (ii) be reviewed regularly; and (iii) permit service continuity through alternative systems.

> Monitoring of operations, of fulfilment of information requirements, of data processing, of contingency plans and of other operational practices that are relevant to adequate business performance.

b) Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports.

Senior management and the governing bodies are responsible for designing and transmitting operational risk values, basic principles and management policies and are ultimately responsible for the Group's operational risks.

The following bodies have responsibilities relating to operational risk management and control:

> Governing Board's Risk Committee.

> Control Committee.

> Control General Management.

> Operational Risk Control.

> Coordinator network

The following reports are prepared periodically to ensure proper operational risk management:

• Loss event report, for the Control Committee and the Governing Board's Risk Committee.

• Annual report on accumulated losses / most relevant characteristics. This report is submitted to the persons responsible for operational risk in the internal offices.

• Report on historical losses by organisational unit.

• Self-assessment report

• Action plans report (annual).

• Follow-up report on key risk indicators.

• Follow-up report on action plans and improvement proposals.

c) Management tools: measurement, communication, control and monitoring systems

The Entity has the necessary tools to manage and measure operational risk adequately and fully, through the following management modules:

For operational risk management, there is a web application comprising four modules:

> Loss database: Registers relevant data on all operational risk events. Historical depth of over five years.

> Risk and self-assessment map: Qualitative evaluation of risks affecting each area (departments and office network) and mitigating controls in place.

> KRIs: Key risk indicators or operational risk indicators. In order to support the work of the self-evaluators, a set of key operational risk indicators has been defined to provide alerts when certain action plans and improvement proposals become saturated: As a result of the self-assessment processes, risk managers prepare action plans to prevent, mitigate or reduce potential operational losses. The Operational Risk Control office may also propose improvements relating to risks identified in the operational risk map or derived from the analysis of loss events.

For the **calculation of capital consumption** caused by operational risk, since 2010 the necessary automatic procedures have been developed to allocate relevant income by business line, so as to calculate capital requirements under the standard approach.

The Entity forms part of the ORX Consortium and the Spanish Operational Risk Consortium (CERO); during 2011 it also joined C.E.C.A., the Spanish benchmarking platform.

6.5. Interest rate risk

a) Risk policy: limits, diversification and mitigation

During 2010 the Cajamar Group's Governing Board approved the Group's Balance Sheet Risks Guide: Liquidity and Interest Rate Risk, which regulates: (i) basic principles governing these risks; (ii) applicable limits; (iii) bodies responsible for management and control; (iv) procedures for calculating risks and limits; and (v) management and control reports.

The basic interest rate risk principles contained in the Guide are as follows:

> The Group must apply a commercial and financial policy of minimal exposure to interest rate risk.

> Despite this principle, since the mere evolution of the market interest rate curve could place the Group on undesired exposure levels, a system of powers must be established to determine whether to maintain the exposure reached or take measures to reduce it.

In order to ensure compliance with the principles, a limit is applied to products showing significant exposure, and a powers regime is applicable for situations in which certain interest rate risk exposure levels are reached:

> Limit on products showing significant exposure, whereby investments and financing for terms of over 40 months must be arranged at variable interest rates. Exceptions must be authorised by the Assets and Liabilities Committee after their impact on exposure to interest rate risk has been examined.

> Faculties to resolve against certain exposure levels. A simple exposure to risk is calculated, which consists I which is evaluated by analyzing the impact of a relative decrease in the financial margin at 12 months in the event of sudden and parallel changes of +/-100 basis points in the interest rate curve, discounted by the market. Depending on the level presented, the decision of maintaining the position or adopting the corrective measures is defined as follows:

Interest Rate Indicator	Facultative Body
Between 5 and 10%	Assets and Liabilities Committee
More than 10%	Executive Committee

b) Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports

The bodies responsible for managing and controlling liquidity and interest rate risk are defined in the Balance Sheet Risks Guide, as follows:

> Assets and Liabilities Committee (COAP).

> Treasury Capital Markets Management.

> Market risk control.

The following reports are submitted periodically to the Assets and Liabilities Committee to ensure proper interest rate risk management:

> Report on compliance with interest rate risk limits, prepared monthly by the Market Risk Control office.

> Analysis of interest rate risk obtained from the Focus tool and prepared by Financial Management monthly.

c) Management tools: measurement, communication, control and monitoring systems

The Group manages interest rate risk using the Bancware Focus ALM application, which generates interest rate risk statements and all kinds of static and dynamic analyses to evaluate the impact of different interest rate evolution scenarios.

Impact on the Income Statement

The sensitivity of the Gross earnings margin is analyzed, both from a that point of view (maintaining the size and structure of the balance sheet) as well as from a dynamic point of view (including budgeted growth in the balance sheet) as a result of the impact resulting from various scenarios of interest rate changes. A 100 basis points increase (1%) in interest rates, assuming that the size and structure of the balance sheet remains the same, would have an impact on the gross earnings margin that is sensitive to interest rates on a 1 year horizon totalling -6,20% (-14% in 2010).

Impact on Financial Value:

Future cash flows are restated to obtain an approximation of the Entity's present value, paying special attention to the repricing of equity figures and the effect of various options. As a result of the analysis, the impact on the Entity's financial value in the event of an instant 100 basis point increase (1%) in interest rates is -6.18% (-3.81% in 2010).

The following table shows the analysis of interest rate risk that affects the Lead Entity's financial activity at 31 December 2011

Analysis of interest rate risk from the point of view of financial value at 31 December 2011

Year 2011	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 12 months	Total Sensitive	Sensitivity (variation 1 pb.)	Term	Not Sensitive	Total
ASSETS										
Money market	779,178	-	6,500	81,622	-	867,300	11	0.13%	-	867,300
Credit market	2,540,334	4,534,220	6,336,703	9,079,264	1,603,452	24,093,973	6,990	2.90%	1,210,258	25,304,231
Capital market	19,897	732,465	210,093	283,261	978,527	2,224,243	227	1.02%	228,777	2,453,020
Other assets	-	-	-	-	-	-	-	-	2,299,870	2,299,870
	3,339,409	**5,266,685**	**6,553,296**	**9,444,147**	**2,581,979**	**27,185,516**	**7,228**	**2.43%**	**3,738,905**	**30,924,421**
LIABILITIES										
Money market	380,954	139,581	366,990	106,554	3,230,043	4,224,122	1,012	2.40%	-	4,224,122
Medium and long-term issues	865,822	3,439,604	1,315,200	750,000	526,600	6,897,226	306	0.44%	-	6,897,226
Other liabilities	-	-	-	-	-	-	-	-	3,509,589	3,509,589
Creditors	3,032,404	2,791,650	2,612,280	3,625,192	4,231,958	16,293,484	1,488	0.91%	-	16,293,484
	4,279,180	**6,370,835**	**4,294,470**	**4,481,746**	**7,988,601**	**27,414,832**	**2,806**	**0.62%**	**3,509,589**	**30,924,421**
Gap	**(939,771)**	**(1,104,150)**	**2,258,826**	**4,962,401**	**(5,406,622)**	**(229,316)**	**4,422**	**1.81%**	**229,315**	
Gap/Assets (%)	**(3.04%)**	**(3.57%)**	**7.31%**	**16.05%**	**(17.49%)**	**(0.74%)**				

Note: the figures in the preceding table derive from the information in the possession of the ALCO and not the balance sheet figures, no valuation adjustments regarding interest accruals and commissions are included, as well as negotiation and hedging derivatives, and including the securized loans out of balance.

The following table shows the analysis of interest rate risk that affects the Lead Entity's financial activity at 31 December 2010

Analysis of interest rate risk from the point of view of financial value at 31 December 2010

Year 2010	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 12 months	Total Sensitive	Sensitivity (variation 1 pb.)	Term	Not Sensitive	Total
ASSETS										
Money market	677,724	313,836	11,300	-	-	1,002,860	8	0.08%	-	1,002,860
Credit market	2,514,080	4,731,230	6,255,998	9,322,242	1,187,771	24,011,321	4,182	1.74%	845,227	24,856,548
Capital market	14,311	431,178	3,050	52,000	1,112,844	1,613,383	228	1.42%	228,008	1,841,391
Other assets	-	-	-	-	-	-	-	-	1,557,521	1,557,521
	3,206,115	**5,476,244**	**6,270,348**	**9,374,242**	**2,300,615**	**26,627,564**	**4,418**	**1.53%**	**2,630,756**	**29,258,320**
LIABILITIES										
Money market	475,205	520,158	251,437	26,458	218,313	1,491,571	95	0.64%	-	1,491,571
Medium and long-term issues	1,294,657	2,857,398	625,000	994,600	2,324,100	8,095,755	708	0.87%	-	8,095,755
Other liabilities	-	-	-	-	-	-	-	-	2,763,298	2,763,298
Creditors	3,831,572	3,482,970	3,358,454	3,408,151	2,826,549	16,907,696	1,274	0.75%	-	16,907,696
	5,601,434	**6,860,526**	**4,234,891**	**4,429,209**	**5,368,962**	**26,495,022**	**2,077**	**0.71%**	**2,763,298**	**29,258,320**
Gap	**(2,395,319)**	**(1,384,282)**	**2,035,457**	**4,945,033**	**(3,068,347)**	**132,542**	**2,341**	**0.82%**	**(132,542)**	
Gap/Assets (%)	**(8.19%)**	**(4.73%)**	**6.96%**	**16.90%**	**(10.49%)**	**0.45%**				

Note: the figures in the preceding table derive from the information in the possession of the ALCO and not the balance sheet figures, no valuation adjustments regarding interest accruals and commissions are included, as well as negotiation and hedging derivatives, and including the securized loans out of balance. This table does not include the balances relating to the Entities pertaining to the Cooperative Group: Caja Campo Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana.

From the point of view of Basel II, the Entity presents an implicit risk that is lower than the 20% limit established by the NACB in the event of a 200 basis point change, above which an entity is considered to be an "outlier", and it is exempt from capital requirements relating to this type of risk.

Internal operations, the method used to manage assets and liabilities, the type of information and the criteria applied are covered by the *Assets and Liabilities Procedures Committee Manual for the Entity* that has been approved by the ALCO.

6.6. Liquidity risk

a) Risk policy: limits, diversification and mitigation

During 2010 the Cajamar Group's Governing Board approved the Group's Balance Sheet Risks Guide: Liquidity and Interest Rate Risk, which regulates: (i) basic principles governing these risks; (ii) applicable limits; (iii) bodies responsible for management and control; (iv) procedures for calculating risks and limits; and (v) management and control reports.

The basic principles regarding the management of liquidity risk are:

> The Group must maintain a level of liquid assets that is sufficient to attend to the closest maturities of liabilities.

> The Group must finance loan investments mainly using retail resources, and making the use of wholesale financing remain within prudent limits.

> The Group must maintain an adequate diversification of the maturity dates relating to wholesale financing, and will keep control in the maturity date of those maturing at long term regarding any new emission.

> The Group must maintain an adequate reserve of assets that may be easily converted to cash.

> The Group must define and apply a Liquidity Contingency Plan that foresees the action to be taken in the event of liquidity crisis situations deriving from both internal and external causes.

The following limits structure is applied to ensure that liquidity risk exposure is compatible with the basic principles referred to above:

> Short-term liquidity risk limits:

> Six-month liquidity profile ratio limit (RPL6M). The Entity's effective liquidity, i.e. liquid assets minus enforceable liabilities derived from wholesale financing, in a six-month time horizon, may not fall below 4% of customer funds. This limit must be fulfilled on a weekly average basis.

> Guarantees available in the discountable assets portfolio. The Entity must at all time keep discountable assets vis-à-vis the European Central Bank having a cash value of at least € 1,000 million.

> Limit on dependence on wholesale financing. Wholesale financing may not exceed 20% of loans and receivables. The calculation does not include, either in the financing figure or in the loans and receivables figure, financing instruments the flows of which are matched with the flows of the loan or receivable financed.

> Limits on short-term wholesale financing. Net wholesale financing falling due in six months or less may not exceed the lower of the following amounts:

> Overall cash value of the portfolio of discountable assets at the European Central Bank.

> Thirty percent of total wholesale financing.

> Limit applicable to the eligible mortgage portfolio. The outstanding balance of covered mortgage bonds issued by the GCC may not exceed 65% of the eligible mortgage portfolio.

> A Liquidity Contingency Plan has been prepared and implemented.

b) Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports

The bodies responsible for liquidity and interest rate risk management and control are the same bodies described in the point on interest rate risk.

The following periodic reports are prepared and the most relevant findings are presented to the Assets and Liabilities Committee, to ensure the proper management and control of liquidity risk:

> Set out below are the reports issued by the Market Risk Control office:

> Monthly report on compliance with liquidity risk limits.

> Weekly RPL6M compliance report.

> Monthly report on short-term wholesale market activities.

> The reports prepared by Financial Management are as follows:

> Liquidity evolution report, for each Assets and Liabilities Committee meeting.

> Monthly 12-month liquidity projection.

> Monthly report on the evolution of securitisation funds.

> Monthly liquidity risk analysis obtained from FOCUS.

c) Management tools: measurement, communication, control and monitoring systems

Liquidity risk in the very short term is controlled daily by means of the liquidity profile ratio, evaluating liquid assets and enforceable liabilities in the time horizon set for the ratio; ratios are calculated monthly to control the financing structure. In both cases, relevant information from the SGT and Financial Server applications is used.

In order to evaluation the projection of each ratio, whether based on the Entity's budget or on different simulated scenarios, the Bancware Focus ALM is used to generate static and dynamic gaps for different time bands, model the processing of sight accounts, prepayment scenarios and other option types.

Within the framework of overall liquidity management (Notes 7.2, 7.4.a, 7.5.a, 7.5.b, 7.6.a, 7.7.a, 7.7.b, 7.7.c, 7.7.d y 7.7.e) advances are being made toward the objective of the diverse defined the sources of financing, in order to obtain a wide range of tools that allow for the flexible, agile and adjusted management of the cost of liquidity.

Financial instruments broken down by residual maturity terms at 31 December 2011 and 2010 are as follows. The maturity dates that have been taken into consideration to build the accompanying table are the expected dates of maturity or cancellation obtained from the Group's past experience:

Year 2011

	Thousands of euros									
Assets	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Undetermined and unclassified maturity	Valuation adjustments	Total
Cash and balances with central banks	451,288	-	-	-	-	-	-	8	152	451,448
Loans and advances to credit institutions	122,965	388,874	10,800	11,500	2,555	5,275	226	5,870	81	548,146
Loans and advances to other debtors	-	731,212	769,222	688,951	1,387,610	5,515,663	15,211,287	1,615,893	(535,345)	25,384,493
Debt securities	-	5,615	706,835	221,637	294,140	1,045,655	54,825	-	(1,148)	2,327,559
Rest of assets held to maturity	1,000	114	-	-	-	2	15	-	-	1,131
Total	**575,253**	**1,125,815**	**1,486,857**	**922,087**	**1,684,305**	**6,566,594**	**15,266,353**	**1,621,771**	**(536,260)**	**28,712,777**
Liabilities										
Deposits from central banks	-	-	-	-	-	3,000,000	-	-	821	3,000,821
Deposits from credit institutions	77,681	66,459	44,070	119,768	89,884	629,632	165,694	16,126	8,841	1,218,155
Deposits from other creditors	6,346,417	1,294,611	2,071,144	2,270,560	3,310,134	3,412,683	2,040,762	33,487	218,947	20,998,745
Debt certificates including bonds	-	-	88,579	1,134,000	-	1,265,111	-	-	45,112	2,532,802
Subordinated liabilities	-	-	-	-	-	58,300	-	-	(533)	57,767
Rest of liabilities held to maturity	3	68,716	605	-	-	-	3,433	15	-	72,772
Total	**6,424,101**	**1,429,786**	**2,204,397**	**3,524,328**	**3,400,018**	**8,365,726**	**2,209,889**	**49,628**	**273,188**	**27,881,062**
Gap (without valuation adjustments)	(5,848,848)	(303,971)	(717,540)	(2,602,240)	(1,715,713)	(1,799,132)	13,056,464	1,572,143		1,641,163
Accumulated gap	(5,848,848)	(6,152,818)	(6,870,359)	(9,472,599)	(11,188,312)	(12,987,444)	69,020	1,641,163		

Year 2010

	Thousands of euros									
Assets	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Undetermined and unclassified maturity	Valuation adjustments	Total
Cash and balances with central banks	165,611	-	-	-	-	-	-	42,896	209	208,716
Loans and advances to credit institutions	370,099	479,549	25,097	13,791	154	-	-	6,025	564	895,279
Loans and advances to other debtors	(181,330)	566,293	591,568	657,174	1,288,126	5,712,379	15,304,446	1,660,196	(591,989)	25,006,863
Debt securities	-	2,141	404,670	8,372	61,210	1,210,699	18,587	-	(355)	1,705,324
Rest of assets held to maturity	-	40,563	-	6	19	201	63,066	-	-	103,855
Total	**354,380**	**1,088,546**	**1,021,335**	**679,343**	**1,349,509**	**6,923,279**	**15,386,099**	**1,709,117**	**(591,571)**	**27,920,037**
Liabilities										
Deposits from central banks	-	-	400,000	-	-	-	-	-	100	400,100
Deposits from credit institutions	55,218	235,359	49,394	45,232	54,624	759,631	9,123	9,967	6,230	1,224,778
Deposits from other creditors	6,453,053	1,588,852	2,427,653	3,088,538	3,269,264	1,936,405	2,733,563	43,430	173,526	21,714,284
Debt certificates including bonds	-	-	100,000	-	634,940	2,560,590	-	-	20,065	3,315,595
Subordinated liabilities	-	-	-	-	-	160,700	-	-	(583)	160,117
Rest of liabilities held to maturity	4,595	81,115	91	-	-	13,627	501	7,451	-	107,380
Total	**6,512,866**	**1,905,326**	**2,977,138**	**3,133,770**	**3,958,828**	**5,430,953**	**2,743,187**	**60,848**	**199,338**	**26,922,254**
Gap (without valuation adjustments)	(6,158,486)	(816,780)	(1,955,803)	(2,454,427)	(2,609,319)	1,492,326	12,642,912	1,648,269		1,788,692
Accumulated gap	(6,158,486)	(6,975,266)	(8,931,069)	(11,385,496)	(13,994,815)	(12,502,489)	140,423	1,788,692		

7. Financial Instruments

7.1. Breakdown of financial assets and liabilities by nature and category

Details of the carrying value of the financial assets owned by the Group at 31 December 2011 and 31 December 2010, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros				
	2011				
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Financial assets					
Type/Category					
Loans and advances to credit institutions	-	-	-	548,146	-
Loans and advances to other debtors	-	-	-	25,384,493	-
Debt securities	-	1,817	2,189,117	-	136,625
Equity instruments	-	-	154,587	-	-
Trading derivatives	1,142	-	-	-	-
Total	**1,142**	**1,817**	**2,343,704**	**25,932,639**	**136,625**
	2010				
Financial assets					
Type/Category					
Loans and advances to credit institutions	-	-	-	895,279	-
Loans and advances to other debtors	-	24,513	-	24,982,350	-
Debt securities	-	1,635	1,566,240	-	137,449
Equity instruments	-	-	143,260	-	-
Trading derivatives	9,466	-	-	-	-
Total	**9,466**	**26,148**	**1,709,500**	**25,877,629**	**137,449**

Details of the carrying value of the Group's financial liabilities at 31 December 2011 and 31 December 2010, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros		
	2011		
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial liabilities at amortised cost
Financial assets			
Type/Category			
Deposits from central banks	-	-	3,000,821
Loans and advances to credit institutions	-	-	1,218,155
Deposits from other creditors	-	-	20,998,745
Debt certificates including bonds	-	-	2,532,802
Trading derivatives	1,142	-	-
Subordinated liabilities	-	-	57,767
Short positions	-	-	-
Other financial liabilities	-	-	176,490
CONSOLIDATED TOTAL	**1,142**	**-**	**27,984,780**

	2010		
Financial assets			
Type/Category			
Deposits from central banks	-	-	400,100
Loans and advances to credit institutions	-	-	1,224,778
Deposits from other creditors	-	-	21,714,284
Debt certificates including bonds	-	-	3,315,595
Trading derivatives	836	-	-
Subordinated liabilities	-	-	160,117
Short positions	-	-	-
Other financial liabilities	-	-	184,852
CONSOLIDATED TOTAL	**836**	**-**	**26,999,726**

7.2. Cash and deposits at central banks

The composition of the heading "Cash and deposits at central banks" in the accompanying consolidated balance sheet at 31 December 2011 and at 31 December 2010 is as follows:

	Thousands of euros	
	2011	2010
Cash on hand	**219,182**	**165,603**
Bank of Spain:		
Assets purchased under resale agreements	-	-
Rest of deposits	232,114	42,904
Other central banks	**-**	**-**
Valuation adjustments:		
Accrued interest	152	209
Micro-hedging operations	-	-
Other	-	-
Total	**451,448**	**208,716**

The balance under the heading “Bank of Spain - Other deposits” relates to the deposit made to cover the minimum reserve ratio for the Lead Entity (Note 1.4).

Details of the remaining term until maturity of these headings is described in Note 6.6 regarding liquidity risk.

The balance of this heading has been considered to be cash or cash equivalents for the purposes of preparing the cash flow statements for 2011 and 2010.

7.3. Financial instruments at fair value

7.3.1. Trading portfolio

The balances of these financial asset and liability headings in the accompanying consolidated balance sheets are as follows:

	Thousands of euros			
	Assets		Liabilities	
	2011	2010	2011	2010
Deposits from central banks	-	-	-	-
Loans and advances to credit institutions	-	-	-	-
Loans and advances to other debtors	-	-	-	-
Deposits from other creditors	-	-	-	-
Debt securities	-	-	-	-
Debt certificates including bonds	-	-	-	-
Equity instruments	-	-	-	-
Trading derivatives	1,142	9,466	1,142	836
Short positions	-	-	-	-
Other financial liabilities	-	-	-	-
Total	**1,142**	**9,466**	**1,142**	**836**

In accordance with the matters indicated in Note 3.1, traded derivatives are classified in the trading portfolio and, as such, are measured at fair value, recording any changes that may arise in their fair value directly in the consolidated income statement.

The notional values and the fair values of financial derivatives accorded under “Traded Derivatives) at 31 December 2011 and 31 December 2010 are indicated below, in accordance with the various classifications made based on the type of market, type of product, counterparty, remaining term and type of risk:

	Thousands of euros					
	Nocionales		Fair value			
			Assets		Liabilities	
By type of market	2011	2010	2011	2010	2011	2010
Official markets	**4,022**	**3,999**	**-**	**-**	**-**	**-**
Financial futures:	4,022	3,999	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	4,022	3,999	-	-	-	-
Options:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Other products:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Unofficial markets	**5,619,825**	**6,009,208**	**1,142**	**9,466**	**1,142**	**836**
Total	**5,623,847**	**6,013,207**	**1,142**	**9,466**	**1,142**	**836**
By type of product						
Foreign currency forward transactions:	**-**	**-**	**-**	**-**	**-**	**-**
Purchase	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Purchase of currencies against currencies	-	-	-	-	-	-
Forward rate agreements (FRA)	**-**	**-**	**-**	**-**	**-**	**-**
Swaps	**5,285,060**	**5,856,211**	**627**	**8,982**	**654**	**395**
Options:	**338,787**	**152,997**	**515**	**484**	**488**	**441**
Purchased	*169,598*	*79,937*	*515*	*484*	*488*	-
Sold	*169,189*	*73,060*	-	-	-	*441*
Other products:	**-**	**3,999**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-
Sold	-	*3,999*	-	-	-	-
Total	**5,623,847**	**6,013,207**	**1,142**	**9,466**	**1,142**	**836**
By counterparty						
Resident credit institutions	782,405	772,952	393	9,279	594	393
Non-resident credit institutions	-	-	-	-	-	-
Other resident financial entities	4,246,244	4,694,343	120	10	59	-
Other non-resident financial entities	412,759	459,602	-	-	-	-
Rest of resident sectors	182,439	86,310	629	177	489	443
Rest of non-resident sectors	-	-	-	-	-	-
Total	**5,623,847**	**6,013,207**	**1,142**	**9,466**	**1,142**	**836**
By term to maturity						
Up to 1 year	9,631	30,499	12	5	12	70
Between 1 and 5 years	735,778	140,667	442	379	468	409
More than 5 years	4,878,438	5,842,041	688	9,082	662	357
Total	**5,623,847**	**6,013,207**	**1,142**	**9,466**	**1,142**	**836**
By type of risk						
Exchange rate risk	-	-	-	-	-	-
Interest rate risk	5,619,309	6,001,417	1,136	9,377	1,136	790
Share risk	4,538	11,790	6	89	6	46
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	**5,623,847**	**6,013,207**	**1,142**	**9,466**	**1,142**	**836**

7.3.2. Other financial assets at fair value through changes in profit or loss

This heading records the hybrid financial assets that cannot be separated from a primary contract and the embedded derivative, and those assets for which more relevant information is obtained upon eliminating or reducing in coherency in their recognition and measurement, and they are set out in detail in the accompanying balance sheets as follows:

	Thousands of euros	
	2011	2010
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	24,513
Debt securities	1,817	1,635
Equity instruments	-	-
Total	**1,817**	**26,148**

a) Customer loans

The breakdown of this heading in the accompanying consolidated balance sheets is indicated below, in accordance with the type and status of the loan and the sector in which the counterparty operates:

	Thousands of euros	
	2011	2010
By type and credit situation:		
Portfolio	-	-
Debtors with real guarantee	-	-
Other debtors	-	-
Debtors	-	-
Other financial assets	-	24,513
Valuation adjustments	-	-
Total	**-**	**24,513**
By sectors:		
Spanish Public Administration	-	-
Other resident sectors	-	24,513
Non-resident public administrations	-	-
Other non-resident sectors	-	-
Total	**-**	**24,513**

The amount recognised under this heading of the accompanying consolidated balance sheet set 31 December 2010, includes the variable price relating to the sale of Cajamar Vida, S.A. (Note 11).

b) Debt securities

Details of debt securities classified based on the counterparty are as follows:

	Thousands of euros 2011	Thousands of euros 2010
Central banks	-	-
Spanish Public Administrations	-	-
Credit institutions	1,817	1,635
Other resident sectors	-	-
Non-resident Public Administrations	-	-
Other non-resident sectors	-	-
Non-performing assets	-	-
Valuation adjustments	-	-
Total	**1,817**	**1,635**

At 31 December 2011 no secure transactions carried out with other credit institutions existed (1,463 thousand Euros were lent as of al 31 December 2010).

Movements in the balance under this heading in the accompanying consolidated balance sheets, without taking into consideration impairment adjustments in 2011 and 2010, are as follows:

	Thousands of euros 2011	Thousands of euros 2010
Opening balance:	**1,635**	**-**
Additions	1,817	-
Incorporation of Entities of Grupo Cooperativo	-	1,635
Sales, depreciation and amortisation	-	-
Portfolio adjustment cost	-	-
Valuation adjustments	-	-
Transfers	(1,635)	-
Closing balance:	**1,817**	**1,635**

7.4. Available-for-sale financial assets

The breakdown of this heading in the accompanying consolidated balance sheet is as follows:

	Thousands of euros 2011	Thousands of euros 2010
Debt securities	2,189,117	1,566,240
Other equity instruments	154,587	143,260
Total	**2,343,704**	**1,709,500**

a) Debt securities

Details of debt securities classified based on the counterparty are as follows:

	Thousands of euros	
	2011	2010
Central banks	-	-
Spanish Public Administrations	1,116,901	707,892
Credit institutions	756,275	582,579
Other resident sectors	312,136	270,047
Non-resident Public Administrations	2,325	2,502
Other non-resident sectors	2,575	3,487
Non-performing assets	-	-
Valuation adjustments		
Imapirment assets valuation adjustments (Note 25)	(1,095)	(267)
Total	**2,189,117**	**1,566,240**

At 31 December 2011 the balance “Debt securities” totalling, 680.038 miles de Euros were loaned on warranty (149,500 thousand Euros at 31 December 2010), of which 586,723 thousand Euros were pledged under a loan agreement that encumber securities and other assets concluded with the Bank of Spain (Note 7.7.a) as well as 93,316 thousand Euros corresponded to “Time Deposits” (Note 7.7.c)

The interest accrued in 2011 and 2010 relating to debt securities totalled 42,037 and 19,741 thousand Euros respectively (Note 25).

Movements that have arisen in the balance under this heading of the accompanying consolidated balance sheet in 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Opening balance	**1,566,240**	**305,189**
Purchases	2,435,163	2,042,935
Sales, depreciation and amortisation	(1,909,798)	(842,397)
Transfers	506	-
Incorporation Caixa Rural de Balears	-	70,277
Portfolio adjustment cost	(3,544)	(3,651)
Incorporation Entities Grupo Cooperativo	74,387	2,563
Accrued interests	9,538	13,249
Adjustments in Equity valuations	16,541	(22,387)
Asset impairment adjustments	84	462
Closing balance	**2,189,117**	**1,566,240**

The most significant movements in 2011 and 2010 relate to the acquisition and subsequent sale of fixed-income securities issued by credit institutions.

Details of the remaining term until maturity of this heading is described in Note 6.6 regarding liquidity risk.

b) Equity instruments

This heading of the accompanying consolidated balance sheets records the financial instruments issued by other entities, such as shares, contributions and participating quotas that are considered to be equity instruments by the issuer, except for those companies in which control is exercised, a stake exceeding 20% is held or, if a lower shareholding is held, significant influence is maintained. This account includes interests in investment funds.

At 31 December 2011 and 31 December 2010 the breakdown of the balance, based on the sector in which the issuer is active, is as follows:

	Thousands of euros	
	2011	2010
From credit institutions	35,462	31,770
Incorporation Caixa Rural de Balears	-	1,955
From other resident sectors	118,939	107,042
Incorporation from Other sectors from Caixa Rural de Balears	-	2,493
From non-residents	186	-
Total	**154,587**	**143,260**

At the end of the years 2011 and 2010 the account “Equity instruments”, breakdown as follows, based on whether or not the shares making up the heading are listed or not, as well as the percentage the stake represents compared with the total:

	2011		2010	
	Thousands of euros	% from total	Thousands of euros	% from total
Quoted:	**16,597**	**10.74%**	**16,509**	**11.52%**
Cost	16,368	10.59%	15,480	10.81%
Equity valuation adjustments	229	0.15%	1,036	0.72%
Valuation adjustments through profit and loss	-	-	(7)	(0.00%)
Impairment adjustments	-	-	-	-
Unquoted	**137,990**	**89.26%**	**126,751**	**88.48%**
Cost	149,030	96.41%	134,118	93.62%
Equity valuation adjustments	1,323	0.86%	(3,918)	(2.73%)
Impairment adjustments	(12,363)	(8.00%)	(3,449)	(2.41%)
Total	**154,587**	**100.00%**	**143,260**	**100.00%**

In 2011 and 2010 the account "Equity instruments" reflects the following movements, excluding impairment losses and making a distinction between securities that are listed on an organized market and those that are not listed:

	Thousands of euros			
	Quoted		Unquoted	
	2011	2010	2011	2010
Opening balance	**16,509**	**13,646**	**130,357**	**114,885**
Additions	5,000	5	10,156	16,456
Disposals	(5,042)	-	(3,478)	(2,937)
Transfers	-	-	-	(426)
Incorporation cost Caixa Rural de Balears	-	531	-	3,180
Equity valuation adjustments	(379)	1,330	6,545	(3,972)
Incorporation cost Caixa Rural de Balears	-	(169)	-	906
Incorporation Entities Grupo Cooperativo Cajamar	509	1,166	6,773	2,265
Closing balance	**16,597**	**16,509**	**150,353**	**130,357**

The most significant movements in 2011 relating listed securities on an organized market basically relate to the merger by takeover between Fondo de Inversión Cajamar Fondepósito (absorbing Entity) and Fondo de Inversión Cajamar Rendimiento (absorbed). Coming from this operation an addition is made for 5,000 thousand Euros as well as an elimination for the same amount.

The most significant additions for 2011 relating to unlisted securities mainly gathers contributions to venture capital funds for 2,417 thousand Euros, share capital increases in Metro de Málaga S.A. and Autopista del Sureste, C.E.A., S.A. totaling 6,433 and 141 respectively. A contribution of 906 thousand Euros in Inversión y Gestión de Capital Semilla de Andalucía S.C.R., de Régimen Común, S.A. has been made due to buying stake arising from the andalusian venture capital entities merger. All other additions relate to various acquisitions and represent a total amount of 256 thousand Euros.

The most significant additions in 2010 regarding to unlisted securities are related with the acquisition of shares in the company Autopista del Sureste, C.E.A., S.A. totalling 9,136 thousand Euros and contributions to venture capital funds and companies totalling 2,710 thousand Euros as well as the share capital increases carried out by the companies Metro de Málaga, S.A. and Autopista del Sureste, C.E.A., S.A. totalling 1,896 thousand Euros and 1,356 thousand Euros, respectively. All other additions relate to various acquisitions and share capital increases in companies and represent a total amount of 1,358 thousand Euros.

The most significant eliminations in 2011 regarding unlisted securities refer to the reimbursement for shares in venture capital companies totalling 1,263 thousand Euros and from Caja Rural de Zamora, S.C.C. for 386 thousand Euros, also the sale of the participations in Sociedad Inversora en Residencias Para Estudiantes Granadina, S.A. regarding 180 thousand Euros. Furthermore an elimination regarding 120 thousand Euros has been made in Inversiones e Iniciativas Málaga, S.C.R., de Régimen Simplificado, due to the andalusian venture capital entities merger. All other eliminations relate to the winding up of Country Club La Envia Golf, S.L for 1,252 thousand Euros, as well as from the split of Servired Sociedad Española de Medios de Pago, S.A into Redsys Servicios de Procesamiento, S.L., carrying an elimination of 277 thousand Euros.

Transfer movements in 2010 relate to the company Biocolor, S.L. which, due to the fact that the share capital percentage increased to 22.19%, has been transferred to the long-term portfolio.

The most significant elimination in 2010 relating to unlisted securities relate to the sale of Jorsu Catalana, S.A. for 2,524 thousand Euros and the reimbursement for shares in the company Caja Rural de Zamora, S.C.C. totalling 377 thousand Euros. All other disposals relate to various reimbursements and divestments totalling 36 thousand Euros.

The Group had accounted at cost during 2011 and 2010, assets classified under the heading available-for-sale financial assets for 5,887 and 6,345 thousand Euros; respectively, not being possible to estimate its fair value reliably.

In 2011 the investments classified in the portfolio “Available-for-sale financial assets” that the Entity recognised at cost represented 3.81% of the entire portfolio, (4.44% in 2010).

The yield from “Equity instruments” at 31 December 2011 and 2010 totalled a 2,162 y 2,016 thousand Euros, respectively (Note 25).

c) Impairments

The breakdown of impairment losses booked at year end in 2011 and 2010 for assets under the “Avaible-for-sale assets – Debt securities” caption is as follows:

	Thousands of euros	
	2011	2010
Provision opening balance	**(267)**	**(639)**
Provisions charged to profit and loss (Note 25)	(389)	462
Recovered funds	296	-
Write-offs due to use and other	-	-
Transfers	-	-
Incorporation impairment Entities Caixa Rural de Balears	-	(90)
Incorporation impairment Entities Grupo Cooperativo	(736)	-
Provision closing balance	**(1,096)**	**(267)**

The breakdown of impairment losses booked at year end in 2011 and 2010 for assets under the "Avaible-for-sale assets – Equity instruments" caption is as follows:

	Thousands of euros	
	2011	2010
Provision opening balance	**(3,437)**	**(2,228)**
Provisions charged to profit and loss (Note 25)	(9,894)	(539)
Recovered funds	-	-
Write-offs due to use and other	1,010	275
Transfers	-	-
Incorporation impairment Entities Caixa Rural de Balears	-	(1)
Incorporation impairment Entities Grupo Cooperativo	(42)	(944)
Provision closing balance	**(12,363)**	**(3,437)**

d) Measurement adjustments made to equity

In accordance with the description provided in Note 3.1, the re-measurement of "Available-for-sale financial assets", net of taxes, is recorded under equity in "Measurement adjustments", which therefore records the changes in fair value net of taxes (Note 18).

In addition, as is indicated in Note 2.7, it also records, net of taxes and under "Measurement adjustments" in the section "Entities measured using the equity method", the changes in the measurement adjustments for associated companies, after the date of acquisition".

At 31 December 2011 and 2010, the details of these variations on the consolidated balance sheets are as follows:

	Thousands of euros	
	2011	2010
Debt securities	**(14,025)**	**(19,055)**
Capital gains/losses	(18,700)	(24,866)
Tax effect (Note 24)	4,675	5,811
Other equity instruments:	**1,056**	**(2,073)**
Capital gains/losses	1,508	(2,889)
Tax effect (Note 24)	(452)	816
Capital gains/losses on the available-for-sale assets portfolio	**(12,969)**	**(21,128)**
Capital gains/losses on entities accounted for by the equity method	**(1,321)**	**(1,066)**
Total valuation adjustments	**(14,290)**	**(22,194)**

7.5. Loans and receivables

Details of the "Loans and receivables" caption on the consolidated balance sheets are as follows:

	Thousands of euros	
	2011	2010
Loans and advances to credit institutions	548,146	895,279
Loans and advances to other debtors	25,384,493	24,982,350
Debt securities	-	-
Total	**25,932,639**	**25,877,629**

a) Deposits at credit institutions

Details of assets under "Deposits at credit institutions" caption of the consolidated balance sheets according to the instrument type are as follows:

	Thousands of euros	
	2011	2010
By type (assets)		
Nostro/vostro accounts	**-**	**-**
Term deposits	**453,042**	**450,086**
Hybrid financial assets:		
With guaranteed capital	-	-
With embedded credit derivative	-	-
Other	497	233
Assets purchased under resale agreements	**-**	**-**
Other deposits	**50,575**	**404,431**
Non-performing assets:		
Other financial assets (checks drawn on credit institutions)	**43,951**	**39,965**
Valuation adjustments:		
Accrued interest:		
Resident institutions	81	564
Non-resident institutions	-	-
Total	**548,146**	**895,279**

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

b) Customer loans

The breakdown of these headings in the accompanying consolidated balance sheets is indicated below, in accordance with the type and status of the loan, the sector in which the counterparty operates and the type of interest rate:

	Thousands of euros	
	2011	2010
By credit type and status:		
Money market operations through counterparties	101,936	-
Commercial loans	410,215	394,683
Secured loans	19,287,956	19,608,536
Assets purchased under resale agreements	-	-
Hybrid financial assets	-	-
Other term debtors	3,831,540	3,661,806
Lease financing	121,827	143,344
Loans on demand and others	525,913	482,711
Non-performing assets	1,562,981	1,232,063
Valuation adjustments	(535,345)	(591,989)
Other financial assets:		
Financial guarantee commissions (Notes 3.6)	*8,683*	*9,559*
Other assets	*68,787*	*41,637*
Total	**25,384,493**	**24,982,350**
By sector:		
Spanish public administration	554,988	436,374
Other resident sectors	24,628,106	24,332,318
Non-resident public administrations	-	-
Other non-resident sectors	201,399	213,658
Total	**25,384,493**	**24,982,350**
By interest rate type:		
Fixed	2,724,808	2,963,133
Variable	22,659,685	22,019,217
Total	**25,384,493**	**24,982,350**

The heading “Other financial assets - Other financial assets” includes other balances receivable by the Group for transactions that are not classified as loans.

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

b.1.) Measurement adjustments

Details of measurement adjustments made on transactions classified as "Loans and receivables to other debtors" are as follows:

	Thousands of euros	
	2011	2010
Valuation adjustments:		
Asset impairment adjustments	(549,626)	(578,652)
Accrued interest	121,132	98,249
Micro-hedging operations	-	-
Assets at fair value	(2,964)	(3,091)
Acquisition premiums/discounts	(17,604)	(17,711)
Fees and commissions	(86,283)	(90,784)
Transaction costs	-	-
Total	**(535,345)**	**(591,989)**

b.2.) Matured assets not impaired

The classification of outstanding matured assets not impaired by ageing is as follows:

	Thousands of euros			
Year 2011	Less than one month	Between 1 and 2 months	Between 2 and 3 months	Total
Unsecured transactions	56,374	14,586	11,829	82,787
Secured transactions on finished housing	2,913	3,497	3,972	10,381
Other secured transactions	12,012	30,000	12,793	54,806
With partially pledged collateral	238	84	26	347
Total	**71,537**	**48,166**	**28,619**	**148,322**

	Thousands of euros			
Year 2010	Less than one month	Between 1 and 2 months	Between 2 and 3 months	Total
Unsecured transactions	63,372	15,813	10,418	89,603
Secured transactions on finished housing	4,727	2,121	3,962	10,810
Other secured transactions	19,558	31,870	11,215	62,643
With partially pledged collateral	367	58	76	501
Total	**88,024**	**49,862**	**25,671**	**163,557**

b.3.) Impaired assets

The classification of impaired assets pending collection according to age is as follows:

	Thousands of euros					
Year 2011	Without fixed term	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Transactions without risk	5,028	-	-	-	3,669	8,697
Unsecured transactions	-	37,956	18,760	14,008	53,497	124,220
Transactions with guarantee on finished households first residence	-	52,503	27,399	24,250	251,284	355,437
Transactions on land, and other real estate	-	40,368	21,144	12,225	157,725	231,462
Transactions with guarantee on finished households	-	61,862	33,966	39,620	254,686	390,134
Transactions on land, and other fixed assets	-	76,300	59,098	71,718	243,453	450,569
Operations with pledged collateral	2,462	-	-	-	-	2,462
Total	**7,490**	**268,989**	**160,367**	**161,821**	**964,314**	**1,562,981**

	Thousands of euros					
Year 2010	Without fixed term	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Transactions without risk	1,728	-	-	-	-	1,728
Unsecured transactions	-	40,782	13,184	14,155	73,246	141,367
Transactions with guarantee on finished households first residence	-	19,049	19,254	23,618	235,054	296,975
Transactions on land, and other real estate	-	54,045	8,734	9,424	113,505	185,708
Transactions with guarantee on finished households	-	60,444	36,245	39,598	145,337	281,624
Transactions on land, and other fixed assets	-	73,058	18,980	25,090	207,435	324,563
Operations with pledged collateral	98	-	-	-	-	98
Total	**1,826**	**247,378**	**96,397**	**111,885**	**774,577**	**1,232,063**

The amount of accumulated accrued financial income on customer loans that are impaired and recognised in the consolidated income statement, before their impairment, totaled 8,617 and 7,980 miles de Euros in 2011 and 2010, respectively.

b.4.) Transfer and disposal of financial assets from the balance sheet (Securitisation and Transformations)

The Cooperative Group has made several transfers of assets (mainly securitizations and transformations of assets) regarding customer loans. They have been accounted for in accordance with the policy described in Note 3.5. At 31 December 2011 and 31 December 2010, the active balance of these transactions was as follows:

	Thousands of euros	
	2011	2010
Securitisation of assets:		
Balance sheet write-offs:	**526,169**	**606,757**
Mortgage loans granted to securitisation funds	468,729	539,262
Other transfers to credit institutions	57,440	67,495
Held on the balance sheet:	**1,106,660**	**1,875,084**
Mortgage loans granted to securitisation funds	1,106,660	1,875,084
Other transfers to credit institutions	-	-
Total	**1,632,829**	**2,481,841**

The commissions deriving from securitized assets eliminated from the consolidated balance sheet and which relate to all securitizations prior to one January 2004 have been recorded under the heading "results on financial transactions (net)" in the consolidated income statements for 2011 and 2010, in 4,989 and 9,191 thousand Euros at the end of 2011 and 2010, respectively (Note 25).

The net liability recorded in the balance sheet as a balancing entry for the securitized assets maintained on the balance sheet are classified under "Financial liabilities at amortized cost - Customer deposits" totalling 1,667,240 and 1,914,177 thousand Euros at the end of 2011 and 2010, respectively, under the heading "Shares issued" (Notes 7.7.c).

The Group has transformed loans into bonds that may be discounted through the assignment of securitization funds that while recorded under the portfolio "Customer loans" allows financing to be obtained by pledging those items At 31 December 2011, the Entity retained 3,624,526 thousand Euros in securitized bonds relating to the above-mentioned transformations of loans and credit lines (4,651,756 thousand Euros at 31 December 2010) (Note 7.7.c). The breakdown of the aforementioned transactions that have given rise to the transformation of loan investments into fixed-income securities is as follows:

	Thousands of euros	
	2011	2010
Converted assets		
Lending operations	4,294,181	4,854,776

Of the aforementioned 4,294,181 thousand Euros in securitization bonds existing at 31 December 2011 (4,854,776 thousand Euros at 31 December 2010), 2,803,205 thousand Euros (3,359,650 thousand Euros at 31 December 2010 were pledged in the loan agreement including the encumbrance of securities and other assets concluded with the Bank of Spain, (Note 7.7.a).

Of the loan investments recorded in the balance sheet, the Group has certain balances that have been pledged basically to the securitizations carried out, the issue of mortgage bonds as well as the transformations carried out, as follows:

	Thousands of euros	
	2011	2010
Loans and credit as collateral		
Asset securitisation collateral	1,575,389	1,875,084
Asset conversion collateral	4,294,181	4,854,806
Covered bond collateral	6,152,675	4,583,850
Total	**12,022,045**	**11,313,740**

In accordance with the minimum coverage established by legislation governing the issue of mortgage bonds and securities, the loans and credit facilities securing these issues have been calculated by applying 125% to the issues in force at the end of 2011 and 2010, which totalled 4,922,139 and 3,667,080 thousand Euros, respectively (Notes 7.7.c y 7.7.d).

c) Impairment losses on customer loans

Details of impairment losses booked at the end of year 2011 and 2010 for assets recorded under loans and receivables are as follows:

	Thousands of euros			
Year 2011	Specific Hedges	General Hedges	Country Risk Hedges	Total Hedges
Balance at 31 December 2010	**500,223**	**78,429**	**-**	**578,652**
Provisions charged to profit and loss:				
Individually determined	293,644	-	-	293,644
Collectively determined	149	30,808	-	30,957
Incorporation Castellon - Individually determined	11,181	-	-	11,181
Incorporacion Castellon- Collectively determined	-	3,191	-	3,191
Recovery of provisions credited to profit and loss	(107,591)	(77,845)	-	(185,436)
Net allocations of the year	-	-	-	-
Defaulted loans written off against funds	(137,585)	-	-	(137,585)
Exchange differences	-	-	-	-
Transfer between funds	-	-	-	-
Other movements	(46,454)	(542)	-	(46,996)
Balance at 31 December 2011	**513,567**	**34,041**	**-**	**547,608**
Of which:				
According to method of determination:				
Individually determined	500,070	-	-	500,070
Collectively determined	13,496	34,041	-	47,537
According to geographical area of risk location:	-	-	-	-
Spain	513,566	34,041	-	547,608
Rest of Europe	-	-	-	-

	Thousands of euros			
Year 2010	Specific Hedges	General Hedges	Country Risk Hedges	Total Hedges
Balance at 31 December 2009	**527,026**	**120,435**	**-**	**647,461**
Provisions charged to profit and loss:				
Individually determined	338,725	-	-	338,725
Collectively determined	2,684	7,063	-	9,747
Incorporation Entities Grupo Cooperativo Cajamar-individually determined	2,774	-	-	2,774
Incorporation Entities Grupo Cooperativo Cajamar-collectively determined	6,287	1,712	-	7,999
Incorporation Entities Caixa Rural de Balears-individually determined	6,174	-	-	6,174
Incorporation Entities Caixa Rural de Balears-collectively determined	5,850	5,734	-	11,584
Recovery of provisions credited to profit and loss	(110,314)	(85,778)	-	(196,092)
Defaulted loans written off against funds	(237,382)	-	-	(237,382)
Other movements	(41,601)	29,263	-	(12,338)
Balance at 31 December 2010	**500,223**	**78,429**	**-**	**578,652**
Of which:				
According to method of determination:				
Individually determined	410,098	-	-	410,098
Collectively determined	90,125	78,429	-	168,554
According to geographical area of risk location:				
Spain	500,223	78,429	-	578,652
Rest of Europe	-	-	-	-

The Group has classified operations in the sub-prime category, as established in paragraph 7.b of Schedule IX of Bank of Spain Circular 4/2004 (22 December) and subsequent amendments. To apply this classification and hedge the criteria associated to the development of the real estate cycle have been applied. The fund created to hedge sub-prime risk totalled 13,496 thousand Euros (90,125 thousand Euros at 31 December 2010). During 2011 a recuperation of 76,629 thousand Euros has been made (9,953 thousand Euros at 31 December 2010)

Details of "Impairment losses on financial assets (net) – Loans and receivables" (Note 25) in the consolidated income statements for the years ended 31 December 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Provision for the year:	**(336,239)**	**(357,625)**
Specific and general funds	(324,601)	(348,472)
Net write-offs of loan losses	(11,638)	(9,153)
Recovery of defaulted loans	**29,802**	**9,153**
Rest of recoveries	**185,436**	**196,092**
Total	**(121,001)**	**(152,380)**

7.6. Held-to-maturity investment portfolio

Details of the "Held-to-maturity investment portfolio" caption on the consolidated balance sheets are as follows:

	Thousands of euros	
	2011	2010
Debt securities	136,625	137,449
Total	**136,625**	**137,449**

The debt securities classified based on their counterparty are detailed as follows:

	Thousands of euros	
	2011	2010
Central banks	-	-
Spanish Public Administrations	110,384	110,073
Credit institutions	2,473	2,113
Other resident sectors	20,753	22,951
Non-resident public administration	-	-
Other non-resident sectors	3,067	2,400
Non-performing assets	-	-
Valuation adjustments:		
Impairment adjustments	(52)	(88)
Total	**136,625**	**137,449**

The balance of the account "Debt securities" classified in the investment portfolio held to maturity mainly derives from the acquisition of certain securitization bonds and corporate bonds.

The interest accrued in 2011 and 2010 relating to debt securities totalled 4,458 and 2,481 thousand Euros respectively (Note 25).

At 31 December 2011, the balance of 32,787 thousand Euros in "Debt securities" was pledged as collateral (91,396 thousand Euros at 31 December 2010); 1,000 thousand Euros of this amount secured the credit agreement with the Bank of Spain containing a pledge on securities and other assets

Variations in the balance of this caption on the accompanying consolidated sheets during 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Initial balance	**137,449**	**26,813**
Purchases	2,605	98,219
Sales, depreciations and amortizations	(2,497)	(2,681)
Transfers	(569)	-
Incorporation Caixa Rural de Balears	-	3,165
Accrued interests	37	1,896
Incorporation Entities Grupo Cooperativo	-	10,173
Portfolio adjustment cost	(436)	(115)
Asset impairment adjustments	36	(21)
Closing balance	**136,625**	**137,449**

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

Set out below is a breakdown of impairment losses recognized at 31 December 2011 and 2010 on assets in the item "Held-to-maturity investments – Debt securities":

	Thousands of euros	
	2011	2010
Initial provision balance	**(88)**	**(67)**
Provisions charged to profit or loss	(10)	(21)
Recuperated funds	46	-
Cancel for use y other	-	-
Trasnfers	-	-
Final provision balance	**(52)**	**(88)**

7.7. Financial liabilities at amortized cost

Details of this liabilities caption on the accompanying consolidated balance sheets at 31 December 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Deposits from central banks	3,000,821	400,100
Deposits from credit institutions	1,218,155	1,224,778
Deposits from other creditors	20,998,745	21,714,284
Debt certificates including bonds	2,532,802	3,315,595
Subordinated liabilities	57,767	160,117
Other financial liabilities	176,490	184,852
Total	**27,984,780**	**26,999,726**

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

a) Deposits at central banks

The balances under this heading on the accompanying consolidated balance sheets at 31 December 2011 and 2010 are comprised as follows:

	Thousands of euros	
	2011	2010
Bank of Spain	**3,000,000**	**400,000**
Other central banks	**-**	**-**
Valuation adjustments:		
Accrued interests	821	100
Micro-hedging operations	-	-
Other central banks	-	-
Total	**3,000,821**	**400,100**

The balance recorded under the account "Bank of Spain" at 31 December 2011 related to the short-term financing obtained by Cajamar, in accordance with the loan agreement including the pledge of securities and other assets concluded with the Bank of Spain in accordance with the mechanisms that govern the monetary policy for the Eurosystem and which involve pledged assets totalling 4,822,827 thousand Euros (3,521,372 thousand Euros at 31 December 2010), (Notes 7.4.a and 7.5.b.4).

b) Deposits at credit institutions

Details of this caption under “Financial liabilities at amortized cost” in the liabilities section on the consolidated balance sheets according to instrument type are as follows:

	Thousands of euros	
	2011	2010
By type (liability)		
Nostro/vostro accounts	**-**	**264**
Term deposits	**1.057.455**	**924.158**
Shared issued	**-**	**-**
Other financial liabilities associated with transferred financial assets	**-**	**-**
Hybrid financial liabilities	**-**	**-**
Assets sold under repurchase agreements	**31.040**	**136.574**
Other deposits	**120.819**	**157.510**
Valuation adjustments:	**-**	**-**
Accrued interests:	-	-
Resident institutions	8.784	6.272
Non-resident institutions	57	-
Total	**1,218,155**	**1,224,778**

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

c) Customer deposits

Details of this caption under "Financial liabilities at amortised cost" in the liabilities section in the accompanying consolidated balance sheets, taking into consideration the counterparty and type of financial instrument, are as follows:

	Thousands of euros	
	2011	2010
By counterparty and type of financial instrument		
Mortgage market operations through counterparties	**93.459**	**-**
Spanish public administrations	**367.524**	**520.414**
Other resident sectors:	**20.323.183**	**20.956.738**
Demand deposits:	**5.980.520**	**6.123.160**
Current accounts	2.400.966	2.720.463
Savings accounts	3.553.099	3.365.432
Electronic funds	1.169	866
Other demand deposits	25.286	36.399
Term deposits:	**14.123.716**	**14.660.052**
Fixed-term deposits	12.003.708	12.125.299
Home buyer´s savings accounts	29.537	42.361
Discounted deposits	-	-
Shares issued (Note 7.5.b.4)	1.667.240	1.914.177
Received Cash	*5.308.548*	*6.581.195*
Debt securities (-) (Note 7.5.b.4)	*(3.624.526)*	*(4.651.756)*
Rest	*(16.782)*	*(15.262)*
Other financial liabilities with transferred financial assets	-	-
Hybrid financial liabilities	418.645	570.125
Other term deposits	4.586	8.090
Deposits redeemable at notice	**-**	**-**
Assets sold under repurchase agreements	**-**	**-**
Valuation adjustments	**218.947**	**173.526**
Non-resident public administrations	**-**	**-**
Other non-resident sectors	**214.579**	**237.132**
Total	**20,998,745**	**21,714,284**

The balance at 31 December 2010 included in the account "Spanish public institutions" includes certain simultaneous purchase agreements carried out with the Financial Asset Acquisition Fund, in accordance with the provisions of Royal Decree-Law 6/2008 (10 October) which created the Financial Asset Acquisition Fund and Order EHA/311/2008 (31 October) that enables the aforementioned Royal Decree-Law. During 2011 a simultaneous purchase issue carried out with the Financial Asset Acquisition Fund was eliminated due to its maturity and totalled 124,306 thousand Euros.

During 2010 a simultaneous purchase issue carried out with the Financial Asset Acquisition Fund was eliminated due to its maturity and totaled 155,408 thousand Euros.

The balance recognised in the account "Term deposits" at 31 December 2011 and 31 December 2010, includes various mortgage bond issues made in accordance with the provisions of Law 2/1981 (25 March), on Mortgage Market Regulations.

The breakdown of the Mortgage Bond issues made that have yet to mature is as follows (Notes 7.5.b.4):

Date		Thousands of euros				Hedging	
Issue	Maturity	Cash	Rating	Agency	Interest rate	Interest Rate	Thousands of euros
11/19/2004	11/19/2014	500.000	AA+	Standar & Poor´s	4,01%	E12 + 0,0925%	500.000
03/11/2005	03/11/2015	200.000	A A2	Standar & Poor´s Moody´s Investors Service, Ltd.	3,76%	E12 +0,1115%	200.000
12/02/2005	12/02/2015	500.000	A+ A1	Standar & Poor´s Moody´s Investors Service, Ltd.	3,51%	E12 + 0,1221%	500.000
05/25/2006	04/08/2016	300.000	AA AA- A2	FITCH Standar & Poor´s Moody´s Investors Service, Ltd.	3 month Euribor + 0,06%	-	-
06/09/2006	06/09/2016	500.000	AA+ Aa3	FITCH Moody´s Investors Service, Ltd.	4,26%	E12 + 0,129%	500.000
05/28/2009	05/30/2013	250.000	AA+	Standar & Poor´s	3,25%	-	-
	Total issues	**2.250.000**					

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

d) Payables represented by negotiable securities

The details of this caption on the accompanying consolidated balance sheets, taking into consideration the type of financial liability, are as follows:

	Thousands of euros	
	2011	2010
Promissory notes and bills	-	-
Mortgage securities	2.672.140	1.417.080
Other non-convertible securities	1.634.000	2.134.000
Treasury shares	(1.818.450)	(255.550)
Valuation adjustments	45.112	20.065
Total	**2,532,802**	**3,315,595**

The movement of each type of financial liability during 2011 and 2010, without taking into account valuation adjustments, is as follows:

	Thousands of euros				
	2011				
	Inicial Balance	Issues	Repurchases or redemptions	Exchange rate differences and other	**Closing balance**
Debt securities issued in an EU Member State that require an information prospectus to be registered.	**3.295.530**	1.500.000	(2.307.840)	-	**2.487.690**
Those of which:					
Promissory notes and bills	-	-	-	-	-
Mortgage securities	1.171.530	1.500.000	(1.792.840)	-	878.690
Other non-convertible securities	2.124.000	-	(515.000)	-	1.609.000

	Thousands of euros				
	2010				
	Inicial Balance	Issues	Repurchases or redemptions	Exchange rate differences and other	**Closing balance**
Debt securities issued in an EU Member State that require an information prospectus to be registered.	**2,579,818**	885,472	(169,760)	-	**3,295,530**
Those of which:					
Promissory notes and bills	58,099	51,911	(110,010)	-	-
Mortgage securities	887,719	333,561	(49,750)	-	1,171,530
Other non-convertible securities	1,634,000	500,000	(10,000)	-	2,124,000

The issues recognised in the account "promissory notes and trade bills" in 2010 and the balance 31 December 2009, relate to issues made within a promissory note issue framework program totalling 500,000 thousand Euros at maximum, which may be extended to 1,000,000 thousand Euros. The average interest rate was 0.901%. In 2011 no trade bills emission has been issued. In 2010 eliminations due to maturity totalled 110,010 thousand Euros.

The issues of "Mortgage bonds" totaling 1,500,000 thousand Euros in 2011,relate exclusively to new Mortgage Bond issues, as for those made during 2010 for 333,561 thousand Euros relate to an extension of the issue carried out on 23 October 2009.

The details of the issues made and pending maturity under "Mortgage securities" at 31 December 2011 are as follows (Note7.5.b.4):

Date		Thousands of euros					Hedging	
Issue	Maturity	Cash	Own Values	Rating	Agency	Interest rate	Nominal	Thousands of euros
02/17/2009	02/17/2012	88.579	-	A1	Moody´s Investors Service, Ltd.	3,50%	-	-
10/23/2009	10/23/2014	1.083.560	(293.449)	A1	Moody´s Investors Service, Ltd.	3,50%	E6+0,766%	556.000
07/26/2011	07/26/2016	500.000	(500.000)	AA	FITCH	5,75%		
10/25/2011	10/25/2021	500.000	(500.000)	AA	FITCH	5,50%		
12/20/2011	12/20/2016	500.000	(500.000)	AA	FITCH	5,00%		
	Total issues	**2,672,139**	**(1,793,449)**					

Covered bond repos are completed to increase the volume of the Entity's discountable assets available in connection with the application of European monetary policy.

At 31 December 2011, the balance of € 1,431,899 thousand in "Mortgage-backed securities" was pledged as collateral under the credit agreement with the Bank of Spain containing a pledge on securities and other assets (Note 7.7.a).

The balance of "Other non-convertible securities" corresponds to different simple debt offerings, broken down as follows:

Date		Thousands of euros					
Issue	Maturity	Cash	Own Values	Rating	Agency	Interest rate	Issues
03/30/2009	03/30/2012	1,000,000	-	Aa2 AA+	Moody´s Investors Service, Ltd. FITCH	3.125%	Cajamar Straight Bonds March 2009
06/04/2009	06/04/2012	134,000	-	Aa2	Moody´s Investors Service, Ltd.	3.00%	Cajamar Straight Bonds June 2009
05/03/2010	05/03/2013	500,000	(25,000)	Aa2 AA+	Moody´s Investors Service, Ltd. FITCH	E3+0.74%	Cajamar Straight Bonds May 2010
	Total issues	**1,634,000**	**(25,000)**				

All of the issues were accepted for trading on the AIAF Fixed Income Market.

Gains generated by repos of "Mortgage-backed securities" and "Other non-convertible securities" during 2011 totaled 3,569 thousand Euros.

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

e) Subordinated liabilities

This account, which is included under the heading “Financial liabilities at amortized cost” records the amount of financing received, regardless of the manner in which it is instrumented, and which, for the purposes of credit priority, is behind common creditors in accordance with the provisions of Law 13/1985 (25 May) and Royal Decree 1370/1985 (1 August).

Details on the accompanying consolidated balance sheet, by type of financial liability and counterparty, are as follows:

	Thousands of euros	
	2011	2010
By type of liability and counterparty		
Subordinated debt certificates including bonds:	**58,300**	**160,700**
Convertible	-	-
Non-convertible	58,300	160,700
Subordinated deposits	**-**	**-**
Valuation adjustments	**(533)**	**(583)**
Total	**57,767**	**160,117**

The balance relating to this heading of the accompanying consolidated balance sheet relates to the issue of bonds called “Cajamar Subordinated Bonds 2005” carried out by Cajamar on 16 March 2005 for a nominal amount of 300,000 thousand Euros. The maturity date for the issue is 16 March 2015, during which it will accrue interest at 3-month Euribor plus a spread of 0.80%, payable in quarterly coupons. The issue was fully subscribed and accepted for trading on the AIAF Fixed Income Market and rated by Fitch at A-.

The prospectus, prepared in accordance with National Stock Market Commission Circular 2/1999 was registered with this commission on 3 March 2005.

The issue of bonds called “Cajamar Subordinated Bonds 2005” has been classified as Tier II capital in accordance with section 1.j) of Standard 8 of Bank of Spain Circular 3/2008 (22 May) and subsequent amendments.

The movement during 2011 and 2010, is as follows:

	Thousands of euros	
	2011	2010
Opening balance	**160,700**	**299,000**
Additions	-	-
Disposals	(102,400)	(138,300)
Transfers	-	-
Closing balance	**58,300**	**160,700**

Disposals during 2011 and 2010 relate to the repurchase and subsequent redemption of the “Cajamar Subordinated Bonds 2005” issue.

In 2011 and 2010 no new issues took place.

Interest accrued during 2011 and 2010 year on these subordinated bonds totalled 2,522 thousand Euros and 3,355 thousand Euros, respectively (Note 25) and they are included under the heading “Interest and similar charges” in the accompanying income statement.

Gains generated by repos of “Subordinated bonds” during 2011 totalled € 8,555 thousand .

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

f) Other financial liabilities

All of the financial liabilities recorded in this account in the accompanying consolidated balance sheet are classified into the “Financial liabilities at amortized cost” portfolio and therefore they are recognised at amortized cost Includes the amount of bonds payable that take the form of financial liabilities not included under other headings.

Details of other financial liabilities grouped by financial instrument type are as follows:

	Thousands of euros	
	2011	2010
Payables	53,977	88,938
Guarantee deposits received	4,813	4,271
Clearing houses	14,004	8,527
Tax collection accounts	52,018	48,221
Special accounts	11,585	17,263
Financial guarantees (Notes 3.6 and 9)	8,455	8,441
Other items	31,638	9,191
Total	**176,490**	**184,852**

8. Asset and liability hedging derivatives

This caption in the accompanying consolidated balance sheets records the hedging instruments carried at fair value in accordance with the explanation provided in Note 3.4.

At 31 December 2011 and 31 December 2010, the fair value of asset derivatives totalled 161,810 and 127,979 thousand Euros, respectively, and the fair value of liability derivatives totalled 14,900 and 16,368 thousand Euros, respectively.

The contracted derivatives and the hedged items were as follows:

- Interest Rate Swap, hedging customer deposits bearing fixed interest rates.
- Equity Swap, hedging customer deposits that bear interest based on a reference to several stock market indexes.
- Embedded derivatives segregated from the primary contract, designated as hedging instruments for "Customer Deposits" in accounting hedges.

The measurement methods used to determine the fair value of derivatives have been the discounted cash flow method to measure interest rate derivatives and the Montecarlo technical simulation method to measure structured products with an optional component.

The notional and fair values of financial derivatives recorded as "Hedging derivatives" at 31 December 2011 and 2010 are set out below by counterparty, remaining term and type of risk:

	Thousands of euros					
			Valor razonable			
	Nocionales		Activo		Pasivo	
	2011	2010	2011	2010	2011	2010
By counterparty						
Resident credit institutions	705,813	982,118	161,448	16,838	2,947	3,556
Non-resident credit institutions	1,816,525	1,962,500	-	110,912	4,057	6,910
Other resident financial institutions	147,450	163,107	362	101	2,976	2,558
Other non-resident financial institutions	19,250	36,330	-	128	501	509
Rest of resident sectors	358,032	240,239	-	-	4,419	2,835
Rest of non-resident sectors	-	-	-	-	-	-
Total	**3,047,070**	**3,384,294**	**161,810**	**127,979**	**14,900**	**16,368**
By term to maturity						
Up to 1 year	140,058	271,646	255	4,224	1,682	521
More that 1 year and up to 5 years	2,907,012	2,612,648	161,555	78,633	13,218	15,847
More than 5 years	-	500,000	-	45,122	-	-
Total	**3,047,070**	**3,384,294**	**161,810**	**127,979**	**14,900**	**16,368**
By type of hedged risk						
Exchange rate risk	-	-	-	-	-	-
Interest rate risk	2,375,606	2,503,617	161,315	127,713	1,550	167
Share risk	671,464	880,677	495	266	13,350	16,201
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	**3,047,070**	**3,384,294**	**161,810**	**127,979**	**14,900**	**16,368**

9. Contingent risks

The breakdown of contingent risks at the end of 2011 and 2010, the nominal values of which are recorded in memorandum accounts, is set out below:

	Thousands of euros	
	2011	2010
Guarantees:		
Financial sureties	190,064	210,774
Other financial guarantees	-	-
Assets earmarked for third-party obligations	-	-
Irrevocable letters of credit:		
Issued	19,491	15,274
Confirmed	-	-
Additional settlement guarantee	-	-
Other granted sureties and securities	343,033	379,772
Other contingent exposures	181,007	138,637
Total	**733,595**	**744,457**

A significant part of these amounts will mature without any payment obligation arising for the Group and therefore the sum of the balances relating to these commitments cannot be considered as an actual future need for financing or liquidity to be granted to third parties by the Group.

The revenues obtained from guarantee instruments are recorded under the heading “Commissions received) in the consolidated income statement and are calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. The commissions yet to accrue in 2011 and 2010 totalled a 29,470 and 30,925 thousand Euros, respectively (Notes 7.7.f and 15).

The present value of future flows yet to be received for these contracts is 32,715 thousand Euros in 2011 and 34,020 thousand Euros in 2010.

The hedge for future payments associated with the financial items in the account “provisions for contingent risks and liabilities” on the liability side of the balance sheet totals 4,413 thousand Euros and 5,076 thousand Euros in 2011 and 2010, respectively (Note 16)

The balance at 31 December 2011 under “Other contingent risks” totals 181,007 thousand Euros (138,637 thousand at 31 December 2010), mainly consist of guarantees provided to Banco Cooperativo Español, S.A. for cash transactions and others with third parties.

10. Non-current assets for sale and associated liabilities

The details of this caption on the accompanying consolidated balance sheets at 31 December 2011 and 2010 are as follows:

	Thousands of euros 2011	2010
Tangible assets for own use	30,546	20,721
Investment properties	-	-
Other assets leased out under an operating lease	-	-
Assets awarded in foreclosure	201,959	97,315
Asset impairment adjustment (Notes 14 and 25)	(20,086)	(10,406)
Investment	-	-
Total	**212,419**	**107,630**

Details of tangible assets classified by use, without taking into account impairment adjustments, are as follows:

	Thousands of euros							
	Residential		Industrial		Agricultural		Other	
	2011	2010	2011	2010	2011	2010	2011	2010
Tangible assets								
Tangible assets for own use	2,714	2,704	27,397	18,018	435	-	-	-
Foreclosed	129,083	81,066	66,405	12,481	6,022	3,767	449	-
Other assets	-	-	-	-	-	-	-	-
Total	**131,797**	**83,770**	**93,802**	**30,499**	**6,457**	**3,767**	**449**	**-**

Details of movement recorded in these captions on the consolidated balance sheet, without taking into account impairment losses, during 2011 and 2010, are as follows:

	Thousands of euros					
	Tangible assets For own use		Foreclosed		Investments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Balance at 31 December 2009	**11,373**	**-**	**59,706**	**-**	**157**	**-**
Incorporation of Caixa Rural de Balears	1,420	-	6,294	-	-	-
Incorporation entities Grupo Cooperativo	-	-	2,651	-	-	-
Additions	10	-	64,594	-	-	-
Disposals	(1,790)	-	(9,707)	-	(157)	-
Transfers	9,708	-	(26,223)	-	-	-
Balance at 31 December 2010	**20,721**	**-**	**97,315**	**-**	**-**	**-**
Incorporation of CR Castellon	-	-	10,169	-	-	-
Additions	167	-	93,524	-	-	-
Disposals	(6,118)	-	(16,156)	-	-	-
Transfers	15,776	-	17,107	-	-	-
Balance at 31 December 2011	**30,546**	**-**	**201,959**	**-**	**-**	**-**

In 2011 the Group transferred certain assets for its own use and investment properties, mainly commercial premises, to this heading for a net amount of 15,776 thousand Euros (9,708 thousand Euros in 2010) and the carrying value is expected to be recovered upon disposal. Transfers for 17,107 million Euros to foreclosing assets belong mainly to the reclassification of property investments.

At 31 December 2011 eliminations from sales total 16,156 thousand Euros in foreclosed assets and 6,118 thousand Euros in tangible assets for own use (9,707 thousand Euros and 1,790 thousand Euros, respectively at 31 December 2010)

Impairment in the heading “Non-current Assets for Sale” total 20,086 thousand Euros at 31 December 2011 (10,406 thousand Euros at 31 December 2010)

The transfers to this heading mainly related to certain foreclosed assets classified as property investments.

In 2011 loans have been granted to finance the sale of property, plant and equipment foreclosed by the Group totalling 13,149 thousand Euros (7,799 thousand Euros in 2010). The average percentage financed compared with the total amount of foreclosed assets sold at 31 December 2011 was 81.39%. There are gains pending recognition on the sale of these assets at 31 December 2011 totalling 150 thousand Euros.

The average sale period for foreclosed assets obtained as payment of dent is sixteen months.

The fair value of the tangible assets recorded in this caption at 31 December 2011 and 2010, based on the valuations carried out by appraisal agencies applying the comparison method, is as follows:

	Thousands of euros			
	Fair Value		Carrying value (*)	
	2011	2010	2011	2010
Tangible assets For own use	31,467	23,353	30,546	20,721
Foreclosed	303,861	141,016	201,959	97,315
Total	**335,328**	**164,369**	**232,505**	**118,036**

(*) Value with no asset impairment adjustment

11. Investments

This caption from the accompanying consolidated balance sheets corresponds to the value of shareholdings in associates whose details, together with important information at 31 December 2011 and 2010 are included in Appendix I.

	Thousands of euros	
	2011	2010
Investments		
Associates	50,414	61,272
Jointly controlled entities	-	-
Total	**50,414**	**61,272**

At year-end 2011 and 2010, the “Investments” caption reflected the value of investments accounted for by the equity method and had the following movements:

	Thousands of euros	
	2011	2010
Opening balance	**61,272**	**55,938**
Additions through transfers, purchases and capital increases	1,127	16,966
Sales of shareholdings and return of contributions	(10,323)	(779)
Disposals through transfer of shareholdings and removals from scope	-	(16,310)
Result from the equity method	7,665	5,440
Other consolidation activity	(9,327)	17
Closing balance	**50,414**	**61,272**

Additions in 2011 relate to the payment for previously unpaid shares in the company Cajamar Seguros Generales, S.A. de Seguros y Reaseguros in the amount of 1,127 thousand Euros.

Additions in 2010 relate mainly to the entry into the scope of consolidation of the investment in Apartamentos Media Luna, S.A. totalling 16,420 thousand Euros as a result of the merger of Grupo Cimenta2 Gestión e Inversiones, S.L. (acquiring company) and Grupo Inmobiliario Aguamar, S.L. (target company).

In 2004 50% of the share capital of Cajamar Vida, S.A. de Seguros y Reaseguros, was sold to Generali España, Holding de Entidades de Seguros, S.A. and the Entity kept the remaining 50% of the shares. In accordance with the share purchase agreement, the overall price for the shares, which will be determined in 2019, will be adjusted based on the volume of business generated by Cajamar Vida over the coming 15 years. The overall price consists of a fixed price of 9,508 thousand Euros that was collected in 2004 and a variable price that will be calculated based on the value of the business and the net value of the assets in 2019.

On 14 April 2011, an amending novation agreement was concluded, guaranteeing an additional initial price of 94 million Euros, of which 50 million Euros was collected at the signing date and the remainder will be collected in years three, five and seven of the agreement. The variable payment calculation was also modified and will be determined based on the appraisal value of Cajamar Vida, S.A. de Seguros y Reaseguros, to be calculated as stated in the agreement; payment will fall due at the end of year fifteen as from the novation date, provided the business reaches a certain minimum value. The novation agreement includes cross options, a purchase option for the Entity on the shares sold and a sale option on these shares for Generali España, Holding de Entidades de Seguros, S.A.

The results obtained due to the value change were recognised in "Gains or losses on financial assets and liabilities (net)", segregating the financial yield; in 2011, due to the novation of the agreement, value changes recognised in respect of the variable payment under the pre-novation agreement were absorbed by the new fixed price; the remainder of the fixed price was also recognised in "Gains or losses on financial assets and liabilities (net)", in the amount of 68,923 thousand Euros. The Entity restated the variable price based on the novated terms, resulting in a zero value for 2011 in both "Gains or losses on financial assets and liabilities (net)" and in terms of the financial yield (1,411 thousand Euros and 2,445 thousand Euros, respectively, in 2010).

The results in "Shareholdings" in entities measured using the equity method at 31 December 2011 and 2010 totalled 7,665 thousand Euros and 5,440 thousand Euros, respectively (Note 25).

The heading "Customer loans - Measurement adjustments" at 31 December 2011 and 2010 includes 779 thousand Euros for the profits obtained on the sale of shares pending recognition, deriving from the financing of the aforementioned sale transactions.

12. Tangible assets

Details of this caption on the consolidated balance sheets at 31 December 2011 and 2010 are as follows:

	Thousands of euros 2011	Thousands of euros 2010
Own use	488,837	460,599
Investment properties	123,510	148,115
Other assets leased out under an operating lease	-	-
Assigned to the Education and Development Fund (Note 21)	2,239	2,180
Impairment adjustments	(5,850)	(2,818)
Total	**608,736**	**608,076**

The breakdown of tangible assets for own use recorded under this caption on the consolidated balance sheet and the movements during 2011 and 2010, in this caption, are as follows:

For own use (Thousands of euros)	IT equipment	Furniture, Fixtures and Other	Buildings	Buildings under construction	Other	TOTAL
Cost						
Balance at 31 December 2009	**97,827**	**268,346**	**253,272**	**60,924**	**7,023**	**687,392**
Incorporation of Caixa Rural de Balears	1,746	4,734	12,051	322	-	18,853
Incorporation Entities Grupo Cooperativo	1,397	3,007	4,964	655	371	10,394
Additions	6,980	10,812	15,335	33,546	1,057	67,730
Additions to the scope	-	601	-	-	20	621
Disposals	(1,728)	(18,976)	(2,076)	(3)	(1,414)	(24,197)
Transfers	25	2,157	14,481	(20,796)	957	(3,176)
Balance at 31 December 2010	**106,247**	**270,681**	**298,027**	**74,648**	**8,014**	**757,617**
Incorporation of CR Castellon	2,690	4,446	11,850	-	-	18,986
Additions	8,179	11,990	4,930	21,936	(261)	46,774
Disposals	(1,164)	(6,214)	(1,117)	(268)	(69)	(8,832)
Transfers	2,816	6,753	52,065	(64,677)	5,698	2,655
Balance at 31 December 2011	**118,768**	**287,656**	**365,755**	**31,639**	**13,382**	**817,200**
Accumulated Depreciation						
Balance at 31 December 2009	**(75,423)**	**(160,847)**	**(30,058)**	**-**	**(31)**	**(266,358)**
Incorporation of Caixa Rural de Balears	(1,632)	(3,411)	(1,138)	-	-	(6,181)
Incorporation Entities Grupo Cooperativo	(1,210)	(2,525)	(1,028)	-	(16)	(4,779)
Additions	(7,608)	(18,509)	(3,723)	-	(203)	(30,043)
Additions to the scope	-	(646)	-	-	(9)	(655)
Disposals	1,699	8,706	745	-	169	11,319
Transfers	(13)	12	(68)	-	(252)	(321)
Balance at 31 December 2010	**(84,187)**	**(177,220)**	**(35,270)**	**-**	**(342)**	**(297,018)**
Incorporation of CR Castellon	(2,398)	(2,817)	(926)	-	-	(6,141)
Additions	(7,642)	(19,149)	(4,757)	-	(51)	(31,599)
Disposals	1,161	4,715	1,011	-	37	6,924
Transfers	(393)	305	497	-	(938)	(529)
Balance at 31 December 2011	**(93,459)**	**(194,166)**	**(39,445)**	**-**	**(1,294)**	**(328,363)**

	Thousands of euros					
For own use	IT equipment	Furniture, Fixtures and Other	Buildings	Buildings under construction	Other	TOTAL
Impairment losses						
Balance at 31 December 2009	**-**	**-**	**-**	**-**	**-**	**-**
Incorporation Entities Grupo Cooperativo	-	-	-	-	-	-
Additions	-	-	(195)	-	-	(195)
Disposals	-	-	-	-	-	-
Write-offs due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2010	**-**	**-**	**(195)**	**-**	**-**	**(195)**
Balance at 31 December 2011	-	-	(275)	-	-	(275)
Additions	-	-	(42)	-	-	(42)
Disposals	-	-	-	-	-	-
Write-offs due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2011	**-**	**-**	**(512)**	**-**	**-**	**(512)**

The breakdown of investment properties, operating leases and assets assigned to the Education and Development Find recorded under this caption on the consolidated balance sheet and the movements during 2011 and 2010, in this caption, are as follows:

	Thousands of euros				
	Investment properties			Assigned to the Education and Development Fund	
Cost	Buildings	Properties, plots and sites	Other assets leased out under an operating lease	Furniture and Fixture	Property
Balance at 31 December 2009	**98,925**	**2,484**	**2**	**1,770**	**5,121**
Incorporation of Caixa Rural de Balears	15	-	-	59	-
Incorporation Entities Grupo Cooperativo	10	1	-	349	98
Additions	13,135	20,839	-	10	207
Disposals	(1,105)	-	(2)	(11)	(1,658)
Transfers	19,423	268	-	-	-
Balance at 31 December de 2010	**130,403**	**23,592**	**-**	**2,177**	**3,768**
Incorporation of CR Castellon	4,385	210	-	493	352
Additions	5,144	89	-	-	7
Disposals	(5,824)	(242)	-	(26)	(97)
Transfers	(26,860)	(1)	-	-	1
Balance at 31 December 2011	**107,248**	**23,648**	**-**	**2,644**	**4,031**
Accumulated Depreciation					
Balance at 31 December 2009	**(3,714)**	**-**	**(2)**	**(1,394)**	**(1,962)**
Incorporation of Caixa Rural de Balears	(2)	-	-	(39)	-
Incorporation Entities Grupo Cooperativo	(1)	-	-	(300)	(30)
Additions	(2,250)	(302)	-	(50)	(100)
Disposals	68	-	2	3	107
Transfers	321	-	-	-	-
Balance at 31 December de 2010	**(5,578)**	**(302)**	**-**	**(1,780)**	**(1,985)**
Incorporation of CR Castellon	(138)	-	-	(445)	(119)
Additions	(2,295)	-	-	(69)	(88)
Disposals	385	-	-	19	31
Transfers	541	-	-	-	-
Balance at 31 December 2011	**(7,085)**	**(302)**	**-**	**(2,275)**	**(2,161)**

	Thousands of euros				
	Investment properties			Assigned to the Education and Development Fund	
	Buildings	Properties, plots and sites	Other assets leased out under an operating lease	Furniture	Property
Impairment losses					
Balance at 31 December 2009	**(25)**	**-**	**-**	**-**	**-**
Additions	(2,110)	-	-	-	-
Incorporation Entities Grupo Cooperativo	(683)	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Balance at 31 December 2010	**(2,818)**	**-**	**-**	**-**	**-**
Incorporation of CR Castellon	(175)	-	-	-	-
Additions	(3,230)	(36)	-	-	-
Disposals	921	-	-	-	-
Transfers	-	-	-	-	-
Balance at 31 December 2011	**(5,302)**	**(36)**	**-**	**-**	**-**

In 2011 sales and write-offs of certain property, plant and equipment generated gains totalling 2,886 thousand Euros (1,908 thousand Euros at 31 December 2010) and losses totalling 8,304 thousand Euros (6,052 thousand Euros at 31 December 2010) (Note 25)

At 31 December 2011 the Lead Entity had yet to recognize 9,363 thousand Euros from the financing of sale transactions (8,972 thousand Euros at 31 December 2010) originating in 2006 for the sale of certain assets classified as property investments and 125 thousand Euros for the sale of properties for own use carried out in 2010.

At 31 December 2011 the Group has commitments to acquired assets totalling 2,694 thousand Euros (6,301 thousand Euros at 31 December 2010)

Fully depreciated assets still in use by the Group at 31 December 2011 totalled 169,620 thousand Euros (152,173 thousand Euros at 31 December 2010).

The fair value of property for own use and investment properties, net of impairment losses, at 31 December 2011 and 2010, is as follows:

	Thousands of euros			
	Fair value		Carrying value	
	2011	2010	2011	2010
Property for own use (*)	361,835	284,255	338,398	270,234
Investment properties (*)	144,717	159,065	123,510	145,298
Total	**506,552**	**443,320**	**461,908**	**415,532**

(*) These assets have been appraised by appraisal companies using the comparison method. Their fair value has been included in the account "Other" under properties for own use and "Plots of land" under property investments.

Revenues deriving from rent from property investments in 2011 and 2010 totalled 5,349 thousand Euros and 6,150 thousand Euros (Note 25), respectively. In addition, the operating expenses relating to these investments totalled 429 thousand Euros and 330 thousand Euros (Note 25), respectively.

13. Intangible assets

Details of this caption on the accompanying consolidated balance sheets at 31 December 2011 and 2010 are as follows:

	Estimated useful life	Thousands of euros 2011	2010
With indefinite useful life	**-**	**-**	**-**
With finite useful life:	**-**	**117.579**	**107.868**
Computer applications	3 - 10 years	94.519	89.505
Administrative concessions	35 years	18.492	18.353
Other intangible assets	3 - 10 years	4.568	10
Gross total		**117.579**	**107.868**
Of which:			
Developed in-house	3 - 10 years	5.370	5.686
Other	3 - 35 years	112.209	102.182
Accumulated depreciation	-	(74.932)	(67.442)
Impairment losses	-	-	-
Net total		**42.647**	**40.426**

The movement of the intangible assets with a finite useful life included in this caption on the consolidated balance sheet throughout the years 2011 and 2010 has been as follows:

Cost	Thousands of euros 2011	2010
Opening balance	**107,868**	**100,716**
Incorporation Entities Caixa Rural de Balears	-	180
Incorporation of Entities Grupo Cooperativo	10	9
Additions	11,476	8,244
Disposals	(2,104)	(1,219)
Other	329	(62)
Ending Balance	**117,579**	**107,868**
Depreciation and amortisation		
Opening balance	**(67,442)**	**(60,010)**
Incorporation Entities Caixa Rural de Balears	-	(180)
Incorporation of Entities Grupo Cooperativo	(9)	(4)
Additions	(7,171)	(7,189)
Disposals	40	30
Other	(350)	(89)
Ending Balance	**(74,932)**	**(67,442)**
Total Net	**42,647**	**40,426**

In 2011 and 2010 no appropriations were made to impairment losses affecting intangible assets.

Fully amortized intangible assets still in use by the Group at 31 December 2011 totalled 56,061 thousand Euros (57,241 thousand Euros at 31 December 2010).

In 2011 certain items were written-off, which generated a capital loss on intangible assets totalling 118 thousand Euros (347 thousand Euros at 31 December 2010) (Note 25).

14. Measurement adjustments for the impairment of other assets

Details of the movements in non-financial asset impairment adjustments during 2011 and 2010 are as follows:

Year 2011	Thousands of euros			
By type of asset	Inventories	Tangible assets	Non-current assets held for sale	Total
Opening balance - specific provision	**(133,184)**	**(2,818)**	**(10,406)**	**(146,408)**
Incorporation of CR Castellon	-	(450)	(1,417)	**(1,867)**
Charges to profit and loss for the year (Notes 10, 12, 15 and 25)	(47,586)	(4,043)	(14,507)	**(66,136)**
Recovered funds (Notes 10, 12, 15 and 25)	2,615	777	1,012	**4,404**
Write-offs due to use, transfers and others	(3,029)	1,196	5,232	**3,399**
Closing balance - specific provision	**(181,184)**	**(5,338)**	**(20,086)**	(206,608)

Year 2010	Thousands of euros			
By type of asset	Inventories	Tangible assets	Non-current assets held for sale	Total
Opening balance - specific provision	**(50,117)**	**(25)**	**(3,998)**	**(54,140)**
Charges to profit and loss for the year (Notes 10, 12, 15 and 25)	(55,847)	(2,110)	(5,668)	**(63,625)**
Incorporation Entities Grupo Cooperativo	(24,062)	(683)	(236)	**(24,981)**
Incorporation Caixa Rural de Balears	-	-	(788)	**(788)**
Recovered funds (Notes 10, 12, 15 and 25)	1,263	-	108	**1,371**
Write-offs due to use, transfers and others	(4,421)	-	176	**(4,245)**
Closing balance - specific provision	**(133,184)**	**(2,818)**	**(10,406)**	(146,408)

Property, plant and equipment and Inventories

The calculation of the impairment loss for property, plant and equipment is carried out by comparing the fair values obtained from the appraisals performed by independent experts against their carrying values (Notes 3.8, 3.24, 12 and 15).

15. Other assets and liabilities

The details of the balance of these captions in the assets and liabilities sections on the accompanying consolidated balance sheets for the years 2011 and 2010 are as follows:

	Thousands of euros 2011	Thousands of euros 2010
Other Assets:		
Prepayment and accrued income	5,660	8,888
Inventories:		
Amortised cost	990,021	793,213
Asset impairment adjustments (Note 14)	(181,184)	(133,184)
Other:		
Net assets in pension funds (Note 14)	3,141	3,317
Operations in transit	11,014	29,524
Other items	34,460	36,262
Total	**863,112**	**738,020**
Other liabilities:		
Prepayment and accrued income	19,427	25,178
Other:		
Operations in transit	7,307	103,386
Other items	191,895	53,588
Total	**218,629**	**182,152**

The heading "Inventories" includes the asset balances, including land and other properties, that are for sale during the ordinary course of the business.

The movements of assets mentioned in the above paragraph on the consolidated balance sheets, without taking into account valuation adjustments, throughout 2011 and 2010, is as follows:

	Thousands of euros 2011	Thousands of euros 2010
Opening balance	**793,213**	**436,615**
Additions	255,664	389,495
Disposals	(50,166)	(32,897)
Transfers (Notes 10 and 12)	(8,690)	-
Closing balance	**990,021**	**793,213**

The fair value of inventories recorded under this caption at 31 December 2011 and 2010 is as follows:

	Thousands of euros			
	Fair value		Carrying value	
	2011	2010	2011	2010
Inventories	981,650	777,093	808,837	660,029
Total	**981,650**	**777,093**	**808,837**	**660,029**

16. Provisions

Details of this caption on the consolidated balance sheets at 31 December 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Pension fund and similar obligations (Note 3.20)	21,952	26,925
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments (Note 9)	4,413	5,076
Other provisions	5,496	13,221
Total	**31,861**	**45,222**

Pension fund and similar obligations

The breakdown of the consolidated balance sheet items recognised under assets and liabilities for defined benefit pension commitments is as follows:

	Thousands of euros	
	2011	2010
Other assets - Net assets in pension plans (Notes 3.20 and 15)	3.141	3.317
Provisions – Pension fund and similar obligations (Note 3.2)	21.952	26.925

The present value of the commitments based on the assumptions indicated in Note 3.20, applied to the post-employment compensation items by the Group and the manner in which these commitments were hedged, giving rise to the aforementioned consolidated balance sheet items, is as follows:

	Thousands of euros					
	2011			2010		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
Current value of obligations:						
Commitments to active staff	30,461	-	1	23,337	-	-
Commitments to early-retired staff	-	21,951	-	-	26,785	140
Commitments to retired personnel	12,611	-	-	11,686	-	-
Fair value of plan assets (-):						
Pension Plan Assets	(14,122)	-	-	(14,456)	-	-
Insurance Policy	(28,000)	-	-	(23,516)	-	-
Actuarial profit not recognised on the balance sheet (+)	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (-)	(3,549)	-	-	(35)	-	-
Cost past services not yet recognised on the balance sheet (-)	(634)	-	-	(741)	-	-
Other assets not recognised on the balance sheet	92	-	-	408	-	-
(Other assets) / Provisions recognised on the balance sheet	**(3,141)**	**21,951**	**1**	**(3,317)**	**26,785**	**140**

Details of movement in net assets and liabilities during the year, recognised on the consolidated balance sheet, are as follows:

	Thousands of euros					
	2011			2010		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
(Other assets) / Provisions opening balance for the year	**(3,317)**	**26,785**	**140**	**(3,282)**	**19,958**	
Incorporation Caixa Rural de Balears	-	-	-	-	-	139
Incorporation Entities Grupo Cooperativo	(86)	865	-	(67)	-	1
Provisions	1,383	626	-	1,967	12,512	-
Recovered funds	-	-	-	-	-	-
Other movements	194	-	(139)	-	-	-
Cash outflow	(1,315)	(6,325)	-	(1,935)	(5,685)	-
(Other assets) / Provisions closing balance for the year	**(3,141)**	**21,951**	**1**	**(3,317)**	**26,785**	**140**

The breakdown of total expenses and income recognised on the consolidated income statement in relation to pensions during 2011 and 2010, distributed between the different items, is as follows:

	Thousands of euros	
	2011	2010
Personnel expenses (ordinary cost for the period) (Note 25)	(2,494)	(1,415)
Interest expense and similar charges (cost of interest) (Note 25)	(2,411)	(2,148)
Interest and similar earnings (earnings from Plan assets) (Note 25)	1,482	1,530
Provisions (Note 25):		
Payment to pensioners	(21)	(23)
Actuarial gains and losses	318	2,238
Cost of past services	(106)	(106)
Other (settlement reduction effect)	265	(14,555)
Accounting (expense)/income	**(2,967)**	**(14,479)**

The contributions for defined benefit pension commitments made by the Group in 2011 and 2010 to the external pension plan totalled 7,255 thousand Euros and 6,791 thousand Euros, which have been recorded under the heading "Personnel expenses" in the consolidated income statement for those years (Note 25).

No contingent liabilities have arisen as a result of severance payments and/or post-employment benefits for employees.

There are no amounts that have not been recognised in the balance sheet with respect to actuarial gains (losses), cost of past services and unrecognised assets.

Provisions for contingent risks and commitments

The details of this consolidated balance sheet caption and the movements which occurred during 2011 and 2010 are as follow:

	Thousands of euros		
	Specific Hedges	General Hedges	Total
Balance at 31 December 2009	**8,469**	**3,124**	**11,593**
Provisions (Note 25)	1,647	549	**2,196**
Recoveries (Note 25)	(7,670)	(2,502)	**(10,172)**
Incorporation Caixa Rural de Balears	65	1,176	**1,241**
Incorporation Entities Grupo Cooperativo	3	26	**29**
Other movements	121	68	**189**
Balance at 31 December 2010	**2,635**	**2,441**	**5,076**
Provisions (Note 25)	1,920	405	**2,325**
Recoveries (Note 25)	(1,076)	(2,090)	**(3,166)**
Incorporation Entities Grupo Cooperativo	45	122	**167**
Other movements	11	-	**11**
Balance at 31 December 2011	**3,535**	**878**	**4,413**

This heading includes the amount of provisions created to cover contingent risks, which are understood to be those transactions in which the Group guarantees the obligations of a third party as a result of financial guarantees granted or other agreements, and contingent commitments, which are understood to be irrevocable commitments that could give rise to the recognition of financial assets (Note 9).

Other provisions

The movement of this account during the years 2011 and 2010 is as follows:

	Thousands of euros			
Year 2011	Market	Sundry	Other responsibilities	Total
Opening balances	**4,623**	**6,251**	**2,347**	**13,221**
Provisions (Note 25)	-	103	13,485	**13,588**
Incorporation of Caja Campo	-	-	-	**-**
Incorporation Entities Grupo Cooperativo	-	-	-	**-**
Recovered funds (Note 25)	(7,435)	(6,316)	(6,876)	**(20,627)**
Funds used and other changes	2,812	-	(3,498)	**(686)**
Saldos finales	**-**	**38**	**5,458**	**5,496**

	Thousands of euros			
Year 2010	Market	Sundry	Other responsibilities	Total
Opening balances	**21,140**	**2,416**	**30,872**	**54,428**
Provisions (Note 25)	2,276	6,553	7,181	**16,010**
Incorporation Caixa Rural de Balears	-	-	590	**590**
Incorporation Entities Grupo Cooperativo	-	-	462	**462**
Recovered funds (Note 25)	(18,591)	(2,000)	(23,631)	**(44,222)**
Funds used and other changes	(202)	(718)	(13,127)	**(14,047)**
Closing balances	**4,623**	**6,251**	**2,347**	**13,221**

In this account the Group records the various contingencies considered to be probable and they are classified in accordance with three types of risk:

- Market risk, due to the activity carried out by the Group with respect to investments that will probably give rise to contingencies that must be covered.
- Sundry risks, for which provisions have been recorded covering unresolved issues that the Group believes will result in a probable payment.
- Other liabilities, estimating probable payments deriving from the Group's normal activities.

In 2011 and 2010 there have been no significant movements.

17. Minority interests

Details of this caption on the accompanying consolidated balance sheets at 31 December 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Hotel Envia Golf S.L.	-	(1,156)
Cimenta2 Gestion e Inversiones S.L.	-	12,622
Total	**-**	**11,466**

18. Measurement adjustments to equity

The balance of this heading relates to the account "Available-for-sale financial assets" in the accompanying consolidated balance sheets and records the net amount of changes in the fair value of the assets classified as available for sale that, in accordance with Note 3.1, must be included as part of the Group's equity (Note 7.4.d).

The movement during the years 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Opening balance	**(22,194)**	**(3,046)**
Net changes in the fair value of debt securities	9,372	(12,016)
Net incorporation of debt securities from Entities of Grupo Cooperativo	(4,231)	(51)
Net incorporation of debt securities from Entities of Caixa Rural de Balears	-	(1,609)
Net changes in the fair value of equity instruments	(146)	(1,803)
Net incorporation of equity instruments from Entities of Grupo Cooperativo	537	832
Net incorporation of equity instruments from Entities of Caixa Rural de Balears	-	465
Sale of available-for-sale financial assets	2,628	(4,765)
Net changes of entities accounted for by the equity method	(256)	(201)
Closing balance	**(14,290)**	**(22,194)**

Changes in the fair value of debt securities relate to the recognition of fair value, net of the tax effect, of fixed-income securities and the changes in the fair value of equity instruments relates to restatements, net of the tax effect, of equity instruments measured at fair value.

19. Share Capital (Capital and other equity instruments) and capital reimbursable on demand (Liability)

Movement in these captions during the years 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Opening balance:		
Capital booked under Equity (1)	1,070,741	958,465
Capital refundable on demand booked under Liabilities (2)	181,248	173,904
Total subscribed capital (1) + (2)	**1,251,989**	**1,132,369**
Increases	375,424	312,715
Decreases	(231,058)	(223,174)
Incorporation Caixa Rural de Balears	-	28,999
Incorporation Entities Grupo Cooperativo	2,174	1,080
Closing balance:		
Total subscribed capital (3) + (4)	**1,398,529**	**1,251,989**
Capital booked under Equity (3)	1,398,437	1,070,741
Capital refundable on demand booked under Liabilities (4)	92	181,248

At 31 December 2011 the Governing Body of Grupo Cooperativo Cajamar has classified 4,350 thousand Euros (31,831 thousand Euros at 31 December 2010) relating to the various capital amounts held in the Entities participating in the Cooperative Group, except for the Lead Entity, as Group capital and reserves under the heading “Other equity instruments”.

The capital relating to Cajamar as the Lead Entity of the Group at 31 December 2011 totals 1,394,087 thousand Euros (1,220,072 thousand Euros at 31 December 2010), all of which is classified under equity for 2011 (1,038,910 Euros at 31 December 2010). Cajamar’s minimum share capital, according to Article 47.1 of the by-laws, is set at 6,100 thousand Euros and is variable and formed by mandatory contributions of 61 Euros each.

The contributions of members to the share capital of Cajamar are represented by sequentially numbered registered shares. The total amount that a single member can contribute to share capital cannot exceed 2.5% for individuals and 5% for companies. At the end of 2011 and 2010 the largest contribution equalled 0,04% of share capital.

Contributions to Cajamar's share capital accrue the interest agreed by the General Assembly, which is subject to the limits established by current legislation. During the year interest paid on account have been settled by charging the surplus obtained in 2011 in the amount of 43,249 thousand euros charged against Equity. Also the interest totalling 36,632 thousand euros that had been paid on account at the year end (Note 5) is registered, of which 5,428 thousand euros were charged against the income statement for compensation for "Capital reimbursable on demand" (Notes 5 and 25), and 31,204 thousand euros was charges against Equity in the balance sheet.

The share capital relating to Caja Rural de Casinos as an Entity participating in Group, in accordance with the contractual terms governing the creation of Grupo Cooperativo Cajamar (Note 1.1) at 31 December 2011 totals 146 thousand Euros (143 thousand Euros at 31 December 2010) of which 90 thousand Euros are classified under Equity (90 thousand Euros at 31 December 2010). The share capital of Caja Rural de Casinos is variable and the minimum is 90 thousand Euros, fully subscribed and paid in. All of the securities representing member contributions, whether mandatory or voluntary, will have a single value of 60.10 Euros, although multiple securities may be issued. Caja Rural de Casinos did not pay any compensation for its capital at 31 December 2011 or 2010.

Caixa Rural de Albalat has considered the amount exceeding 1,052 Euros to be a financial liability, 13 thousand Euros at 31 December 2011 (10 thousand Euros at 31 December 2010). This minimum share capital amount, which is not recognised as capital as it is considered to be a financial liability, is the minimum established by the Order issued by the Ministry of Finance on 25 May 1998 which authorises the creation of this credit cooperative, and one of the requirements is that the initial minimum share capital be 1,052 thousand Euros, in accordance with the minimum share capital amount established by Article 6 of Law 13/89 (26 May) on Credit Cooperatives and Article 3 of Royal Decree 84/1993 (22 January), which approved the enabling regulations for the aforementioned law.

The share capital of Caixa Petrel at 31 December 2010 and 2009, excluding the portion of capital that is considered to be a financial liability (23 thousand Euros at 31 December 2011 and 23 thousand Euros at 31 December 2010), is made up of mandatory member contributions totalling 866 thousand Euros.

The minimum capital for Caixa Rural de Turis is set at 98 thousand euros, fully subscribed and paid in, in accordance with the provisions of R.D. 84/1993 (22 January). In accordance with Article 18 of the by-laws, the mandatory obligations will be represented by registered shares with a par value of 66.11 euros and 264.44 euros. The Entity complies with the legally required minimums relating to share capital in accordance with applicable legislation at 31 December 2011.

The share capital for Caja Rural de Castellón, Sociedad Cooperativa de Crédito at December 2011 was 2,174 thousand Euros.

20. Reserves

Details of the “Reserves” caption under “Equity” on the accompanying consolidated balance sheets at 31 December 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Accumulated reserves		
Mandatory Reserve Fund	1,141,869	1,117,244
Revaluation Reserves - Royal Decree-Law 7/1996	1,595	8,932
Revaluation Reserves generated by IFRS and Bank of Spain Circular 4/2004	65,589	69,809
Other reserves	(2,696)	(19,857)
Voluntary Reserve Fund	56,969	61,074
Carryover included from Caixa Rural de Balears	-	2,086
Consolidation Reserves	10,728	7,657
Total accumulated reserves	**1,274,054**	**1,246,945**
Reserves (losses) in entities accounted for by the equity method		
Associates	5,230	13,652
Jointly-controlled entities	-	-
Total reserves (losses) in entities accounted for by the equity method	**5,230**	**13,652**
Total Reserves	**1,279,284**	**1,260,597**

Mandatory Reserve Fund

The Mandatory Reserve Fund has the objective of consolidating and guaranteeing the Group. In accordance with Law 13/1989 on Credit Cooperatives amended by Law 27/99 (16 July) the allocation to the reserve represents at least 20% of the net surplus.

The Lead Entity’s by-laws stipulate that the Mandatory Reserve Fund will receive 80% of the surplus obtained each year (Note 1.4).

Restatement reserves Royal Decree-Law 7/1996, (7 June)

The balance of this heading showed no movement during 2010 and 2009 and it relates exclusively to the account “Revaluation Reserve Royal Decree-Law 7/1996”, which derives from the restatement of some tangible assets in 1996 by the target company Caja Rural de Málaga, Sociedad Cooperativa de Crédito (Note 1.1). In 2011 1,219 thousand Euros were transferred with no movement in 2010

As from the date on which the balance of the account "Revaluation reserve Royal Decree-Law 7/1996" has been examined and agreed by the tax authorities or after the three year period for its inspection has elapsed, it may be used to offset losses arising in the current year or previous or future years or to increase the Company's share capital without accruing tax. This balance may be taken to freely distributable reserves provided that the monetary capital gain has been realised. The surplus will be deemed to have been realised in respect of the portion relating to the depreciation that has been taken for accounting purposes or when the revalued assets have been transferred or written off the accounting records. If the balance of this account is applied in any manner not permitted by Royal Decree-Law 7/1996, the balance becomes subject to taxation.

In the opinion of the Bank's Governing Board, once the established period has elapsed, the entire balance of this reserve will be taken to the Voluntary Reserve.

This reserve may be used to increase share capital, in which case it will not accrue taxes.

The revaluation reserves generated by the new legislation

The balance of this account relates to the reserve generated for the restatement of property, plant and equipment carried out in accordance with the provisions of IFRS 1, and Transitional Provision One, section B, of Bank of Spain Circular 4/2004, and subsequent amendments, according to which at 1 January 2004 any item included under property, plant and equipment may be stated at fair value, subject to some conditions.

In 2011 4,349 thousand Euros were transferred to voluntary reserves with no movement in 2010.

Results in entities measured using the equity method

Details regarding the contribution of reserves from entities accounted for by the equity method at 31 December 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Inversiones Turísticas y Hoteleras INMO, S.L.	(657)	(657)
Tino Stone Group, S.A.	(1,314)	347
Cultipeix, S.L.	(1,994)	(1,994)
Parque Innovación y Tecnología de Almería, S.A.	(362)	(370)
Cajamar Vida, S.A. de Seguros y Reaseguros	10,870	12,005
Apartamentos Media Luna S.L.	(52)	4,980
Other associates	(1,261)	(659)
Total	**5,230**	**13,652**

Minimum capital requirement

Current legislation (Note 1.4) stipulates that credit institutions must maintain minimum capital and reserve levels that cannot be less than those obtained as a result of applying the method established in the legislation. Compliance with the equity ratio takes place on the consolidated level, notwithstanding the fact that all of the credit institutions participating in the Cooperative Group meet the requirements established by Bank of Spain Circular 3/2008 and subsequent amendments on an individual basis.

At 31 December 2011 and 2010, equity and capital requirements for Cooperative Group, taking into account the distribution of results (Note 5), under the legislation applicable at those dates, are as follows:

	Thousands of euros	
	2011	2010
Capital adequacy	2,525,200	2,401,727
Tier two eligible capital	133,420	259,944
Credits	(34,254)	(26,407)
Total eligible capital base	**2,624,366**	**2,635,264**
Total eligible capital requirements	**1,564,085**	**1,539,585**
Eligible capital surplus/deficit	**1,060,281**	**1,095,679**
Solvency ratio	**13.4%**	**13.7%**

In compliance with the reporting requirements relating to Mixed Groups established by Chapter 13, Standard 124 of Bank of Spain Circular 3/2008 and subsequent amendments, , the Group has presented additional Capital Adequacy information for the Mixed Group, consisting of the Lead Entity and the participants Cajamar Vida, S.A. de Seguros y Reaseguros and Cajamar Seguros Generales, S.A. de Seguros y Reaseguros, the effect of which represents an increase of the surplus in equity over the minimums required by the aforementioned legislation totalling 12,221 thousand euros and 31,680 thousand euros at 31 December 2011 and 2010, respectively.

At 31 December 2011 the Group maintains a core capital of 13.10%, in compliance with the requirements established by RD Law 2/2011 (18 February), as at 31 December 2010, the core capital ratio rose up to 12.48%.

At 31 December 2011 all the Group Entities from Grupo Cooperativo Cajamar, individually comply with the requirements of Bank of Spain Circular 3/2008 and subsequent amendments regarding solvency ratios. Regarding requirements relating RD 2/2011 (18 February), as of the determination of the Capital Principal, the Group complied with the minimum requirements established.

21. Promotion and Education Fund

The creation of Grupo Cooperativo Cajamar does not limit the operation and management of Education and Development Fund to the Governing Body of the lead entity, and this responsibility falls to the Governing Body of each entity forming part of the Group, as follows:

The basic lines of application of the Education and Development Fund are as follows, in accordance with the provisions of the Entities' by-laws.

- The training and education of members and employees of the Entity with respect to cooperative principles and values, as well as the dissemination of the characteristics of cooperativism in social and rural environments and other cooperative action of a socio-cultural nature.

- The encouragement of action relating to the dissemination of cooperativism, cooperation and cooperative integration.

- Cultural, professional and assistance development at the local level or for the community in general, to contribute to the improvement of quality of life and social welfare.

- The participation in strategies and programmes that respond to the needs of social development, protection of the environment and economic development of the Entity's action zones.

At the individual level, each credit Entity forming part of the Group carries out their own activities financed by the Education an Development Fund and the most significant in 2011 and 2010 are as follows:

- Those relating to research projects involving optimising greenhouse cultivation, fruit farming, efficient use of water and greenhouse cover materials, natural pollination and techniques for biological control of farmland have been developed through the Experimental Station operated by Fundación Cajamar. Moreover, technical support has been provided for cooperatives, local development and rural environments, Technical farming advice was also provided to the farmers and cooperatives that requested it, encouraging the exchange of results and transfer of knowledge generated by their research and experimentation work. The Foundation implemented projects to improve environmental efficiency and promote renewable energies

- The Fundación Cajamar's Studies Service was engaged in industry analyses and studies, reports and case studies, technical courses and seminars, promotion of financial education in values and sociocultural activities to foment knowledge of the production environment, and social development in the zones that form the Entity's sphere of influence.

- Cultural events, exhibitions, music and theatre formed an important part of the activities of the Fundación Cajamar's Social Development Area, through the International Julian Arcas Competition, the Didactic Concerts programme and the School Theatre campaign. Support continued for Almería's Provincial Sports Tournament and Fair Play Programme as well as for the Andalusian Olympics Foundation and the Municipal Cycling School, so as to contribute towards social and community development. As part of our contribution to society, the conference cycle "La Mirada del Hombre" sought to offer a positive view of life. Non-profit entities received donations for their work programmes and opportunities in the form of training courses on logical framework methodology and volunteer programme structuring.

As regards international cooperation, the campaign initiated in 2008 to promote the Millennium Development Objectives reached Objective three: Promote Gender Equality and Women's Empowerment. Activities are conducted each year in three strategic work areas: awareness raising, encouragement of donations and direct contributions to Spanish organisations with work programmes that focus specifically on the annual objective.

- Support has been provided to projects related to actions to encourage the creation of cooperatives; local and rural development; and social, welfare and cultural development, in the Entity's sphere of influence. Financial support for these civil society projects consisted of direct aid for non-profit institutions and associations.

- With respect to corporate social responsibility, the Entity has endorsed the United Nations Global Compact, supporting and implementing a set of fundamental values related to Ten Principles in the areas of human, labour and environmental rights and anti-corruption. Social actions driven by the Entity's employees, shareholders and customers were coordinated and promoted. These included the volunteering programme and the solidarity team, as well as the Entity's commitment to contribute towards the achievement of the Millennium Development Objectives, a project spanning the period 2008 to 2015.

- Support for universities continued, the most relevant aspects being the renewal of the collaboration agreement with Almería University so as to maintain and strengthen the Entity's commitment to basic and applied research, improved training and job-market insertion for university students, as well as the province's economic, social and cultural progress.

- The Entity also continue to collaborate with Acremar, the employee association, in programmes and initiatives focused on economic, social and cultural development.

The management of the Education and Development Fund falls to the Governing Bodies of participating entities, or to the persons delegated by them with respect to specific actions. Its members prepare a budget proposal based on the purposes established in the basic lines of application and it is submitted for the approval of the General Assemblies at the ordinary meeting held each year.

The Fund's activities have been brought into line with the basic lines of application approved by General Assemblies and the items that contribute to the promotion of the cultural environment are notable, as are those intended to strengthen the values of the cooperative movement.

The itemised breakdown of the balances related to the Group's Education and Development Fund, at 31 December 2011 and 2010, is the following:

	Thousands of euros	
	2011	2010
Application of the Education and Development Fund		
Tangible assets:	**2,239**	**2,180**
Cost	6,675	5,945
Accumulated depreciation	(4,436)	(3,765)
Asset impairment adjustments	-	-
Other debtor balances	**43**	**223**
Total	**4,521**	**2,403**
Education and Development Fund		
Appropriation:	5,623	4,006
Applied to tangible assets (Note 12)	2,195	2,180
Applied to other investments	60	-
Expense commitments undertaken during the year	12,221	6,438
Maintenances expenses for the year in progress	(10,466)	(6,292)
Amount not committed to	217	432
Surplus	1,396	1,248
Revaluation reserves	-	-
Other liabilities	(1)	269
Total	**5,622**	**4,275**

The Education and Development Fund's expenses and investments budget for 2011 and 2010 for the Entities comprising Grupo Cooperativo Cajamar is follows:

	Thousands of euros	
	2011	2010
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	890	5,390
Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana	30	37
Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana	27	73
Caja de Crédito de Petrel, Caja Rural Cooperativa de Crédito Valenciana	302	400
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	33	35
Caja Rural de Castellón - S. Isidro, Sociedad Cooperativa de Crédito Valenciana (*)	220	-

(*) Entity entering the Group in 2011.

Movements in property, plant and equipment linked to the Education and Development Fund are set out in detail in Note 12.

Movement in the Fund during 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Opening balance	**4,275**	**5,539**
Distribution of previous year surplus	1,159	5,831
Extraordinary allocation agains reserves	10,500	-
Incorporation of Cooperative Group Entities	517	429
Maintenance expense for the year	(10,466)	(5,894)
Other	(363)	(1,630)
Closing balance	**5,622**	**4,275**

22. Related party transactions

In the case of risk transactions involving related parties the Lead Entity has developed procedures for the granting, authorisation and monitoring of this type of transactions using transparent criteria included in the *Credit Risk Control and Management Procedures and Policies Manual* (Note 6).

In 2011 and 2010 no significant transactions were carried out and none took place under non-market conditions with parties related to the Group.

At 31 December 2011 and 2010, the Parent's balances generated as a result of transactions with associated parties are as follows:

	Associates		Other related entities		Board Members and Directors			
	2011	2010	2011	2010	2011	2010	2011	2010
					Direct		Indirect	
Assets								
Loans	28,961	59,032	46,843	1,135	3,574	3,614	84,291	88,510
Deposits to Group Entities	-	-	4,745	1,306	-	-	-	-
Credit risk hedges (-)	(724)	(1,476)	(1,197)	(54)	(58)	(69)	(2,094)	(2,186)
Investments	22,099	22,361	-	-	-	-	-	-
Investment provisions (-)	(7,401)	(2,402)	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Liabilities								
Term deposits	22,170	25,357	24,378	89,064	911	580	3,753	8,336
Deposits with group entities	-	-	30,952	-	-	-	-	-
Other demand deposits	38,972	29,003	5,746	1,003	388	1,415	12,466	13,665
Memorandum Accounts								
Financial guarantees	3,156	3,447	2,932	3,234	-	38	1,322	9,316
Available	3,207	3,720	2,915	2,457	97	432	43,522	16,272
Gains and Losses								
Income:								
Interest and similar income	63	57	2,764	62	61	48	1,862	1,377
Income from variable income portfolio	-	-	-	-	-	-	-	-
Fee and commission income	185	191	17	1	1	2	151	142
Other products	2,029	2,035	-	-	-	-	-	-
Expenses:								
Interest and similar charges	1,257	1,234	4,062	1,427	44	38	201	287
Fee and commission expense	-	-	-	-	-	-	-	-
Other expenses	179	12,695	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2011 and 2010 with parties related to the Parent are as follows:

	Thousands of euros	
	Related Parties	
Outstanding balances	2011	2010
Loans:		
Amount	171.079	153.597
Interest rate	0,99% to 10,00%	0,95% to 7,00%
Guarantee	Personal and mortgage	Personal and mortgage
Term to maturity	1 to 40 years	1 to 40 years
Deposits:		
Amount	139.736	168.423
Interest rate	0,01% to 7,55%	0,10% to 5,67%
Term to maturity	1 to 4 years	1 to 4 years

23. Compensation for the Governing Body and Executives

The compensation accrued by members of the Governing Body that relates to per diems for attending meetings held by the Governing Body and its Committees was as follows in 2011 and 2010:

	Thousands of euros	
	2011	2010
Governing Board		
Mr. Antonio Pérez Lao	35	38
Mr. Juan de la Cruz Cárdenas Rodríguez	35	37
Mr. Francisco Colomer de la Oliva	-	-
Mr. Antonio Pita Reyes	35	42
Mr. Luis de la Maza Garrido	33	36
Mr. José Sebastián Millaruelo Aparicio	4	10
Mr. Ángel Lirola Suárez	36	45
Mr. Francisco Lorente Brox	39	46
Mr. Ramón Aliaga Carrión	12	14
Mr. Antonio Luque Luque	38	46
Mr. Francisco Belmonte López	12	13
Mr. José Manuel Moreno Ferreiro	20	20
Mr. Francisco Elias Góngora Cañizares	14	16
Mr. José Antonio Santorromán Lacambra	16	19
Mr. Agustín Miguel Sánchez Martínez	16	19
Mr. Rodrigo Muñoz Rodríguez	10	11
Total	**358**	**412**

Compensation for Executives in 2011 and 2010 is set out in the following table on an aggregate basis and these reports include compensation for four Executive Directors and three General Managers.

	Thousands of euros											
	Nº of people		Fixed remuneration		Variable remuneration		Social Security expenses		Compensation for termination of employment		Post-employment benefits	
Directors	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Directors	2	3	590	813	-	42	23	24	150	1,337	-	-
Members of the Governing Board	4	4	1,134	1,109	-	66	15	20	55	27	-	-
Total	**6**	**7**	**1,724**	**1,922**	**-**	**108**	**38**	**44**	**205**	**1,364**	**-**	**-**

At 31 December 2011 the section on post-employment benefits records the payments relating to obligations entered into with respect to pensions and life insurance premiums, with or without direct attribution to the beneficiary, totalling 205 thousand Euros and the payments made in 2010 totalling 1,364 thousand Euros are presented in the same manner.

24. Tax assets and liabilities – Corporate income tax

The breakdown of tax assets and liabilities at 31 December 2011 and 2010, respectively, is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2011	2010	2011	2010
Current Taxes:	**15,528**	**11,824**	**16,877**	**14,095**
Timing differences:	**166,590**	**145,333**	**48,360**	**41,266**
Goodwill on asset acquisition	869	922	-	-
Impairment losses on available-for-sale financial assets	11,228	8,266	-	-
Pension funds and other insurance	5,201	4,565	-	-
Unpaid fees and commissions (BoS, 4/2004)	1,656	1,996	-	-
Early retirement and termination fund	5,621	6,889	-	-
Loan impairment losses	25,901	35,477	-	-
Funds and provisions made	1,380	7,358	-	-
Credit investment at fair value	15,944	15,472	-	-
Under-valuation of available-for-sale financial assets	5,046	7,009	-	-
Other	3,859	3,755	-	-
Credit for losses to be offset from the year	76,844	47,037	-	-
Entitlements to deductions and allowances pending application	13,041	6,587	-	-
Revaluation of property	-	-	33,448	34,417
Revaluation of available-for-sale financial assets	-	-	824	382
Special depreciation and others	-	-	14,088	6,467
Total	**182,118**	**157,157**	**65,237**	**55,361**

The balance under the heading “Tax assets” records the amounts to be recovered over the coming twelve months (“Tax assets - Current”) and the amounts of the taxes to be recovered in future years, including those deriving from tax-loss carry forwards or tax credits for deductions or benefits yet to be applied (“Tax assets - Deferred”). The balance under the heading “Tax liabilities” include the amount of all tax liabilities, making a distinction between current and deferred items, except for any provisions for taxes that are recorded under the heading “Provisions” in the accompanying consolidated balance sheets.

The breakdown of deferred tax assets and liabilities included in the consolidated balance sheet at 31 December 2011 and 2010 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2011	2010	2011	2010
Balance at the beginning of the year	**145,333**	**113,785**	**41,266**	**49,657**
Castellón Incorporation	**3,104**	**-**	**2,041**	**-**
Adjustments from previous years	**(8)**	**3,302**	**42**	**1,923**
Income Tax of the year				
Impairment losses on available-for-sale financial assets	1,902	868	-	-
Goodwill	(59)	(56)	-	-
Pension funds and other insurance	308	337	-	-
Loans and receivables impairment losses	(8,234)	(16,021)	-	-
Credit investment and other at fair value	1,394	324	-	-
Unpaid fees and commissions (BoS, 4/2004)	(378)	(544)	-	-
Funds and provisions made	(4,197)	(9,373)	-	-
Early retirement and termination fund	(1,491)	1,792	-	-
Other	(1,650)	(10)	-	-
Credit for losses to be offset from the year	23,799	39,512	-	-
Entitlements to deductions and allowances	3,049	207	-	-
Revaluation of property	-	-	(179)	(263)
Special depreciation and others	-	-	2,791	(4,337)
Transfers and other				
Revaluation of available-for-sale financial assets	(3,055)	7,633	(1,328)	43
Other	6,773	3,577	3,727	(5,757)
Year end balance	**166,590**	**145,333**	**48,360**	**41,266**

There are no tax assets relating to positive temporary differences, tax-loss carry forwards or unrecorded tax credits for deductions at 31 December 2011 and 2010.

The reconciliation between the year's income and the taxable income corresponding to the years 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Accounting Result before taxes	**35,534**	**33,339**
Permanent differences:	**(44,244)**	**(34,327)**
Allocation to Welfare Fund	(340)	(801)
Mandatory Reserve Fund	(883)	(2,667)
Equity contributed capital	(43,249)	(32,143)
Other	228	1,284
Offsetting negative tax bases from previous periods	**-**	**-**
Adjusted Accounting Result	**(8,710)**	**(988)**
Temporary differences:	**(72,938)**	**(133,475)**
Impairment in available-for-sale financial assets	6,341	3,668
Goodwill	(230)	(221)
Pension Fund and other insurances	2,135	1,361
Impairment in loans and receivables	(47,320)	(65,560)
Non-accrued commission CBE 4/2001	(1,481)	(2,231)
Constituted funds and provisions	(16,425)	(37,170)
Early retirement fund	(5,839)	7,042
Revaluation in non-current assets held for sale	-	(34,403)
Other	118	1,410
Property revaluation	695	924
Depreciation and especial amortisation and other	(10,932)	(8,295)
Taxable income/loss	**(81,648)**	**(134,463)**
Tax Liability (30%-25%)	-	283
Tax deductions and credits	-	(58)
Withholdings and payments on account	(628)	(826)
Other	-	-
Tax Payable/ (Accrual)	**(628)**	**(601)**

The breakdown of corporate tax included in the consolidated income statement at 31 December 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Tax Liability (30%-25%)	(5,172)	690
Tax deductions and credits	(3,049)	(268)
Adjustment Income Tax previous years	(2,575)	(903)
Current Income tax	**(10,796)**	**(481)**

The Group has applied the tax benefits relating to the corporate income tax deductions and credits that are allowed by applicable legislation.

Independent of the corporate income tax recognized in the consolidated income statement, in 2011 and 2010 the Group charged the following amounts against its consolidated equity (deferred taxes), as follows:

	Thousands of euros	
	2011	2010
Revaluation of Tangible Assets	31,773	31,653
Variable Income Securites at Fair Value (Note 7.4.d.)	452	(888)
Fixed Income Securites at Fair Value (Nota 7.4.d.)	(4,675)	(6,351)
Fair value of creditinvestments and non-currentassets for sale	(14,806)	(15,714)

Movements in corporate income tax expenses and revenues reflected in the statement of recognised revenues and expenses totalling t 3,584 thousand Euros at 31 December 2011 (6,366 thousand euros at 31 December 2010), relate exclusively to the heading Available-for-sale financial assets.

A breakdown of tax-loss carryforwards, deductions and allowances available for offset in future years at 31 December 2011 and 2010 is as follows:

			Thousands of euros	
Generating Year	Concept	Last Compensation Year	2011	2010
2011	Credits from negative tax basis	2026	23,784	-
2011	Tax deductions and credits rights	2021	3,148	-
2010	Credits from negative tax basis	2025	45,495	39,572
2010	Tax deductions and credits rights	2020	3,613	207
2009	Credits from negative tax basis	2024	7,465	7,465
2009	Tax deductions and credits rights	2019	598	598
2008	Tax deductions and credits rights	2018	5,782	5,782
			89,885	**53,624**

As is mentioned in Note 1.1, in 2010 a merger involving the takeover of Caja Rural de Balears, Sociedad Cooperativa de Crédito took place. This merger has applied the system for special merger, spin-off, asset contribution and share swap governed by Title VII, Chapter VIII of Legislative Royal Decree 4/2004, which approved the Spanish Corporate Income Tax Act.

The latest balance sheet for Caja Campo, Caja Rural, Sociedad Cooperativa is included in Note 3.23 of these annual accounts. During the business combination process, the assets, liabilities and contingency liabilities relating to Caja Campo, Caja Rural, Sociedad Cooperativa have been included in the financial statements for Cajamar at the same value they had at the transferring entity (fair value).

No tax benefits have been applied by Caja Campo, Caja Rural, Sociedad Cooperativa for which Cajamar must meet certain requirements in accordance with the provisions of Article 90.1 and 90.2 of Legislative-Royal Decree 4/2004, which approved the Spanish Corporate Income Tax Act.

The Group's tax returns for all the years established by current legislation are open to inspection. A tax inspection proceeding was initiated in 2011 on corporate income tax (2005 to 2009), value added tax (March 2007 to December 2009), withholdings and payments on account of earned income/income from professional services (March 2007 to December 2009), withholdings and payments on account of property lease income (March 2003 to December 2009) and the annual declaration of operations (March 2007 to December 2009). The Tax Inspectorate has not issued any tax assessments at the preparation date of these Consolidated Annual Accounts. Due to the different interpretations of some transactions carried out by the Group and to which current Spanish legislation lends itself, there could be certain contingent tax liabilities which cannot be objectively quantified. However, the Governing Body of the Lead Entity and its tax advisers view the possibility of materialisation of such tax contingencies in any future inspection as remote, and consider in any event that any additional assessments that might be raised would not significantly affect these annual accounts.

25. Breakdown of the consolidated income statement

The most significant headings in the accompanying consolidated income statement at 31 December 2011 and 31 December 2010 are as follows:

- **Interest and similar yields, interest and similar charges and capital reimbursable on demand.**

  Details of these captions on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2011	2010
Interest and similar income		
Deposits with central banks	3,990	3,036
Loans and advances to credit institutions	7,831	10,895
Money market operations through counterparties	333	-
Loans and advances to other debtors	915,901	873,740
Debt securities (Notes 7.4.a and 7.6)	46,495	22,222
Non-performing assets	4,374	3,727
Income adjustments due to hedging operations	-	-
Income from insurance contracts linked to pensions and similar obligations	67	9
Other interest:		
Income from Pension Plan assets (Note 16)	1,482	1,530
Other:	1,924	2,175
Total	**982,398**	**917,334**
Interest expense and similar charges		
Deposits from central banks	(9,604)	(6,569)
Deposits from credit institutions	(34,035)	(15,389)
Money market operations through counterparties	(1,058)	-
Deposits from other creditors	(480,510)	(419,923)
Debt certificates including bonds	(112,608)	(96,960)
Subordinated liabilities (Note 7.7.e)	(2,522)	(3,355)
Expense adjustments due to hedging operations	44,192	59,597
Pension fund interest costs (Note 16)	(2,411)	(2,148)
Other interest	(455)	(1,455)
Total	**(599,011)**	**(486,202)**

	Thousands of euros	
	2011	2010
Remuneration of capital refundable on demand (Note 19)	**-**	**(5,428)**

- **Return on equity instruments**

  The details of this caption on the consolidated income statements for 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Return in equity investments		
Investments in associates (Note 11)	-	-
Other equity instruments (Note 7.4.b.)	2,162	2,016
Total	**2,162**	**2,016**

- **Results in Entities measured under the equity method**

  The contribution to profit or loss of entities accounted for using the equity method (Notes 2.7 and 11) on the consolidated profit and loss statements for 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Acuariums de Almería S.L.	(63)	(18)
Apartamentos Media Luna S.L.	537	357
Cajamar Vida, S.A. de Seguros y Reaseguros	8,981	7,293
Agrocolor S.L.	198	82
Occidental Arroyomolinos S.L.	(130)	(3)
Tino Stone Group, S.A.	(1,628)	(1,444)
Other associates	(230)	(827)
Total	**7,665**	**5,440**

- The heading **"Commissions received" and "Commissions paid"** in the accompanying consolidated income statement records the amount all commissions received and paid by the Group that accrued during the year, except for those that form part of the effective interest rate for financial instruments. The criteria followed to record these items in results are explained in Note 3.16.

The details of products generating fee and commission income or expenses during 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Fee and comission expense		
From contingent exposure	8,295	8,642
From contingent commitments	5,067	5,006
From exchanges of currency and notes from foreign banks	847	779
From collection and payment services	73,271	55,411
From securities services	4,676	1,516
From the marketing of non-bank financial products	19,276	19,889
Other commissions	19,677	18,198
Total	**131,109**	**109,441**
Fee and commission expense		
Brokerage fees in asset and liability operations	-	-
Commissions ceded to other entities and agents	(12,805)	(13,089)
Commissions paid for securities operations	(7,709)	(7)
Other commissions	(10)	(3)
Total	**(20,524)**	**(13,099)**

- **Results from financial operations**

The details of this caption on the consolidated income statements for 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Results from financial operations (Net)		
Portfolio	9,458	434
Other instruments at fair value with changes on profit and loss	69,023	1,375
Financial assets on sale	644	6,664
Credit investments	-	11
Investments to maturity	-	-
Financial liabilities at amortized cost	23,442	28,092
Accounting hedging not included in interests:		
Hedging derivatives	45,160	26,079
Covered balances	(45,151)	(24,428)
Other:		
Securiticised commissions written-off (Note 7.5.b.4)	4,989	9,191
Other	(116)	21
Total	**107,449**	**47,439**

- **Other operating revenues**

The details of this caption on the consolidated income statements for 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Income from investment properties (Note 12)	5,349	6,150
Income from tangible assets leased out under an operating lease	-	-
Sales and other income from the provision of non-financial services	28,892	17,052
Rest of operating income:		
Financial commissions to offset direct costs	6,778	8,440
Expenses included in assets	-	-
Compensation from insurance companies	2,600	159,999
Other recurring income	4,813	21,629
Other non-recurring income	5,848	(1,981)
Total	**54,281**	**51,450**

- **Other operating expenses**

The details of this caption on the consolidated income statements for 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Variation in inventories	(24,609)	(22,374)
Expenses from investment properties (Note 12)	(429)	(330)
Contribution to deposit guaranteed funds (Note 3.17)	(18,678)	(11,704)
Other operating expenses	(5,290)	(2,328)
Total	**(49,006)**	**(36,736)**

- **Personnel expenses**

The details of this caption on the consolidated income statements for 2011 and 2010 are as follows:

	Thousands of euros	
	2011	2010
Salaries and bonuses paid to active personnel	(186,658)	(181,368)
Social Security contributions	(48,660)	(45,042)
Contributions to define benefit plans (Note 16)	(2,494)	(1,415)
Contributions to define contribution plans (Note 16)	(7,255)	(6,791)
Compensation for termination of employment	(1,594)	(1,728)
Training expenses	(194)	(1,356)
Remunerations based on equity instruments	-	-
Other personnel expenses	(5,020)	(2,365)
Total	**(251,875)**	**(240,065)**

The average number of employees at the individual level of the Lead Entity and the consolidated figure for the Group, broken down by gender in accordance with Organic Law 3/2007 (22 March), is as follows:

	Individual		Consolidated	
	2011	2010	2011	2010
Average headcount				
Men	2,699	2,556	3,183	3,112
Women	1,948	1,763	2,250	2,150
Total	**4,647**	**4,319**	**5,433**	**5,262**

The average number of employees at Grupo Cooperativo Cajamar, broken down by professional category, is as follows:

	2011		2010	
	Men	Women	Men	Women
Directors	36	7	38	10
Administrators and qualified managers	1,653	601	1,629	486
Administrative officers	983	823	943	829
Administrative assistants	462	775	438	767
Various	49	44	64	58
Other group societies	-	-	-	-
Total	**3,183**	**2,250**	**3,112**	**2,020**

The average number of employees in 2011 at the Group that have a disability equal or exceeding 33% (or equivalent classification) is 92.

Benefits-in-kind granted to the Lead Entity's employees in 2011 and 2010 totalled 3,264 thousand Euros and 1,273 thousand Euros, respectively, and these benefits are included in the collective wage agreement and consist of loans granted at lower than market interest rates.

- **Other general administration expenses**

Details of this caption on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2011	2010
Property, fixture and tangible objects	(33,759)	(33,021)
IT	(11,584)	(9,068)
Communications	(5,887)	(5,426)
Advertising and publicity	(5,294)	(5,199)
Legal and lawyer expenses	(1,475)	(887)
Technical reports	(1,587)	(1,280)
Monitoring and fund transfer services	(4,500)	(4,603)
Insurance premiums and self-insurance	(924)	(955)
Governing and controlling bodies	(867)	(908)
Personnel representation and travelling expenses	(3,928)	(3,241)
Membership fees	(467)	(5)
Head office expenses charged to foreign branches	-	-
Outsourced administrative services	(8,084)	(7,931)
Contributions and taxes:		
For property	(1,401)	(1,025)
Other	(1,150)	(559)
Other expenses	(10,330)	(10,236)
Total	**(91,237)**	**(84,344)**

- **Allocations to provisions (net)**

Details of this caption on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2011	2010
Allocations to provisions (net)		
Allocations to pension funds and similar obligations (Note 16)	456	(12,446)
Provisions for contingent exposures and commitments (Note 16)	841	7,976
Other provisions (Note 16)	7,039	28,212
Total	**8,336**	**23,742**

- **Impairment losses on financial and other assets (net)**

Details of this caption on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2011	2010
Financial Assets		
Loans and receivables (Note 7.5.c)	(121,001)	(152,380)
Financial instruments not measured at fair value through profit or loss (available-for-sale financial assets) (Notes 7.4.c and 7.6)	(9,951)	(98)
Total	**(130,952)**	**(152,478)**
Other assets		
Goodwill and other intangible assets	(11,146)	(825)
Other assets:		
Non-current assets held for sale (tangible assets)	-	-
Investments	-	-
Tangible assets (Notes 12 and 15)	(3,266)	(2,110)
Rest of assets (Notes 3.24, 14 and 15)	(44,970)	(54,584)
Total	**(59,383)**	**(57,519)**

- **Gain/(loss) on the disposal of assets not classified as non-current assets for sale.**

The headings recorded on the accompanying consolidated income statements are analyzed below:

	Thousands of euros	
	2011	2010
Gains on sales		
Tangible assets (Note 12)	2,780	1,746
Investment properties (Note 12)	37	-
Assets awarded in foreclosure	-	-
Intangible assets	-	-
Investments	356	-
Equity instruments	-	-
Other profits	-	-
Total	**3,173**	**1,746**
Losses in sales		
Tangible assets (Note 12)	(7,216)	(5,907)
Investment properties	(13)	(86)
Assets awarded in foreclosure	-	(34)
Intangible assets (Note 13)	(118)	(347)
Investments	-	(2,225)
Equity instruments	-	-
Other profits	(21)	-
Total	**(7,368)**	**(8,599)**
Gains (losses) on disposal of assets not classified as non-current assets held for sale	**(4,195)**	**(6,853)**

- **Gain/(loss) on non-current assets for sale not classified as discontinued operations**

Details of these captions on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2011	2010
Gains on sale		
Tangible assets (Note 12)	69	162
Investment properties	-	-
Assets awarded in foreclosure	4,156	2,290
Intangible assets	5	-
Investments (Note 11)	-	-
Equity instruments	-	-
Other profits	-	9
Total	**4,230**	**2,461**
Losses on sales		
Tangible fixed assets	(1,075)	(59)
Investment properties	-	-
Assets awarded in foreclosure (Note 14)	(15,070)	(5,526)
Intangible assets	-	-
Investments (Note 11)	-	-
Equity instruments	-	-
Other losses	-	-
Total	**(16,145)**	**(5,585)**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(11,915)**	**(3,124)**

- **Result attributed to minority shareholders**

Details of these captions on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2011	2010
Hotel la Envia Golf S.L.	-	(105)
Cimenta2 Gestion e Inversiones S.L.	-	(3,071)
Rest	-	-
Total	**-**	**(3,176)**

26. Segment reporting

- **Segmenting by lines of business**

  Grupo Cooperativo Cajamar's core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Lead Entity segment and manage its operations through different lines.

- **Geographical segmenting**

  Similarly, the Lead Entity and other companies that make up Grupo Cooperativo Cajamar carry out their activities almost entirely in Spain and the type of customer is similar throughout Spain. Therefore the Lead Entity considers that there is a single geographical segment for Grupo Cooperativo Cajamar's entire operation.

27. Other Information

Investment services

The details of investment and complementary services by instrument type, indicating the amount of securities and other managed financial instruments and the commissions recorded on the consolidated income statements, are as follows:

	Thousands of euros	
Year 2011	Client Resources	Commissions
Type of investment services (services managed by the Group)	**-**	**-**
Total	**-**	**-**
Intermediary Service (services managed by the Group)		
Securities	-	-
Investment Funds	309,864	1,660
Pension Funds and insurances	658,807	17,603
SICAV´s	269	13
Total	**968,940**	**19,276**
Securities from thrid parties		
Subordinated liabilities	-	-
Equity instruments y Debt securities	1,001,779	4,676
Total	**1,001,779**	**4,676**

	Thousands of euros	
Year 2010	Client Resources	Commissions
Type of investment services (services managed by the Group)	**-**	**-**
Total	**-**	**-**
Intermediary Service (services managed by the Group)		
Securities	-	-
Investment Funds	360,746	1,680
Pension Funds and insurances	586,491	16,841
SICAV´s	284	16
Total	**947,521**	**18,537**
Subordinated liabilities	-	-
Equity instruments y Debt securities	776,173	1,507
Total	**776,173**	**1,507**

Contingent commitments

This item records the irrevocable commitments to provide financing in accordance with certain pre-established conditions and deadlines. All credit commitments held by the Group are immediately available.

The details of the "Lines drawable by third parties" (Note 6.a.4) and "Other contingent commitments" for 2011 and 2010, grouped by counterparty and indicating the limit and amount pending liquidity, are as follows:

	Thousands of euros			
	2011		2010	
	Limit	Available	Limit	Available
Available for third parties				
Credit institutions	-	-	3	3
Spanish Public Administrations	573,504	18,516	485,354	49,095
Other resident sectors	26,240,960	1,612,854	25,344,284	1,650,508
Non-resident public administration	204,031	2,632	207,367	3,074
Total	**27,018,495**	**1,634,002**	**26,037,008**	**1,702,680**
Commitments of hire-purchase of financial assets	**-**	**126,767**	**-**	**259,917**
Suscribed securities with pending payment	**-**	**2,975**	**-**	**10,912**
Other contingent commitments	**-**	**65,150**	**-**	**70,426**
Total contingent commitments	**27,018,495**	**1,828,894**	**26,037,008**	**2,043,935**

The average interest rate offered for these commitments is 3.61% in 2011 (1.62% in 2010).

External audit

The fees paid for the audit of the accounts and other services related to the Group, in 2011 and 2010, are as follows:

Year 2011

	Thousands of euros		
Company	Annual Accounts audit	Other services	Total
PricewaterhouseCoopers Auditores, S.L.	426	230	656

Year 2010

	Thousands of euros		
Company	Annual Accounts audit	Other services	Total
PricewaterhouseCoopers Auditores, S.L.	379	193	572
Deloitte S.L.	14	5	19
Apreblanc Asesores S.L.	-	3	3
Moore Stephens Ibergrup	7	2	9

Abandoned balances and deposits

In accordance with the matters indicated in Article 18 of Law 33/2003 (3 November) on public institution finances, the balances and deposits at the Lead Entity, in its capacity as a financial institution, that have been abandoned in accordance with that Article, totalled 6 thousand euros in 2011 (8 thousand Euros in 2010).

Customer Service

In compliance with Law 44/2002 (22 November) on Measures to Reform the Financial System, the Customer Ombudsman Regulations for Financial Services approved by Royal Decree 303/2004 (20 February), Order ECO/734/2004 (11 March) on Customer Service Departments and Customer Ombudsman services at financial institutions and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from other sales and operating areas to attend to and resolve complaints and claims that may be filed by Group customers with respect to their interests and legally recognised rights, whether deriving from contracts, transparency and customer protection legislation or good financial practices and uses, especially the principle of equitable treatment.

The Service applies to those Entities that form part of the Group in each moment in Group Cooperativo Cajamar.

The Customer Service Department is governed by operating regulations approved by the Lead Entity's Governing Body, initially on 20 July 2004 and it was updated to the current version on 17 February 2010.

Accordingly, and by virtue of Article 17.2 of the aforementioned Ministerial Order, Grupo Cooperativo Cajamar's Customer Service Department prepares an annual summary explaining the work it has performed during the year.

The number of case files opened by the Customer Service Department as a result of the complaints and claims filed in 2011 totalled 1,125 and 188 of those case files were not admitted or are pending admission. The reasons a case file is rejected are those established by Articles 14 and 18 of the applicable regulations and, mainly, to the omission of essential information necessary to process the file, the nature of the claims made in the sales area or due to covering issues that have already been processed or resolved via court judgements. The Bank of Spain and the Spanish Stock Market Commission received 75 and 2 claims, respectively, and no complaints or claims were filed with the DGS or FP.

Based on their subject matter, the types of claims filed are as follows:

	2011		2010	
	Nº Claims	%	Nº Claims	%
Asset operations	425	37.78%	416	44.35%
Payment methods and other banking products	193	17.16%	134	14.29%
Liability operations	149	13.24%	121	12.90%
Collection and payment services	128	11.38%	97	10.34%
Securities, insurance and pension funds	80	7.11%	59	6.29%
Other	150	13.33%	111	11.83%
	1,125	**100.00%**	**938**	**100.00%**

The overall outcome of complaints and claims presented at 31 December 2011 and 2010 can be classified as follows:

	%	
	2011	2010
In favour of the claimant	12.71%	14.39%
In favour of the Entity	54.12%	52.99%
Waivers	0.97%	1.39%
Undecided/Unresolved	4.88%	4.16%
Rejected	16.70%	13.11%
In process	10.62%	13.96%
	100.00%	**100.00%**

In absolute terms, in light of the number of complaints and of the 818 claims resolved during the year, 17% have been resolved in favour of the customer and 75% in favour of the entity involved with the claim. The average time taken to resolve these issues was 43 calendar days and at the end of the year 121 files remained pending resolution, of which 29 fall under the authority of the Claims Service at the Bank of Spain, 2 under the authority of the Investment Office at the Stock Market Commission and the rest fall to the Customer Service Department.

The decision criteria used by the Customer Service Department to resolve complaints and claims have been taken, mainly, for the criteria established by the Service and the result of claims made to the bodies supervising financial services, based on judgements regarding good practices and uses, the legislation that governs the transparency of banking operations and customer protection, and any other that is applicable to reach a correct and reasoned conclusion.

Of all of the complaints and claims filed during the year, 1,123 were filed against Cajamar Caja Rural, 1 against Caja de Crédito de Petrel, Caja Rural, Sociedad Cooperativa de Crédito Valenciana; and 1 against Caixa Rural Albalat dels Sorells, Cooperativa de Crédito Valenciana. No complaint or claim was filed against Caja Rural de Casinos, S. Coop. de Crédito V; or against Caixa Rural de Turís, Cooperativa de Crédito Valenciana.

Information regarding the deferral of payments to suppliers

On 5 July 2010 Law 15/2010 was published and amends Law 3/2004 (29 December), which establishes measures to fight against defaults in commercial transactions.

Among other things, this legislation eliminates the possibility of “party agreements” regarding the extension of payments to suppliers as a result of the financial repercussions of the financial crisis in all sectors, which resulted in an increase in non-payments, delays and extensions in the settlement of invoices due and payable, which particularly affects small and medium-sized companies due to their dependence on short-term credit and cash limitations in the current economic context. In addition, to fight against these difficulties, the law establishes a general maximum period between companies of 60 calendar days after the date on which the goods or services are provided, which will enter into force on 1 January 2013. Up until that time a transitional system is in place with longer maximum legal deadlines that will progressively fall for those companies that have agreed longer payment periods.

Regarding the activity carried out by the Group, the information relating to the deferral of debts relating to the payment of suppliers for services received and sundry supplies received other than payments to depositors. The payments made to these parties in 2011 are 399,654 thousand euros, all of which been made within the legal and contractual deadlines.

The balance pending payment at 31 December 2011 is not significant and is payable in a period that is shorter than that established by Law 15/2010.

28. Requirements regarding reporting transparency

In accordance with the RD 716/206 (24 April) (Note 1.4) which develops Law 2/1981 (25 March), the Governing Body declares that policies and explicit procedures exist which cover all the relevant aspects regarding the Mortgage Market and that those policies and procedures guarantee compliance with the applicable legislation.

Amongst the general credit operations admission policies, are regulated:

- The criteria as to consider that a risk is sufficiently guaranteed.
- The maximum financed amount with respect to the proterties in guarantee, depending on its nature.
- The rules in determining property investments value, amongst which a valuation of the property investments is required. This valuation should be certified by an appraisal entity which should be officially approved by the Entity.
- The required criteria to officially approve the appraisal Entitiy.
- The policies so as to measure the capacity of payment of the borrowers, from which the prudece outstands:
    - > The ones taking into account eventual rises in installments due to the rise in interest rates.
    - > The ones that end with the initial payment facilities included in some kinds of products, such as principal grace periods or increasing amortization systems.
- The credit operations admission frontier, that take into account the results in the capacity of payment evaluation.

- The necessary documents for the application of the credit operations which should include:

  > Information about the capital wealth of the parties in the operation.

  > Financial information that can lead to evaluate the capacity of generating resources from the parties.

In the general management and control of liquidity risk policies, rules exist that guarantee the existence of enough liquidity to always attend the payment obligations of the Entity.

The nominal value of mortgage bonds and securities, issued by the Entity at 31 December 2011 and 31 December 2010, rise up to 2,250,000 thousand Euros (notes 7.7.c and 7.7.d).

28.1 Information Regarding the Mortgage Market

The information regarding the special accounting registry for the mortgage loans issued by the Entity as well as de financial instruments and other operations related to the mortgage market is shown, in accordance with Law 2 /1981 (25 March) regulating the Mortgage Market, modified by Law 41/2007 (7 December) and in accordance with the information required by RD 716/2009 (24 April), whereby some aspects of the mentioned law are developed.

The nominal and updated value of the credit and mortgage loans that support the mortgage bonds and securities at 31 December 2011 and 31 December 2010 is as follows:

	Thousands of euros	
	Nominal Value	
	2011	2010
1. Total loans	20,811,040	20,697,208
2. Collateralised mortgage bonds issued	1,778,713	1,882,995
Of which : Loans maintained in the balance	1,406,260	1,467,488
3. Mortgage transfer notes issued	3,815,876	4,685,401
Of which : Loans maintained in the balance	3,729,623	4,589,231
4. Loan securities plegded as security of funding recieved	-	-
5. Hipotecary loans that support the emission of mortgage loans (1 - 2 - 3 - 4)	15,216,450	14,128,812
Non eligible loans	5,444,500	4,648,687
They fulfil the requirementes to be eligible except the limit in article 5.1 of the RD 716/2009	1,972,415	2,425,935
Rest	3,472,084	2,222,752
Eligible loans	9,771,951	9,480,125
Non computable amounts	475,640	465,595
Computable amounts	9,296,310	9,014,531
Loans that cover motgage bond issues	-	-
Suitable loans for the hedging of securities issued	9,296,310	9,014,531

The information regarding the loans that support the mortgage bonds and securities issue, distinguishing those eligible for the years ending 31 December 2011 and 31 December 2010:

	Thousands of euros			
	2011		2010	
	Pending principal	Eligible Operations	Pending Principal	Eligible operations
Origin of the operation	**15,216,450**	**9,771,951**	**14,128,812**	**9,480,125**
Originated by the Entity	13,307,234	8,286,444	12,432,536	8,069,634
Sobrogated from another operation	1,827,681	1,443,192	1,650,472	1,372,235
Rest of adquisitions	81,535	42,315	45,804	38,256
Denomination currency	**15,216,450**	**9,771,951**	**14,128,812**	**9,480,125**
Euro	15,216,450	9,771,951	14,128,812	9,480,125
Rest of currency	-	-	-	-
Payment situation	**15,216,450**	**9,771,951**	**14,128,812**	**9,480,125**
With up to date payments	11,609,193	7,960,941	11,096,574	7,859,444
Rest of situations	3,607,257	1,811,010	3,032,238	1,620,681
Average residual term	**15,216,450**	**9,771,951**	**14,128,812**	**9,480,125**
Up to 10 years	2,577,767	1,309,633	2,164,912	1,195,124
From 10 to 20 years	4,699,946	2,729,925	4,164,769	2,598,284
From 20 to 30 years	5,402,463	3,873,379	5,343,270	3,825,512
More than 30 years	2,536,274	1,859,014	2,455,861	1,861,205
Interest Rate	**15,216,450**	**9,771,951**	**14,128,812**	**9,480,125**
Fixed	558,270	318,088	634,949	389,424
Variable	14,236,435	9,219,694	13,284,877	8,959,301
Mixed	421,745	234,169	208,986	131,400
Purpose of the operation	**15,216,450**	**9,771,951**	**14,128,812**	**9,480,125**
Legal and natural persons using them for their business activity	7,197,061	3,667,835	6,618,410	3,514,034
of whom: with a property investment object	3,241,265	1,765,146	3,563,542	1,889,896
Homes	8,019,389	6,104,116	7,510,402	5,966,091
Guarantee type	**15,216,450**	**9,771,951**	**14,128,812**	**9,480,125**
Assets - finished buildings	**12,034,696**	**8,342,196**	**10,976,786**	**7,903,820**
Residential use	11,039,050	7,881,509	10,154,520	7,505,622
Of which: Social housing	456,407	270,833	335,859	218,069
Comertial use	118,287	48,475	134,893	42,874
Other assets	877,359	412,212	687,373	355,324
Assets - buildings in construction	**708,096**	**382,017**	**891,696**	**503,483**
Residential use	536,637	310,484	797,261	448,962
Of which: Social housing	57,617	38,742	78,465	44,998
Comertial use	88,233	21,090	53,548	27,567
Other assets	83,226	50,443	40,887	26,954
Land	**2,473,658**	**1,047,738**	**2,260,330**	**1,072,822**
Urbanized	1,036,651	352,515	1,117,551	436,806
Other assets	1,437,007	695,223	1,142,779	636,016

The nominal value of the available amounts (undrawn committed amounts), of the mortgage loans that support the issue of mortgage bonds and securities, differentiating those which are potentially eligible at 31 December 2011 and 31 December 2010 is as follows:

	Thousands of euros	
	2011	2010
Potentially eligible	223,958	310,193
Not potentially eligible	158,552	120,520

The nominal value of all the mortgage loans and credits ineligible that fail with the limits established in RD 716/2009 (article 5.1) but however complies with all the rest of the requirements of the eligible, indicated in article number for of the RD, amounts 1,972,415 thousand Euros at 31 December 2011 (2,425,935 thousand Euros at 31 December 2010).

The following table shows, for the years ended at 31 December 2011 and 31 December 2010, the relationship between the mortgage loans and credits and the appraisal values corresponding to the last available valuation corresponding to the last available valuation of the respective mortgaged goods (Loan to value-LTV).

	Thousands of euros					
	2011					
	LTV ≥ 40%	40%< LTV ≤ 60%	LTV ≥ 60%	60%< LTV ≤ 80%	LTV > 80%	Total
Upon housing	967,924	2,058,778	-	4,156,416	-	7,183,118
Upon rest of assets	1,054,690	1,529,461	4,681	-	-	2,588,833

	Thousands of euros					
	2010					
	LTV ≥ 40%	40%< LTV ≤ 60%	LTV ≥ 60%	60%< LTV ≤ 80%	LTV > 80%	Total
Upon housing	938,857	1,977,378	-	4,206,436	-	7,122,671
Upon rest of assets	1,006,464	1,350,990	-	-	-	2,357,454

The movements in the mortgage portfolio supporting the issue of mortgage bonds and securities, distinguishing between eligible and ineligible is as follows:

	Thousands of euros	
	Eligible Loans	Non Eligible Loans
Starting Balance at 31 December 2010	**9,476,897**	**4,566,963**
Eliminations:	**1,349,187**	**1,084,426**
Maturity date	359,019	317,102
Early cancellation	325,525	163,496
Subrogation by another Entity	3,396	1,320
Rest	661,247	602,508
Additions:	**1,644,241**	**1,860,764**
Originated by the Entity	411,456	837,906
Subrogation by another Entity	86,922	129,363
Rest	1,145,863	893,495
Ending Balance at 31 December 2011	**9,771,951**	**5,343,301**

The qualitative and quantitative information at 31 December 2011, regarding assets received as payment of debts regarding the destiny of the initial granted financing is as follows:

	Thousands of euros			
	2011		2010	
	Net book value	Hedging	Net book value	Hedging
Real-estate assets coming from the credit aimed for construction companies and property development	**676,161**	**303,761**	**508,165**	**115,448**
Finished buildings	*206,856*	*71,282*	*144,026*	*21,652*
Home	176,052	62,925	130,256	18,614
Rest	30,804	8,357	13,770	3,038
Buildings in construction	*119,664*	*60,060*	*50,670*	*13,806*
Home	117,222	58,809	50,670	13,806
Rest	2,442	1,251	-	-
Land	*349,641*	*172,419*	*313,469*	*79,990*
Urbanized	245,594	130,971	232,163	59,137
Other assets	104,047	41,448	81,306	20,853
Property coming from homebuilding credits to homes for property adquisition	**109,487**	**57,077**	**71,407**	**34,122**
Rest of foreclosed assets	**83,152**	**32,160**	**8,371**	**10,615**
Capital instruments, investments and financing to non consolidated societies helding assets	**8,812**	**5,914**	**2,419**	**1,227**

(*) Amount registered in balance, after deduction of amounts constituted for its hedging

The Entity maintains policies and strategies related to the recuperation of liquidity of this kind of assets, which are collected and detailed in Note 6 of these annual accounts.

At 31 December and 31 December 2010 there are no assets subject to security issues.

All of the bond and securities issues have been made under no public offer, the aggregate nominal value qualified according to their residual maturity date at 31 December 2011 and 31 December 2010 is as follows:

	Thousands of euros			
	Nominal value		Average residual maturity date	
	2011	2010	2011	2010
Emitted mortgage loans	-	-	-	-
Securities issued				
Of which: None registered in liabilities	-	-	-	-
Debt securities. Issued through public offer				
Residual maturity date up to a year	-	-	-	-
Residual maturity date more than one year and up to two years	-	-	-	-
Residual maturity date more than two years and up to three years	-	-	-	-
Residual maturity date more than three years and up to five years	-	-	-	-
Residual maturity date more than five years and up to ten years	-	-	-	-
Residual maturity date more than ten years	-	-	-	-
Debt securities. Rest of emissions				
Residual maturity date up to a year	88,200	244,600	-	1
Residual maturity date more than one year and up to two years	250,000	88,200	1	1
Residual maturity date more than two years and up to three years	1,600,000	250,000	5	2
Residual maturity date more than three years and up to five years	2,500,000	2,300,000	6	6
Residual maturity date more than five years and up to ten years	500,000	800,000	10	5
Residual maturity date more than ten years	-	-	-	-
Deposits				
Residual maturity date up to a year	-	-	-	-
Residual maturity date more than one year and up to two years	-	-	-	-
Residual maturity date more than two years and up to three years	-	-	-	-
Residual maturity date more than three years and up to five years	-	-	-	-
Residual maturity date more than five years and up to ten years	-	-	-	-
Residual maturity date more than ten years	-	-	-	-
Collateralised mortgage bonds				
Issued through public offer	-	-	-	-
Rest of emissions	1,395,075	1,480,695	17	18
Mortgage transfer notes issued				
Issued through public offer	-	-	-	-
Rest of emissions	3,985,002	5,061,980	20	21

At 31 December 2011 and 31 December 2010 no mortgage bond issue existed.

28.2 Information regarding construction, real estate and property purchase financing

The information required by the Bank of Spain, related to the informative transparency regarding construction, real estate and property purchase financing, as well as financing strategies and needs is detailed.

The details of the financing intended to real estate construction and promotion as well as its hedges at 31 December 2011 and 31 December 2010 is as follows:

	Thousands of euros					
	Gross amount		Excess over guarantee value		Specific Hedging	
	2011	2010	2011	2010	2011	2010
Resgistered credit by the credit Entities of the Group (businesses in Spain)	**3,256,560**	**3,582,135**	**752,678**	**789,319**	**223,605**	**217,120**
Of which: Doubtful	662,752	476,172	259,942	176,095	219,195	153,243
Of which: Sub-prime	32,589	401,255	2,232	68,866	4,409	63,877
Memorandum item:						
Total general hedging (total businesses)	34,041	78,429	-	-	-	-
Failed assets	20,111	34,275	-	-	-	-

	Thousands of euros	
	Net book value	
	2011	2010
Loans and advances to other debtors excluding Public Administrations	24.829.505	24.545.976
Total consolidated assets (total businesses)	30.988.631	29.809.468

The gross amount, without taking into consideration impairment adjustments, of the operations classified by its associated guarantee at 31 December 2011 and 31 December 2010 has the following breakdown:

	Thousands of euros	
	2011	2010
Without mortgage security	**38,911**	**53,270**
With mortgage security	**3,217,649**	**3,528,865**
Finished buildings	*1,558,789*	*1,570,412*
Homes	1,378,207	1,381,337
Rest of finished buildings	180,582	189,075
Buildings in construction	*705,027*	*880,388*
Homes	536,176	789,533
Rest of finished buildings	168,851	90,855
Land	*953,833*	*1,078,065*
Urbanized	884,936	974,860
Other assets	68,897	103,205
Total	**3,256,560**	**3,582,135**

The detail of retail loans for the acquisition of housing at 31 December 2011 and 31 December 2010 is as follows:

	Thousands of euros			
	2011		2010	
	Gross amount	Of which: doubtful	Gross amount	Of which: doubtful
Credit for acquisition of home	**11,980,711**	**352,607**	**11,805,590**	**290,916**
Without mortgage security	32,579	415	55,553	3,925
With mortgage security	11,948,132	352,192	11,750,037	286,990

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2011 and 31 December 2010 is as follows:

	Thousands of euros					
	2011					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80 < LTV ≤ 100%	LTV > 100%	Total
Credit for property acquisitions with mortgage guarantee	1,657,204	3,219,469	5,476,089	768,787	826,583	11,948,132
Of which: doubtful	11,888	42,902	142,624	90,288	64,489	352,191

	Thousands of euros					
	2010					
	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	Total
Credit for property acquisitions with mortgage guarantee	1,533,329	3,028,250	5,695,614	759,218	733,626	11,750,037
Of which: doubtful	10,471	36,254	137,340	69,270	33,655	286,990

28.3 Quantitative information related to the financing needs and strategies

The Assets and Liabilities Committee (ALCO) is responsible for the management of the liquidity of the Group. The principles, instruments and limits in which risk management is based are described in Note 6- Risk Management.

The year 2011 has closed with a hedging level of the retail and medium and long term loan portfolio of 90.4%

The financing structure of the corporate markets of Grupo Cooperativo Cajamar is based on the issues and other medium and long term financing that represent the 88.8% of the total, being diversified by instruments, maturity and markets.

During 2011, the Group has issued 3 mortgage bonds for an amount of 1,500 million Euros, in order to reinforce the available guarantees against The European Central Bank. In the same period, maturities in wholesale financing sum up to 871.6 million Euros, besides periodic amortizations in assets securities (net participations issued).

On the other hand the Group maintains liquid assets (eligible for financing operations with The Europan Central Bank) for 7,017 million Euros of nominal value, as a colleteral financial instruments issuance capacity (securities issues and territorial bonds issues) which exceeds 2,800 million Euros.

The breakdown of the information regarding the financial needs and strategies at 31 December 2011 and 31 December 2010 is as follows:

	Thousands of euros	
	2011	2010
Stable funding necesities		
Loans and advances to other debtors	18,893,592	17,551,330
Credit to Entities of the Group and related	394,086	330,194
Securitised assets	5,400,841	6,729,860
Specific funds	516,467	502,851
Foreclosed assets	856,521	576,672
Total loans and advances to other debtors	**26,061,507**	**25,690,907**
Investments	**55,750**	**98,465**
Total fund necesities	**26,117,257**	**25,789,372**

	Thousands of euros	
	2011	2010
Stable fund sources		
Clients covered at 100% by the G.F.D.	10,538,976	10,218,826
Clients not covered at 100% by the G.F.D.	6,450,122	7,210,738
Total loans to retail clients	**16,989,098**	**17,429,564**
Bond and securities issued	3,142,200	3,434,700
Regional bonds	-	-
Senior Debt	-	390,000
Issues endorsed by the State	1,609,000	1,734,000
Subordinated, preferenced and convertibles	58,300	160,700
Other financial instruments at medium and long term	102,850	79,950
Securisations sold to third parties	1,667,240	1,914,178
Other funding with maturity date over a year	3,890	3,890
Long term wholesale funding	**6,583,480**	**7,717,418**
Equity	**2,666,368**	**2,324,281**
Total stable fund sources	**26,238,946**	**27,471,263**

The maturity detail of the wholesale debt at 31 December 2011 is as follows:

	Thousands of euros			
	2012	2013	2014	>2014
Issue:				
Bonds and mortgage bonds	-	-	-	-
Mortgage Bonds	88,200	250,000	1,304,000	1,500,000
Territorial bonds	-	-	-	-
Senior debt	-	-	-	-
Issues guaranteed by the State	1,134,000	475,000	-	-
Subordinated, prefent and convertible securities	-	-	-	58,300
Securizations sold to third parties	182,399	163,092	289,940	1,031,809
Other financial instruments at medium and long term	72,350	-	-	30,500
Other more than one year financing	-	486	486	2,918
Commercial paper	-	-	-	-
Total maturity of corporate issues	**1,476,949**	**888,578**	**1,594,426**	**2,623,527**

Liquid assets and the emission capacity available at 31 December 2011 and 31 December 2010 are as follows:

	Thousands of euros	
	2011	2010
Liquid Assets		
Eligible Assets (nominal value)	7,017,635	5,804,371
Eligible Assets (fair value and ECB adjustment)	5,369,898	4,266,931
Of which:		
debt with central public administration	*1,146,286*	*802,431*
Pledged Assets (fair value and ECB adjustment)	3,357,896	2,241,197
None- pledged Assets (fair value and ECB adjustment)	2,012,001	2,025,734
Total liquid assets	**12,387,533**	**10,071,302**
Issue Capacity		
Mortgage bonds	2,578,343	2,954,640
Territorial bonds	350,369	-
Issues guaranteed by the State	-	296,000
Total issueance capacity	**2,928,712**	**3,250,640**
Total liquidity capacity	**9,458,821**	**6,820,662**

29. Subsequent events

Royal Decree-Law 2/2012 was published on 4 February 2012, addressing the write-down of the Spanish financial sector's real estate assets; based on 2011 year-end data, the Group estimates that provisions totalling 547,888 thousand Euros and capital of 212,209 thousand Euros are required to adapt to the new requirements brought in by this Royal Decree.

The Group has sufficient equity capital to absorb these write-downs in the current period while maintaining a good core capital ratio, which stood at 13.10% at 31 December 2011, representing a surplus of 996,425 thousand Euros over the mandatory minimum figure.

Independent of the matters mentioned in these notes to the accounts, between 31 December 2011 and 23 February 2012, the date on which the Lead Entity's Governing Body prepared these annual accounts, no significant event has taken place that must be included in the accompanying annual accounts to adequately present a true and fair view of the equity, financial situation, results from operations, changes in equity and the cash flows recorded by the Group.

Appendix I Breakdown of shareholdings at 31 December 2011

The details regarding the entities participating in the Group and the jointly-controlled entities whose balance sheets and income statements are integrated using the full and proportional consolidation methods are as follows:

			% shareholding		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Group Entities								
Caja Rural Castellón S. Isidro, S.C.C.V. (a)	C/ Gasset, 1, Castellón de la Plana	Cooperative credit union	-	-	-	458,145	25,098	184
Caixa Rural Albalat Dels Sorells C.C.V. (a)	C/ Padre Salvador nº11. Albalat dels Sorells. Valencia	Cooperative credit union	-	-	-	42,738	7,429	(25)
Caixa Rural de Turís C.C.V. (a)	Plaza de la Constitución nº 2. Turis. Valencia	Cooperative credit union	-	-	-	51,604	6,994	(1,852)
Caja de Crédito de Petrel,Caja Rural, C.C.V. (a)	C/ San Bartolomé nº 2. Petrer. Alicante	Cooperative credit union	-	-	-	149,723	18,137	458
Caja Rural de Casinos, S.C.C. (a)	Plaza Mayor 10. Casinos. Valencia	Cooperative credit union	-	-	-	44,289	4,920	117
Cajamar Gestión, S.A.U. (a)	C/ Goya, 15-2º. Madrid	Fund manager	100.00%	-	2,576	2,576	2,576	8
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Barcelona, 5. Almería	Insurance broker	100.00%	-	60	3,170	196	134
Cajamar Renting, S.L.U. (b)	Plaza de Barcelona, 5. Almería	Rental of all types of goods	100.00%	-	59	59	59	-
Cimenta2 Gestión e Inversiones, S.L.U. (a)	Avda. de la Envía 45, Vicar. Almería	Property development	100.00%	-	53,133	425,521	43,602	(24,017)
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provision of technological services	95.00%	5.00%	3	756	3	-
Eurovía Tecnología S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Computer applications and supplies consultant	-	100.00%	12	218	30	2
Grupo Hispatec Informática Empresarial, S.A.U. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provider of IT services	100.00%	-	5,127	8,870	5,277	(1,660)
Hotel Envia Golf, S.L. (a)	Avda Mariano Hernández,50. Roq. De Mar.Almeria	Property development in Envia Golf and Las Salinas	-	100.00%	12,740	19,214	12,740	(3,188)
Sunaria Capital, S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 1ª planta. Almería	Holding company	100.00%	-	9,143	13,241	9,056	(4,318)
Talia Formación S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 4ª planta. Almería	Human Resources Consultant	-	100.00%	41	147	87	9
Tarket Gestión, A.I.E. (a)	Avd. Montserrat Edif. Brisas portal 7, 3ª planta. Almería	General services	94.00%	6.00%	3	643	3	-
					82,897	**1,220,914**	**136,207**	**(34,147)**
Jointly controlled entities								
Safei Rural Málaga, S.A. (b)	Plaza de la Marina, 1. Málaga	Fiancial broker	50.00%	-	16	32	32	(2)
					16	**32**	**32**	**(2)**

(a)Company Audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Without activity.

Details regarding entities accounted for by the equity method at 31 December 2011 are as follows:

			% shareholding		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Associates								
Acuariums de Almería, S.L.	Avda. Reino de España s/n. Roquetas de Mar. Almería	Operation of an aquarium	-	25.00%	40	3,718	255	(252)
Agrocolor, S.L.	Carretera de Ronda, 11-1º E. Almería	Quality certification	32.37%	-	18	2,520	1,887	610
Apartamentos Media Luna S.L.	Avda La Envia 45. Vicar. Almeria	Property development	-	50.00%	16,146	17,917	2,263	1,074
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería	Plague Integral Controller	-	22.19%	346	2,822	1,589	(282)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	3,042	25,608	6,009	92
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	4,508	278,876	46,067	17,963
Cultipeix S.L. (b)	Camino Etxebarria, s/n. Burriana. Castellón de la Plana	Fish farming	-	21.28%	-	22,530	(4,933)	(11,549)
Inversiones Turísticas y Hoteleras INMO, S.L. (c)	Avda. de la Palmera 48, Sevilla	Property development	-	19.71%	-	14,865	2,050	(573)
Murcia emprende S.C.R., S.A. (d)	Avda. de la Fama, 3. Murcia	Venture capital investment	25.00%	-	1,118	4,570	4,547	(215)
Occidental Arroyomolinos, S.L.	C/ Princesa, 3 Duplicado, 1ª planta. Apartamento 113. Madrid	Property development	-	25.00%	-	23,473	921	(520)
Parque Científico- Tecnológico de Almería, S.A. (e)	Campus Universidad Almería. La Cañada S. Urbano. Almería	Management of shopping areas	30.05%	-	4,800	56,740	18,808	(199)
Proyecta Ingenio, S.L.	Avda. Cabo de gata, 23. Almería	Consulting in quality and agricultural procedures	-	24.90%	15	401	169	102
Sabinal Agroservicios, S.A.	Carretera de Ronda , 11, 1º-E. Almería	Agricultural cooperative services	50.00%	-	24	48	46	(2)
Savia Biotech, S.A.	C/ Magistral Dominguez, 11-3º. Almería	Biotechnology applied to agriculture	19.23%	-	282	1,912	1,403	(511)
Tino Stone Group, S.A. (f)	Pol. Ind. Rubira Sola, s/n. Macael. Almería	Construction subcontractor	24.96%	-	907	98,546	3,534	(10,472)
					31,246	**554,546**	**84,615**	**(4,735)**

(a) Audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Society in liquidation process
(c) Audited by Hemisfinan Auditores, S.L.
(d) Audited by Deloitte auditores, S.L.
(e) Audited by Audiconsa Auditores, S.L.
(f) Audited by Ernst & Young Auditores, S.L.

Appendix I. Breakdown of shareholdings at 31 December 2010

The details regarding the entities participating in the Group and the jointly-controlled entities whose balance sheets and income statements are integrated using the full and proportional consolidation methods are as follows:

			% shareholding		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Group Entities								
Caixa Rural Albalat Dels Sorells C.C.V. (a)	C/ Padre Salvador nº11.Valencia	Cooperative credit union	-	-	-	42,345	7,498	154
Caixa Rural de Turís C.C.V. (a)	Plaza de la Constitución nº 2. Valencia	Cooperative credit union	-	-	-	56,097	9,080	86
Caja Campo Caja Rural, S.C.C. (a)	Avda. Arrabal, 18. Requena. Valencia	Cooperative credit union	-	-	-	1,178,772	81,255	2,721
Caja de Crédito de Petrel,Caja Rural, C.C.V. (a)	C/Saịn Bartolomé nº 2. Alicante	Cooperative credit union	-	-	-	149,991	17,737	438
Caja Rural de Casinos, S.C.C. (a)	Plaza Mayor 10. Casinos. Valencia	Cooperative credit union	-	-	-	43,778	4,811	171
Cajamar Gestión S.G.I.I.C., S.A.U. (a)	C/ Goya, 15-2º. Madrid	Fund manager	100.00%	-	2,579	2,577	2,568	(270)
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Barcelona, 5. Almería	Insurance broker	100.00%	-	60	1,983	162	36
Cajamar Renting, S.L.U. (b)	Plaza de Barcelona, 5. Almería	Rental of all types of goods	100.00%	-	59	59	59	-
Cimenta2 Gestión e Inversiones, S.L.U. (a)	Calle General Segura nº 8, entre planta. Almería	Property development	83.13%	-	65,549	398,750	72,481	(18,828)
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provision of technological services	96.00%	1.00%	3	615	3	-
Eurovía Tecnología S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Computer applications and supplies consultant	-	100.00%	12	120	28	2
Grupo Hispatec Informática Empresarial, S.A.U. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provider of IT services	100.00%	-	2,554	8,136	2,060	(1,719)
Hotel Envia Golf, S.L. (a)	Avda Mariano Hernández,50. Roq. de Mar. Almeria	Property development in Envia Golf and Las Salinas	-	83.13%	13,427	20,966	13,427	(2,292)
Sunaria Capital, S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7. Almería	Holding company	100.00%	-	7,681	16,717	5,136	(4,469)
Talia Formación S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Human Resources Consultant	-	100.00%	42	225	78	16
Tarket Gestión, A.I.E. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	General services	95.00%	2.00%	3	427	3	-
					91,969	**1,921,558**	**216,386**	**(23,956)**
Jointly controlled entities								
Safei Rural Málaga, S.A. (b)	Plaza de la Marina, 1. Málaga	Fiancial broker	50.00%	-	17	35	35	(1)
					17	**35**	**35**	**(1)**

(a) Audited society by por PriceWaterhouse Coopers Auditores, S.L.
(b) Without activity.

At 31 December 2010 associated entities measured using the equity method are as follows:

			% shareholding		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Associates								
Acuariums de Almería, S.L.	Avda. Reino de España s/n. Roquetas de Mar. Almería	Operation of an aquarium	-	25.00%	110	3,945	733	(72)
Agrocolor, S.L.	Carretera de Ronda, 11-1º E. Almería	Quality certification	32.37%	-	18	2,118	1,479	253
Alevines del Sureste, S.L.	C/ Zinc s/n aptdo correos 160.Parque Empresarial Carabona	Fish farming	-	17.78%	-	3,588	616	213
Almagra Pro-2000, S.L.	Avd. Virgen del Rocío, Resd. Guadalcántara, Local 2. Málaga	Development and construction	23.50%	-	7	29	26	(3)
Apartamentos Media Luna S.L.	Avda La Envia 45. Vicar. Almeria	Property development	-	41.57%	16,146	16,366	2,047	860
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería	Plague Integral Controller	-	22.19%	378	3,289	1,837	(172)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	1,963	11,652	3,328	(835)
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	4,508	200,832	45,503	14,585
Cultipeix S.L. (b)	Camino Etxebarria, s/n. Burriana. Castellón de la Plana	Fish farming	-	21.28%	-	22,530	(4,933)	-
Iniciativas económicas de Almería S.C.R., S.A. (a)	C/ Magistral Dominguez, 11-3º. Almería	Venture capital investment	24.97%	-	1,383	5,270	5,233	(472)
Inversiones Turísticas y Hoteleras INMO, S.L. (d)	Avda. de la Palmera 48, Sevilla	Property development	-	19.71%	-	15,308	2,903	(3,931)
Murcia emprende S.C.R., S.A. (c)	Avda. de la Fama, 3. Murcia	Venture capital investment	25.00%	-	1,196	4,777	4,754	(110)
Occidental Arroyomolinos, S.L. (f)	C/ Princesa, 3 Duplicado, 1ª planta. Madrid	Property development	-	25.00%	-	24,327	1,439	(12)
Occidental Benalmádena, S.L. (f)	C/ Princesa, 3 Duplicado, 1ª planta. Madrid	Property development	-	25.00%	-	34,184	1,495	(426)
Parque Científico- Tecnológico de Almería, S.A. (e)	Campus Universidad Almería. La Cañada S. Urbano. Almería	Technological Park in Almería	30.05%	-	4,800	49,951	16,119	(267)
Proyecta Ingenio, S.L.	Avda. Cabo de gata, 23. Almería	Consulting in quality and agricultural procedures	-	24.90%	2	161	103	51
Sabinal Agroservicios, S.A.	Carretera de Ronda , 11, 1º-E. Almería	Agricultural cooperative services	50.00%	-	24	48	48	(234)
Savia Biotech, S.A.	C/ Magistral Dominguez, 11-3º. Almería	Biotechnology applied to agriculture	19.23%	-	402	2,643	2,121	(94)
Tino Stone Group, S.A. (g)	Pol. Ind. Rubira Sola, s/n. Macael. Almería	Construction subcontractor	24.96%	-	5,659	112,840	12,613	(736)
					36,596	**513,858**	**97,464**	**8,598**

(a) Audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Society in liquidation process
(c) Audited by ACR Auditors Group, S.L.
(d) Audited by Deloitte auditores, S.L.
(e) Audited by Audiconsa Auditores, S.L.
(f) Audited by León y Martín Auditores, S.R.L.
(g) Audited by Ernst & Young Auditores, S.L.

Appendix II. Details of branches by geographic area

Province		Nº of GCC Branches 2011	Nº of GCC Branches 2010
ANDALUCIA		**393**	**399**
	Almería	197	202
	Cádiz	14	14
	Córdoba	4	3
	Granada	26	24
	Huelva	3	3
	Jaén	3	3
	Málaga	142	145
	Sevilla	4	5
ARAGÓN		**1**	**2**
	Zaragoza	1	2
ASTURIAS		**1**	**1**
BALEARES		**28**	**30**
CANTABRIA		**2**	**2**
CASTILLA-LA MANCHA		**22**	**21**
	Albacete	9	9
	Ciudad Real	1	1
	Cuenca	9	8
	Guadalajara	1	1
	Toledo	2	2
CASTILLA Y LEÓN		**116**	**121**
	Avila	9	9
	Burgos	3	3
	León	11	12
	Palencia	20	20
	Salamanca	1	1
	Segovia	2	2
	Soria	1	1
	Valladolid	66	70
	Zamora	3	3
CATALUÑA		**69**	**74**
	Barcelona	62	67
	Gerona	4	4
	Lérida	1	1
	Tarragona	2	2
COMUNIDAD VALENCIANA		**128**	**115**
	Alicante	24	25
	Castellón	1	2
	Valencia	103	88
GALICIA		**2**	**-**
	A Coruña	1	-
	Ourense	1	-
LA RIOJA		**1**	**1**
MADRID		**51**	**60**
MURCIA		**190**	**197**
NAVARRA		**1**	**1**
CEUTA		**1**	**1**
MELILLA		**2**	**2**
		1,008	**1,027**

Appendix III. Details of financial agents by geographic area

1. **List of authorised persons in accordance with section 1.1** of Bank of Spain Circular 4/2010 (30 July) for credit institutions and agreements concluded for the habitual rendering of financial services:

Province	Name	Scope of activity	Date
Almería			
	Mr. JOSÉ ANTONIO GODOY GARCÍA	Fondón	10/23/2009
	Mr. JOSÉ MARTÍNEZ CARMONA	Paterna del Río and Bayárcal	10/23/2009
	Mr. JOSÉ LUIS MATARÍN GUIL	Alboloduy, Santa Cruz de Marchena, Alsodux and Alhabia	10/23/2009
	Mr. FRANCISCO ORTA TORRES	Instinción and Rágol	10/23/2009
	Mrs. DOLORES RUBIO ALMANSA	Benizalón, Benitagla and Alcudia de Monteagud	10/23/2009
	Mr. CECILIO SOLBAS MARTÍNEZ	Terque and Bentarique	10/23/2009
Málaga			
	Mrs. RAQUEL BERBEL CAPILLA	Alcaucín	10/23/2009
	Mrs. MARÍA CONCEPCIÓN RAMOS PASCUAL	Iznate	10/23/2009
	Mrs. CARMEN SOTO HERNÁNDEZ	Totalán	10/23/2009
	Mr. ADRIANO VELA GÓMEZ	El Borge	10/23/2009

The services for which the agents have been authorised:

- Capture of deposits,
- Payment transactions,
- Issue and management of means of payment y
- Transactions regulated by the Stock Market Commission.

Apart from the agreements reached with financial agents by the Lead Entity, no entity pertaining to the Cooperative Group had entered into any agreements at 31 December 2011 and 2010

2. **List of authorised persons to recruit customers or the promotion and marketing of transactions and services in accordance with section 2** of Bank of Spain Circular 4/2010 (30 July) for credit institutions and agreements concluded for the habitual rendering of financial services:

   At the end of 2011 the Group did not maintain any agreement in force with any person designated to recruit customers or to promote and market operations and services.

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO
AND ENTITIES FORMING GRUPO COOPERATIVO CAJAMAR

Consolidated Management Report

Year 2011

Macroeconomic Environment

- The **Spanish Economy** fell a -0,3% in the fourth quarter of 2011, as for the whole year it grew in a 0,7% rate. This falldown will continue through the next months, peering onto a new economic recession.

- In the last three months of the year, the Spanish Economy backed due to the negative contribution of the national demand, compensated by a positive contribution of the exterior sector, which grew with respect to the previous quarter. No matter the fall down during the quarter registered in the last quarter of 2011, the GDP grew a 0.3% in year-on-year terms and 0.7% in 2011, after two consecutive years decreasing.

- The quarter-to-quarter Spanish GDP experienced during the fourth quarter of 2011 ended with a seven quarter positive run. Previously, the Spanish economy had had a seven quarter negative run. It was in the first quarter of 2010 when the Spanish economy started to see the light at the tarasend of the tunnel. However, the slight recovery that had undertaken the Spanish economy in 2010 was weakened in 2011, as the sovereign debt crisis in the Euro Zone, extended to a bigger number of countries and the tension in the financial markets flared up. In this context, the employment has given no recuperation signs in 2011, even destructing employment after the summer season.

- The quarter to quarter registered in the last quarter of 2011 will continue in the following months, regarding the analysts, institutions and experts. It is expected that the Spanish Economy will fall in again into technical recession (a two consecutive quarter negative run) in the first semester of 2012. In fact, the IMF expects that Spain will continue in recession at least during this year and the following, with a constraint in the GDP of -1.7% in 2012 and -0.2% in 2013.

- Upon this profile, **the Bank of Spain Macroeconomic Projections**, foresee a substantial fall in 2012 for the GDP (-1.5%) and a slight recuperation in 2013 (0.2%) with positive slopes since the first quarter of next year, so the economy can approach its potential growth rhythm. In accordance with their projections, in 2012, the activity fall downs will be relatively intense until the end of the summer, and will soften in the year end. In 2013, the GDP will move forward due to the slighter requirements of the budgetary adjustment and an improvement in all the growth indicators.

- This complex economic situation and the stiff adjustments launched to deal with it, have left a dark situation in the labor market in 2011. The **unemployment rate** in 2011 almost doubled that of the previous year, which means that 2.4 million job positions have been destroyed since 2007. However, the unemployment rate increase contained in December, with a rise og 1,897 people compared to the increase of 60,000 registered in November. All in all, for 2011, the unemployment rate grew in 322,286 people in 2011, a 7.86% more that in 2010, reaching the historic record of 4.42 million of unemployed, according to the information given by the Ministry of Employment and Social Security.

- The rise in the **unemployment rate** in 2011 has been quite high to the one experimented in 2010, when the unemployment rate rose in 176,470 people, a lot lower than those experimented in 2008 and 2009, years in which the employment´s public offices list summed up to 999,416 and 796,640 people respectively. Thereby, the one in 2011 has been the highest annual increase of all the comparable series, which start in 1996.

- Meanwhile, the **Social Segurity** had 18,609 less affiliates in the last moth of the years, whereas the lost had climbed up to 111,782 in November. The Social Security closed 2011 with 17 million of working population, a 2.02% ,less than the previous year.

- The **Consumer Price Index (CPI)** rose a tenth last December with respect to the previous month, but decreased in five tenths in the year-to-year rate up 2.4%, thanks to the cheaper price of petrol and, in a lesser extent, to the upkeep in the price of drinks and tobacco. Thus, the annual rate of the CPI chained in December 2011 its third consecutive decline and set its lowest value since November 2010, when the inflation rose the 2.3%.

- The **underlying inflation**, which does not include the price of energy and non-processed food, stood in December 2011 in 1.5%, two tenths below the rate registered in November. The Harmonized Consumer Price Index (HCPI) placed its annual rate in 2.4% as of December, five tenths below Novembers´ rate.

- For the second consecutive year, the IBEX closed in losses. If in 2010, it left more than a 17%, in 2011, coming from the debt crisis, it losses a bit more than 13%. A lot has changed since the scenario o 12,200 point in which it started in 2008, to the one of 8,500 in the closing 2011. The conclusion is quite obvious, and is that the crisis, that was thought to be overcome by the end of 2010, has done nothing but to get worse. If we extend the horizon to 2007, the starting year of the crisis, the contrast is quite bigger. In the first of January of that year, the Spanish Index stood in 14,364 point, since then, the loss rises up to the 40%.

- The stock market year has been divided in two parts, being July the point of inflexion. A first part, more stable leading between 9,900 and 10,000 point, reaching the 11,000 point in February. But in July, the debt crisis intensified, and put Spain in the eye of the storm. The risk premium shoot up and the Stock Market fell down from the 10,059 points reached on the 22 July, after the Eurogroup agreements for the rescue fund, to the 7,996 on 10 August. The **IBEX** left up to 20% in thirteen sessions. Since then, ups and downs have happened, hitting bottom in September in 7,600 points so as to recover the 9,000 in October and finish in 2011 with 8,556.3 points.

- In the foreign exchange market, the **Euro** has lost an ups and downs year. At the star of the year, the European currency stood in 1.33 dollars, with respect to the 1.29 at closing date of the year. Along the way, however, it reached a maximum of 1.48 dollars in May, accumulating a 12% depreciation since then.

- The single currency has been weighted by the sovereign debt crisis started in Greece in 2010, that has spread during 2011 to the periphery countries such as France, Belgium and Austria, even jeopardizing the survival of the European currency. In this context the Euro holds in 2012 its tenth anniversary of the introduction between the consumers, in a context of great uncertainty. In fact, until 2011 no one had ever doubted the irreversible character of the Euro project, a currency that participates in 40% of the worldwide transactions and groups 17 countries with a total GDP of 9.4 billion Euros.

- It is true that 2011 has been the year of the **risk premium** in Spain. Taking into account the level in which the year started and how it has ended, nobody will say that it had had a country paying attention to it. At that time it was situated in 248 points. At the end of the year in 325. The ten year bon in January was in 5.4% and in December in 5.08%, and between, and upturn that reached the 468 points and a payoff of 6.7% that feared for the Spanish economy rescues. The markets seen to give Spain a truce, at least to see how the new Government develops its plans. Whereas in Italy, the contrast is quite bigger. In January the differential stood in the 180 point. Nobody feared (not even in 1 July, when that level kept up) an upturn as it has happened in the second half of the year, and that does not seen to stop, being at closing date in 527 points. The counterpoint has been given by Germany that has had access to an almost free financing. Its ten year bond, the one of reference, has lowered from 2.92% in the beginning of the year to a 1.829 in December. Meanwhile, Greece, origin of the crisis and that made wobble the single currency with a failed referendum regarding the measures required by the European Union for its rescue, watches how the payoff for its bond raises up to 35%, almost the triple than in January.

- The **monetary policy** in 2011 has been marked by an evolution of the economy. At the start of the year, the expectations in Europe where quite positives (the GDP in the first quarter advanced in a 0.8% quarterly as a whole of European Economic and Monetary Union, highlighting the rise of 1.3% of Germany and the 0.9% in France but still Spain improved in a 0.4% and even Ireland rose up to 1.9%). Te worst of the crisis was left back and it seems that the fiscal and monetary stimuli to avoid the recession of 2007, had meet its target. The problem of the Greek sovereign debt, which started to infect Portugal and the Irish bank rescue which lead onto a deficit of 31.3% in that country, did not ended with the positive economic prospects of the ECB, worried by and exit strategy and the inflation. In this context, Trichet rose the official interest rate 25 basis points in April, up to 1.25%

- But as the year continued, the Greek scenario turned worst and the numbers showed that the Greek public accounts were untenable. In Portugal, in March, the non-acceptance of a hard economic adjustment plan generated a government crisis that relentlessly condemned the country to a rescue, materialized in April. In July, the ECB, still worried by inflation, made an error in rising again the interest rate up to 1.50%

- After the third quarter, characterized by the aggravation of the debt crisis, with Italy and Spain as main characters, and the verification of the weakness of the Euro Zone economic activity, October is a point of inflexion the monetary policy of the ECB, coinciding with the change of Trichet for Draghi.

- The ECB lowered consecutively in October and November in -0.35 b.p. the **official price of money**, leaving it in its historical minimum 1.0% (repeating the rate it had been between May 2009 and March 2011). Parallel, it established heterodox measures such has the 3 year debt auctions and the smoothing of the requirements for assets discounts, with the purpose of guaranteeing the liquidity for the banking system in a long term.

- Finally, the prospects for the European economy in the beginning of 2012 are completely opposite to those in 2011. In the next months, the weakness in the internal demand, aggravated by the austerity policies and the correction of the public deficit of the different countries, will be supplemented by a loss in dynamism of the exports, due to the global activity deterioration.

- In this macroeconomic scenario, of high uncertainty and substantial risks to low, the ECB has not discarded new interest rate downs in 2012, and the vast majority of forecasts point to interes rates that could lower half the actual level, ergo, 0.5% during the first half of the year.

Business Evolution

- At the end of 2010 Grupo Cooperativo Cajamar (hereinafter the Group) was formed by six Entities: Cajamar, Cajacampo, Caja Rural de Casinos, Caixa Albalat, Caixapetrer and Caixa Rural de Turís. During 2011, there have benn some new aspects:

  1. The merger between Cajamar Caja Rural with CajaCampo, completed with success on 27 September, with the inscription in the Mercantile Registry of Almería of the Certificate of Merger.

  2. The incorporation to the Group of Caja Rural de Castellón, which recieved the appropriate authorization from the Bank of Spain on 2 September.

  3. Caja Rural de Canarias approved, last 22 December, in Extraordinary General Assembly, likewise its incorporation to the Group, still pending from the authorization from the Bank of Spain.

- The **total managed business** of the Group, which includes apart front the retail managed business the wholesale resources; are located above the 54,000 million Euros after recording an increase of 2.5% with respect to the previous year.

- The **balance** of the Group has grown up to 30,989 million Euros, which means a 4.0% more than the previous year.

- The **total managed resources** exceeds the 27,600 million Euros (after a 4.1% growth) with a prevalence of external resources issued to clients; that reach 16,767 million Euros, which represent almost a 61% of the total managed resources.

- The **gross loans and advances to other debtors**, on its own, reaches 25,920 million Euros, after a growth of 1.4%.

- The Group has increased its **non-preforming assets** a 26.9%, 331 million Euros in absolute terms, surpassing 1,562 million Euros, which summed up with the registered growth in loans and receivables in the balance, has taken its default rate finally on to a 6.03% (considerably improving the sector average, whose last known data corresponding o OSR and referred to December was 7.79%).

- During the year the rating agency **Fitch** granted the Group, in line with the rest of the Finantial Sector in general, the rating <BBB+>, regarding long term debt as <F2> short term debt and individually <bbb+>.

- After the annual revision, **Moody´s** review the rating assigned to the Head Entity. In particular, the one regarding long term debt in <Baa3>, short term debt in <P-3>, its financial strength in <D+> with negative perspective.

- The Group has a staff integrated by 5,433 **employees**.

Clients

- The Group sums up at 31 December 2011 more than 2,575,000 **clients**, after registering a growth of 5.6% in the whole year, thanks to the incorporation of almost 136,000 new clients, from which slightly more than 60,000 are provided by Caja Rural Castellón.

- Of all the clients, 93.1% are natural persons, being these the ones with a higher growth in absolute terms with the incorporation of 136,056 new clients.

Equit

- The Group's **share capital** which is considered to be Equity totals 1,394 million euros at 31 December 2010, of which 4.4 million euros is included under the heading "Other equity instruments" under Equity in the balance sheet, and records the share capital in the rest of the banks participating in the Group other than the Lead entity, while the rest is recorded under "Capital or Endowment fund".

- The total **number of members** at the Group, by adding in the various participating entities is 811,245.

Risk management

- **Note 6** to the annual accounts, which forms part of the Consolidated Annual Accounts, contains a detailed analysis of the situation at the year-end and the management carried out in 2011 of the various types of risks faced by the Group (credit risk, market risk, liquidity risk, interest rate risk, operating risk and exchange-rate risk.

Results

- In 2011 the interest-rate effect, due to the fall in the rate compared with last year, together with the increase in the financial cost for deposits or the lower increase in Investments compared with Deposits, among other things, which gave rise to much lower growth than the cost of the financial product, gave rise to a moderate decline in the **interest-rate margin** totalling -9.9%.

- **Gross margin**, from net commissions, but mainly from the results from financial transactions, exceed 618 million euros, which is 4.2% more than in 2010

- The Group has maintained its policy from prior years of containing the growth of administrative costs (which includes administration costs and amortization expense), contributed to the reduction of the **operating margin** by 2.1%, and the overall sum totalled 233,8 million euros.

- After taking into consideration the allocations made for the **impairment of financial assets**, the **results obtained from operating activities** rise up to 111.2 millon euros, which means a 10.8% increase regarding 2010.

- The Group has devoted 190.3 million euros to cover **asset impairment**, given the prudent policy for allocating provisions that Cajamar has maintained on a continuous basis.
- In particular in **impairment losses on the rest assets**, the Entity sum up to 59.4 million Euros, that goes up to 3.2% more than the previous year.
- The Group's **before tax surplus** totalled 35.7 million euros, 8.7% more than last year and after deducting both corporate income tax and allocation to the education and Development, the **surplus attributable to the Lead Entity** was 46.2 Million euros, 29.0% more than in 2010.

Efficiency

- The end of 2011 the Group's **efficiency** was 61.8%, 1.4 percentage points higher than the figure reached last year, mainly due to the decline in ordinary revenues, despite the reduction of operating expenses.
- At the end of 2011 the Group entity branch office network consisting of 1,008 offices present in the 2 autonomous cities and in 39 other regions and during the year the Group entered into La Coruña and Orense.

Solvency

- At 31 December 2011 computable equity recorded by the Group totalled 2,624 million euros, which is a surplus of 1,060 million over the minimum capital requirements (67.7% in relative terms).
- The Cajamar's **solvency ratio** at the end of the year was 13.42%, 5.42 percentage points above the minimum required by the Regulator (8%), and its basic equity (Tier 1) represented 97.6% of computable equity, i.e. 2,561 million euros (net of its own deductions), which reveals the high quality of its solvency and translates into a Core Capital of 13.10%.
- The **equity requirements** at 31 December 2011 were 1,564 million euros, of which 93.6% relates to **credit risk, counterparty risk, dilution risk and delivery risk**.

Technology projects, alternative channels and R&D

During 2011, work has been dome regarding the technical integration of the new Entities in Grupo Cooperativo Cajamar, in February Caixapetrer and Caixa Rural de Turís, and in October the merger with CajaCampo was concluded. Also intense work was done regarding the new integrations planned for 2012, Caja Rural Castellón, Caja Rural de Canarias and all the Grupo CRM.

Several of the large projects that have been taken on this year or which are a continuation from the preceding year, are focused on saving resources, improving procedures and attempting to improve efficiency by using new technologies:

> Unified Comunications: cam recorders have been installed in all office director workstations, so it is possible to maintain meetings through videoconference between offices or with Central Services, saving in time and travelling costs.

> Centralizaed FAX: has been extended. To all Central Services and a great number of offices (removing the old system ZetaFax), implementing the necessary technological platform in order to eliminate all the existing fisical faxes in a short term.

> Staff Mobile Devices Management: with the new implantation tool Afaria all the mobile devices assigned to the staff in a centralized way, being safer and more efficient. In particular, the iPad is standardized has working tool (email integration, communicator, intranet, videoconference, Webex…)

> Digitalizaed firm: new firm tablets are acquired and installed progressively so as to cover all the window workstations of the Entity. All the new tablets are color adapted and with a greater resolution. More than 5 million operations have used this system since it was implanted, managing a medium of 19,000 per day.

> Cajamar Partner Entity in Red.es for the diffusion of DNIe: the Entity has been selected by Red.es, public entity depending on the Ministry of Industry, in order to participate in an awareness campaign in the use of the electronic DNI in different online paperwork. For such purpose 9,000 readers have been assigned to us for the distribution amongst our clients.

> Social Network incorporation into the Customer Service: incorporating into social network, mainly Facebook and Twitter the usual customer service channels through online management, both using PC and mobile devices.

In 2011 the different communications channels have been enhanced for the Customer Services complementary to the office network, highlighting the following:

> Online Banking: In line with the Business Paln of the Entity, the online services made easier to access for those customer which do not want or can attend their usual office. From the online banking offered catalogue we highlight: Welcome Deposits, high remuneration for amounts coming from other entities. Ipad 2 Deposit. Secure method of payment systems for online shopping (Coupons, shopping card, prepayments, Hal Cash…). Special deposit with a gift selection…

> Mobile Banking: During the last quarter of the present year clients have been granted with mobile applications for Iphone and Android. These applications contain product and service information, Map finder of offices and ATM, Online Banking Services and Direct Contact. These can be downloaded for free in the online markets: Apple Store and Android Market.

> ATM: Improvement measures accessibility in ATMS such as Braille stickers and an Easy Menu service for users with visual deficiencies. Also, during 2011 a new ATM model is installed which includes the possibility of inserting cash in order to make direct payments and a cash dispenser in order to charge payments. This new ATM model also includes DNIe readers, which will allow, in the future, to make operations with no need of a credit card.

Also it is worth highlighting a continued growth in the use of direct channels by the clients in the last year, with a month to month growth of almost 9,000, beating as a whole, as at 31 December 2011 950,000 users. This clients executed during 2011 more than 141 million operations and online consults, through which more than 19,000 Euros have been moved. All in all, a year of good online banking health has concluded and a permanent bet from Cajamar for the new technologies.

Other information

Independent of the mention made in this report, between 31 December 2011 and 23 February 2011, the date on which the Governing Body of the Lead Entity prepared its Annual Accounts, no other subsequent event, that should be included in the Consolidated Annual in order to express the true and fair view of the financial situation have occurred.

Annual Corporate Governance Report

To better understand and fill in this model report, the instructions included at the end should be read.

A) PROPERTY STRUCTURE

A.1. List of the most significant shareholders or participants in the entity at the closing date:

Name or business name of shareholder or stakeholder	% of share capital

A.2. Indicate family, commercial, contractual or corporate relationships among significant shareholders or participants known to the entity, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related individuals or businesses	Type of relationship	Brief description

A.3. If there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the entity, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names of related individuals or businesses	Type of relationship	Brief description

B) MANAGEMENT STRUCTURE AT THE ENTITY

B.1. Board of Directors or Governing Body

B.1.1. Indicate the maximum and minimum number of directors or members of the governing body established in the by-laws.

Maximun number of Board members	15
Maximun number of Board members	15

B.1.2 Complete the following table on the members of the Board of Directors or governing body and their status:

Governing Board Members

Name or business name of the Governing Board member	Representative	Last date of appointment	Post
ANTONIO PEREZ LAO		08-24-2007	EXECUTIVE BOARD MEMBER
JUAN DE LA CRUZ CARDENAS RODRIGUEZ		08-24-2007	EXECUTIVE BOARD MEMBER
LUIS DE LA MAZA GARRIDO		08-24-2007	EXECUTIVE BOARD MEMBER
ANTONIO PITA REYES		10-26-2009	OTHER EXECUTIVE BOARD MEMBER
ANGEL LIROLA SUAREZ		08-24-2007	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO LORENTE BROX		08-24-2007	OTHER EXECUTIVE BOARD MEMBER
RAMON ALIAGA CARRION		08-24-2007	OTHER EXECUTIVE BOARD MEMBER
ANTONIO LUQUE LUQUE		08-24-2007	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO BELMONTE LOPEZ		08-24-2007	OTHER EXECUTIVE BOARD MEMBER
JOSE MANUEL MORENO FERREIRO		08-24-2007	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO ELIAS GONGORA CAÑIZARES		08-24-2007	EXECUTIVE BOARD MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA		08-24-2007	OTHER EXECUTIVE BOARD MEMBER
AGUSTIN MIGUEL SANCHEZ MARTINEZ		08-24-2007	OTHER EXECUTIVE BOARD MEMBER
RODRIGO MUÑOZ RODRIGUEZ		02-22-2005	EXECUTIVE BOARD MEMBER

B.1.3. Name the Board members or governing bodies, if any, who are also directors or executives of other companies in the same group as the entity:

Name or business name of shareholder or stakeholder	Social denomination of the Group Entity	Post

B.1.4. Complete the following table regarding the aggregated remuneration of the members of the administration boy, accrued during the year

Remuneration item	Thousands of euros	
	Individual	Group
Fixed remuneration	1,134	0
Variable remuneration	0	0
Allowances	358	0
Other Remunerations	70	0
Total:	**1,562**	**0**

B.1.5.Identify the members of senior management who are not Directors or members of the executive management and indicate the aggregate compensation accrued to them during the year:

Name or business name	Post
MANUEL YEBRA SOLA	GENERAL MANAGER
JESUS FERNANDO MARTINEZ USANO	GENERAL MANAGER OF CONTROL
Total remuneration for senior management (in thousands of euros)	**763**

B.1.6. Indicate whether the by-laws or the Board Regulations establish any limit on the term of office for Directors or members of the governing body:

Yes x	NO
Maximum number of years in office	6

B.1.7. Indicate whether the individual and consolidated annual accounts presented to the Board or governing body for approval were previously certified:

Yes	NO x

If appropriate, name the person(s) who certify the Entity's individual or consolidated annual accounts before they are approved by the Board or governing body:

Name or business name	Post

B.1.8. Explain the mechanisms, if any, established by the Board or governing body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

One of the duties of the Audit Committee is to maintain relationships with external auditors to, among other things, receive information regarding the audit of the annual accounts.

The external auditors present this information to the Audit Committee before the preparation of the Entity's annual accounts, specifically, during the final Committee meeting of the year, including the preliminary conclusions of the audit work carried out until that time and, notwithstanding the result of audit work that could be pending execution at that date, provides a draft opinion from the external auditors regarding the annual accounts.

In the event that there is any qualification in the preliminary conclusions prepared by the external auditor regarding the annual accounts, the Audit Committee will report this to the Governing Body at the following meeting. The Governing Body may therefore evaluate the possibility of modifying the financial statements and correcting any qualifications that may have been imposed by the auditors in their preliminary conclusions.

B.1.9. Is the secretary to the board or the governing body a voting director?

Yes x	No

B.1.10. Describe any mechanisms established to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

1. Auditor Independence

That the Audit Committee meeting held on 24 March 2011 the Committee verified compliance by the auditor (currently the firm PricewaterhouseCoopers Auditores S.L.) with requirements, specifically reporting on the absence of any situation that could compromise the independence of the auditor's work.

In addition information was provided relating to compliance by the members of the team with the rotation rule (maximum of 7 years).

This information, and express mention of compliance with applicable international and domestic legislation, especially the Audit Act, has meant that at that meeting the legal compliance of the Auditor and its independence was verified.

2. Independence of the rating agencies, financial analysts and investment banks

Within the principle of transparency, which must prevail with respect to the Entity's operations in financial markets, it establishes the mechanisms and procedures that are adequate to ensure that credit risk rating agencies, financial analyst and that the banks are informed of all information that may be relevant to analyze Cajamar within a framework of independence.

The Agent Financial Information Reporting Area is responsible, as its name indicates, for relationships with the credit rating agencies and ensures that they have immediate access to correct and accurate information that will facilitate their analysis and obtaining conclusions with the highest degree of independence possible.

B.2. Committees appointed by the Board of Directors or Governing Body

B.2.1. List the governing bodies:

	N° of members	Functions
EXECUTIVE OR DELEGATED COMMITTEE	7	THOSE INDICATED IN POINT B.2.3
AUDIT COMMITTEE	6	THOSE INDICATED IN POINT B.2.3
APPOINTMENT AND REWARD COMMITTEE	6	THOSE INDICATED IN POINT B.2.3
INVESTMENT AND FINANCE COMMITTEE	6	THOSE INDICATED IN POINT B.2.3
RISK COMMITTEE	6	THOSE INDICATED IN POINT B.2.3
BUSINESS COMMITTEE	5	THOSE INDICATED IN POINT B.2.3
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	6	THOSE INDICATED IN POINT B.2.3

B.2.2. List all the Board of Directors' or Governing Body Committees and their Members:

Executive or Delegated Committee

Name or business name	Post
ANTONIO PEREZ LAO	PRESIDENT
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	MEMBER
LUIS DE LA MAZA GARRIDO	MEMBER
ANGEL LIROLA SUAREZ	MEMBER
ANTONIO PITA REYES	MEMBER SECRETARY
ANTONIO LUQUE LUQUE	MEMBER
FRANCISCO LORENTE BROX	MEMBER

Audit Committee

Name or business name	Post
FRANCISCO LORENTE BROX	PRESIDENT
ANGEL LIROLA SUAREZ	MEMBER
ANTONIO PITA REYES	MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA	MEMBER
AGUSTIN MIGUEL SANCHEZ MARTINEZ	MEMBER

Appointment and Reward Committee

Name or business name	Post

Strategy and Investment Committee

Name or business name	Post

Appointment and Remuneration Committee

Name or business name	Post
FRANCISCO LORENTE BROX	PRESIDENT
AGUSTIN MIGUEL SANCHEZ MARTINEZ	MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA	MEMBER
ANTONIO LUQUE LUQUE	MEMBER
ANTONIO PEREZ LAO	MEMBER
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	MEMBER

Investment and Finance Committee

Name or business name	Post
ANTONIO PEREZ LAO	PRESIDENT
ANGEL LIROLA SUAREZ	MEMBER
RAMON ALIAGA CARRION	MEMBER
FRANCISCO BELMONTE LOPEZ	MEMBER
FRANCISCO ELIAS GONGORA CAÑIZARES	MEMBER
ANTONIO PITA REYES	MEMBER

Risk Committee

Name or business name	Post
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	PRESIDENT
LUIS DE LA MAZA GARRIDO	MEMBER
JOSE MANUEL MORENO FERREIRO	MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA	MEMBER
ANTONIO LUQUE LUQUE	MEMBER

Business Committee

Name or business name	Post
LUIS DE LA MAZA GARRIDO	PRESIDENT
FRANCISCO LORENTE BROX	MEMBER
RAMON ALIAGA CARRION	MEMBER
JOSE MANUEL MORENO FERREIRO	MEMBER
AGUSTIN MIGUEL SANCHEZ MARTINEZ	MEMBER

Corporate Social Responsibility Committee

Name or business name	Post
ANTONIO PEREZ LAO	PRESIDENT
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	MEMBER
ANTONIO LUQUE LUQUE	MEMBER
FRANCISCO BELMONTE LOPEZ	MEMBER
FRANCISCO ELIAS GONGORA CAÑIZARES	MEMBER
RODRIGO MUÑOZ RODRIGUEZ	MEMBER

B.2.3. Describe the rules of organization and procedure, and responsibilities attributed to each Board Committee or members of the governing body. Describe the duties of the CEO, if any.

Executive Committee

In accordance with Article 34 of the Entity's by-laws, the Governing Body may designate, from among its members, and the majority favourable vote of two-thirds of Directors, an Executive Committee that will consist of the Chairman, Vice-Chairman, the Secretary and four Members, of which two will come from the Malaga region and one will be designated Managing Director for that area, notwithstanding the designation of other Managing Directors within the area of CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CREDITO, with the authority that is decided in each case and in accordance with the resolutions adopted by the Governing Body.

The Executive Committee and the Managing Directors will exercise the authority delegated to them by the Governing Body, after a favourable vote by two-thirds of Directors and respecting current legislation, but the permanent delegation of authority and designation of its members will not take effect until entered into the Mercantile and Cooperative Registries after these members have been entered into the Senior Management Registry at the Bank of Spain.

The Executive Committee currently has all the authority of the Governing Board, except those that cannot be delegated in accordance with the law or by-laws.

The Committee will meet at least once per month at the place, date and time established by the Committee, without any need for any second call, or any need to issue a closed agenda. It will be validly called to order when attended by more than one-half the members, who cannot be represented. Other people may be called to attend the meeting without having any right to vote, including the Controllers, members of General Management and other technical personnel at the Entity, or any other person whose presence and contribution is deemed of interest to the entity.

Resolutions will be adopted by a validly expressed vote in favour of more than one-half the members in attendance and the Chairman shall have a casting vote.

Audit Committee

The Cajamar by-laws includes the legal provisions covering the Audit Committee and Article 40 of the by-laws creates this body as follows:

<< Article 43

The Audit Committee

1. Given the fact that the Caja issues securities listed on official secondary securities market, and in accordance with Additional Provision Eighteen of Law 24/1988 (28 July) on the Stock Market Act an Audit Committee has been created.

2. The Audit Committee will consist of at least four and at most seven members of the Governing Body, who will be designated by express agreement in accordance with the provisions of this Article. The number of members may be specified in the Regulations referred to in the following section.

The members of the Audit Committee will be, in the majority, non-executive Directors on the Governing Body.

The Audit Committee will have a Chairman and a Secretary in the terms indicated in this section.

The Chairman of the Audit Committee will be designated from among the non-executive Directors on the Governing Body, must be replaced every four years and may be re-elected after one year after leaving the post.

The position of Secretary will be regulated by the Audit Committee Regulations. The person holding this position cannot be a member of the Governing Body. If a member of the Governing Body, the Secretary will be elected from among non-executive directors and will have voting rights at the Committee meetings. In the event that the Secretary is not a member of the Govern Body, he/she shall have the right to speak but not vote at meetings.

For the purposes of the provisions of this Article, a non-executive Director will be understood to be any member of the Governing Body that does not have management or executive duties at the Bank or, if employed under an employment or Mercantile contract, the contract cannot be considered to be for a senior manager or to perform duties similar to those carried out by executives.

3. The Audit Committee will be called by the Chairman be a letter, fax, or telegram or e-mail authorized by the signature of the Chairman or the Secretary on the order of the Chairman.

Notice of the meeting will be issued at least three days in advance. The notice will always include the agenda for the meeting and will be accompanied by the documentation that is necessary for each meeting.

The members of the Committee may request all supplementary information that they consider advisable.

When, in the opinion of the Chairman, it is inadvisable for security reasons to include the information, the members will be advised of the possibility of examining the information at the headquarters office.

Extraordinary Committee meetings may be called via telephone and the advance notice and other requirements indicated above will not be applicable when circumstances so justify, in the opinion of the Chairman.

The Committee will be validly called to order when at least one half plus one of its members are in attendance. If the number of directors attending is uneven, a sufficient quorum will be deemed to exist if those present are more than half of the Directors.

The Chairman will organise the debate, ensuring and encouraging the active participation of directors in deliberations.

Resolutions will be adopted by absolute majority of those in attendance. In the event of a tie, the Chairman will have a casting vote.

The Committee will prepare minutes for its meetings and will maintain the Board informed of all matters discussed, the result of its work and the resolutions adopted.

The minutes will include at least the place, and time at which the meeting was held, the time its started and ended, the full text of the notice provided, including the agenda, the list of attendees, statement regarding the sufficient quorum to hold the meeting, the interventions requested to be on the record, and incidents that must be resolved by the Chairman and the transcription of the resolutions adopted and the voting record.

Notwithstanding the content of this Article, the Audit Committee will be governed by Regulations approved by the Governing Body in accordance with the proposal presented by the Committee. This Regulation will develop and specify the Committee's operating rules.

4. The Governing Body will ensure the independence of the Audit Committee, establishing all the measures necessary to comply with its duties and the Entity's employees and bodies must cooperate as necessary to that the Committee can comply with its duties.

In accordance with applicable legislation, the Audit Committee will have the following duties:

a) Inform the General Assembly of any matters that arise within its area of authority.

b) Make proposals to the Entity's Governing Board to be submitted to the General Assembly relating to the appointment of external auditors, in accordance with legislation applicable to the Entity.

c) Supervision of internal audit services.

d) Monitor the financial reporting process and the Entity's internal control systems.

e) Relationships with external auditors to receive information regarding those issues that may put their independence at risk in any other issues relating to the audit process, as well as any other communications established by audit legislation or by technical audit standards.>>

Furthermore, the Regulations approved by the Governing Body stipulates that the Committee will consist of six members of the Governing Body, a majority of which will not be executive members.

The Chairman of the Audit Committee will be designated from among the non-executive Directors, must be replaced every four years and may be re-elected after one year after leaving the post.

The Committee must prepare an annual ordinary meeting plan and must meet on an ordinary basis at least five times per year, at the initiative of the Chairman.

Article 3 of the Regulations establishes the purposes of the Committee in the same literal terms indicated above when transcribing Article 43.4 of the by-laws.

OTHER COMMITTEES APPOINTED BY THE GOVERNING BODY:

Cajamar Caja Rural, Sociedad Cooperativa de Crédito has adopted the resolution necessary to include the necessary legal language in its by-laws regarding Committees Delegated by the Governing Body.

Article 44 of the current by-laws stipulates the following:

<<Article 44

Other Committees

The Governing Body may establish other Committees on a voluntary basis and which, regardless of their activities and in accordance with their operating regulations, carry out control duties with respect to the Entity's operations and may be formed by a number of members of the Governing Body deemed advisable in each case and the Governing Body must be informed as to their authority as established by their Regulations.>> At the meeting held on 9 January 2008 and based on the provisions of Article 44 of the By-laws, the Governing Body of Cajamar adopted the resolutions relating to Board Committees currently in existence, in terms of their name and duties as well as their composition, approval of current regulations and all other necessary legal and statutory information, except for the following two: (i) the Corporate Social Responsibility Committee, which was created in accordance with the Resolution approved by the Governing Body and 28 March 2006-although the composition of this Committee is also covered by the Resolutions adopted by the Governing Body on 9 January 2008-, (ii) the Nominations and Compensation Committee, whose name, duties, composition and current regulations were approved by the Resolution adopted by the Governing Body on 30 September 2010.

The general rules common to the organisation and operation of those Committees as stipulated in their respective regulations are listed below:

a) Term of the members of the Committee

The Directors will hold their seats on the Committee as long as they remain members of the Governing Body, in the manner indicated by the Entity's by-laws.

b) No exclusive nature of the post

Pertaining to the Committee will not be exclusive and its members may form part of other Committees that the Governing Body may decide to create with respect to the matters for which it is responsible.

The specific nature of each Committee as regards their composition and duties is set out:

A) Nominations and Compensation Committee

The Committee's Regulations stipulate that it will be formed by six members of the Governing Body.

The members of the Committee will be, in the majority, non-executive Directors on the Governing Body.

The Committee should develop an annual plan of the ordinary meetings, must having a meeting in the ordinary on initiative of its President, as many times as he wish for the best performance of the Entity, at least once every three months.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

<<The Committee will exercise the duties that are listed below with respect to the bank and all mercantile companies or subsidiary entities for which the Bank has the capacity go appoint or compensate management and/or employees, after the appropriate resolutions have been adopted.

The Committee will carry out the following duties:

- Propose compensation for Directors.
- Established the general compensation system for employees and authorized any exceptions to its application that are particularly unique or relevant, or affect a broad group of employees.
- Establish compensation for Managing Directors, as well as any severance indemnities that may be applicable.
- Device the Governing Body regarding appointments and removals of the Bank's Managing Director and those at any Mercantile companies or subsidiary entities at which the Bank has the right and capacity to appoint and remove individuals from those positions.
- Supervise and evaluate the operation of the compensation system and the incentives created to manage risk, capital and liquidity.
- Ensure that a control system is established with respect to compliance with the compensation system.
- Ensure that an annual independent review, whether internal or external, is carried out with respect to the application of the compensation system.
- Establish the principles for the internal and external dissemination of information regarding the compensation system and ensure compliance with those principles.
- Issue an annual evaluation report regarding the application, control, review and dissemination of the compensation system.>>

B) Investment and Finance Committee

The Committee's Regulations stipulate that it will be formed by six members of the Governing Body.

The Committee should develop an annual plan of the ordinary meetings, must having a meeting in the ordinary on initiative of its President, as many times as he wish for the best performance of the Entity, at least once every three months.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

<<The Committee has no executive authority and its purpose is to assist the Governing Body with compliance with its duties and in this respect may:

1.- Examine the Entity's management in the areas falling within its authority.

2.- Comply with the instructions provided by the Governing Body in the designated areas.

3.- Provide the Governing Body with the proposals that are considered advisable regarding the Bank's management activities, general strategies, relationships with shareholders and customers and any other aspects that are considered advisable within the area of its authority.

4.- Inform the Governing Body of the proposals that may be made by shareholders with respect to the areas over which the Committee has authority.

5.- The duties that are delegated by the Governing Body.

The legal or institutional authority that is reserved for the direct knowledge of the Governing Body cannot be delegated, nor can others that are necessary for the responsible management of general supervisory duties.

6.- Those specifically established in this Regulations.

In particular, the Investment and Finance Committee will exercise control authority with respect to those matters relating to the areas of Admission of Risks, Debt Recovery, Cash and Capital Markets and Shareholdings held by the Entity, as well as the verification of information regarding the management of assets, which basically consists of the following activities:

- Review the activities carried out with respect to assuming risks and recovering debt.
- Review of the modifications made to the admission policies.
- Knowledge of the modifications made to the general authority system.
- Update of the authority delegated to the branch office network.
- Analysis of the current credit risk contracts and the development of the credit portfolio.
- Knowledge of the development of the irregular credit portfolio.
- Review of the development of the primary borrowers.
- Review the development of the largest doubtful and default amounts.
- Receive information regarding Cajamar's Cash and Capital Market position, evaluating the availability of liquid assets at the Entity as well as the possibility of using the inter-bank market and monetary policy instruments: unused lines, possibility of discounting securities and access to ECB auctions.
- Review the issue programs, particularly those that have already been approved, and the securitizations to be carried out.
- Evaluate the need to accelerate any of these programs based on the Entity's needs.
- Ensure compliance with all the ratios established by the Entity with respect to Cash and Capital Market activities.
- Receive information regarding all matters that must be reported to the Bank of Spain or any other supervisory or regulatory body regarding the activity carried out by Financial Institutions and relating to areas such as liquidity and legal ratios.
- Propose all action that is deemed necessary with respect to financial and strategic decisions that are relevant for the Bank.

- Evaluate the investments that are made and which are relevant for the Bank, or issue an opinion regarding divestment initiatives.

- Supervise the activities carried out by investee companies, evaluating all available information in this respect.

- Analyze the advisability of maintaining shareholdings in the Bank's investee companies or, in appropriate cases, the sale of the shareholding. Study those cases in which it would be recommendable to become a shareholder in any company.

- Verified compliance with the guidelines issued to the various Departments regarding the management of investee companies or the relevant shareholdings in their capital.

- Supervise the management of assets, making any proposals considered appropriate for improvement and any other issues that may serve to support the ordered management of assets.>>

C) Risk Committee

The Committee's Regulations stipulate that it will be formed by six members of the Governing Body.

The Committee should develop an annual plan of the ordinary meetings, must having a meeting in the ordinary on initiative of its President, as many times as he wish for the best performance of the Entity, at least once every three months.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

<<The Committee has no executive authority and its purpose is to advise the Governing Body with respect to the matters under its authority and may:

a) Report all relevant issues of which it gains knowledge during the course of its activities.

b) Propose amendments to the policies and procedures deemed to be appropriate.

The Committee is responsible for credit risk, market risk, interest rate risk, liquidity risk, operating risk and reputation risk in the areas listed below:

1) Credit risk:

- Knowledge of the admission policy that have been established and the degree of compliance.

- Knowledge of the exposure to credit risk and its relationship with the limits established for control purposes.

- Knowledge of the effects of the policies and the limits established, regarding the Entity's future exposure to credit risk.

2) Market, Interest-rate and Liquidity Risk:

- Knowledge of the management policy that have been established and the degree of compliance.
- Knowledge of the Entity's exposure to each risk and their relationship with the limits established for control purposes.
- Knowledge of the impact of these risks on the Entity, in the event of unfavourable developments in financial markets.

3) Operating risk:

- Knowledge of the losses attributable to operating failures.
- Knowledge of the procedures and systems established for control and mitigation.

4) Reputation risk deriving from the failure to comply with legislation and regulatory rules, as well as other administrative rules applicable to customer relationships:

- Knowledge of the policies and procedures established a guarantee compliance with regulatory rules:

  > Prevention of Money laundering and financing of terrorism.

  > Protection of Personal Data

  > Transparency and Customer Protection.

  > Conduct in securities markets.

- Knowledge of the degree of compliance by the Entity with respect to these rules.>>

D) Business Committee

The Committee's Regulations stipulate that it will be formed by five members of the Governing Body.

The Committee should develop an annual plan of the ordinary meetings, must having a meeting in the ordinary on initiative of its President, as many times as he wish for the best performance of the Entity, at least once every three months.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

<<The Committee has no executive authority and its purpose is to assist the Governing Body with compliance with its duties and in this respect may:

1.- Examine the Entity's management in the areas falling within its authority.

2.- Comply with the instructions provided by the Governing Body in the designated areas.

3.- Provide the Governing Body with the proposals that are considered advisable regarding the Bank's management activities, general strategies, relationships with shareholders and customers and any other aspects that are considered advisable within the area of its authority.

4.- Inform the Governing Body of the proposals that may be made by shareholders with respect to the areas over which the Committee has authority.

5.- The duties that are delegated by the Governing Body.

The legal or institutional authority that is reserved for the direct knowledge of the Governing Body cannot be delegated, nor can others that are necessary for the responsible management of general supervisory duties.

6.- Those specifically established in this Regulations.

In particular, the Business Committee will carry out control duties regarding the areas relating to the typical business carried out by the Entity in its various branches of activity, particularly monitoring any issues involving the performance of the commercial network and compliance with certain overall objectives for the Bank, which include the performance of the following activities:

- Supervision and monitoring of Cajamar's Expansion Plan, receiving information at all times regarding the advances in this respect and reporting any changes, evolution and development in this area including the preparation of proposals to be presented to the Governing Body.
- Monitoring of the Commercial Objectives established for the Office Network, controlling aspects relating to their implementation, control and execution, as well as any modifications that may be made in this respect.
- Analysis of the main figures recorded by the Entity with respect to the Office Network, gaining general knowledge of the information regarding all of the branch offices maintained by Cajamar.
- Control and the evaluation of the most important aspects of Cajamar's business in all respects and areas that are considered significant by the Committee.>>

E) Corporate Social Responsibility Committee

The Committee's Regulations stipulate that it will be formed by six members of the Governing Body.

The Committee should develop an annual plan of the ordinary meetings, must having a meeting in the ordinary on initiative of its President, as many times as he wish for the best performance of the Entity, at least once every three months.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

<<The Committee has no executive authority and its purpose is to assist the Governing Body with compliance with its duties and in this respect may:

1.- Examine the Entity's management in the areas falling within its authority.

2.- Comply with the instructions provided by the Governing Body in the designated areas.

3.- Provide the Governing Body with the proposals that are considered advisable regarding the Bank's management activities, general strategies, relationships with shareholders and customers and any other aspects that are considered advisable within the area of its authority.

4.- Inform the Governing Body of the proposals that may be made by shareholders with respect to the areas over which the Committee has authority.

5.- The duties that are delegated by the Governing Body.

The legal or institutional authority that is reserved for the direct knowledge of the Governing Body cannot be delegated, nor can others that are necessary for the responsible management of general supervisory duties.

6.- Those specifically established in this Regulation.

In particular, the Corporate Social Responsibility Committee will carry out action in order to attend to the following issues:

- Establish, promote and inform all areas of the Bank of the corporate and ethical principles that give rise to the desirable commitment with society and an adequate manner of operating that is represented by Corporate Social Responsibility.
- Evaluate all types of information, events or communications that affect the Bank's Corporate Social Responsibility.
- Coordinate the policy of the Bank's Corporate Social Responsibility, generating adequate communication and integration of the various departments and areas responsible for these issues, as well as the management of the study, implementation and monitoring of the manuals, processes and policies developed in this area.
- Coordinate the actions and initiatives relating to the Bank's Corporate Social Responsibility, in order to take advantage of, and maximize, the advantages of any kind that may be provided by this type of practices to the Bank.
- Analyze all issues that affect the Bank's Corporate Social Responsibility, evaluating the activities that may derive from them and supervising the effects that may arise in this area.
- Promote and establish any initiatives to promote the principles, criteria and practices concerning Corporate Social Responsibility that are deemed adequate to the characteristics of the Bank, encouraging participation in any forums, institutions and working groups that exist in this area.
- Provide all types of proposals to the Governing Body that are intended to promote, adapt, manage, update and, in general, encourage an overall culture of Corporate Social Responsibility at the Bank.>>

B.2.4. State the number of meetings held by the Audit Committee during the year.

Number of meetings	5

B.2.5. If there is a Nominations Committee, state whether all its members are external directors or members of the governing body.

Yes	No x

C) ASSOCIATED TRANSACTIONS

C.1. List any significant transactions involving a transfer of resources or obligations between the Entity and/or entities in its group and significant shareholders in the Entity:

Name or business name of most significant shareholder or stakeholder	Name or business name of the entity or entities of the group	Type of relationship	Type of transaction	Amount (Thousands of euros)

C.2. List any significant transactions involving a transfer of resources or obligations between the Entity and/or entities in its group and Directors or members of the governing body or executives at the Entity:

Name or business name of most significant shareholder or stakeholder	Name or business name of the entity or entities of the group	Type of relationship	Type of transaction	Amount (Thousands of euros)

C.3. List any significant transactions with other entities in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, relate to the entities normal business:

Business name of the group entity	Brief description of the transaction	Amount (Thousands of euros)

C.4. State the situation of conflicts of interest, if any, involving directors or members of the governing body at the entity, pursuant to Article 127 ter of the Companies Act.

C.5. Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, members of the governing body, or executives.

- Article 23.2 excludes the right to vote in the Assembly of Delegates when there is a conflict of interest. Such a conflict of interest is deemed to exist in accordance with Article, in the following cases:

  A) Votes regarding action or contracts in which the member, or family members up to the second degree of consanguinity or affinity, have an interest as third-party contractors with the cooperative, excluding in this case activities and services within the cooperative.

  B) Votes that particularly affect a member, either because the issue involves just cause for not accepting a position or duty or because a decision is to be taken regarding the removal or creation of a temporary benefit for justified reasons to that member with respect to compliance with certain obligations.

  C) Those cases that are not included in the previous two sections and are included in the Limited Liability Companies Act.

- With respect to conflicts of interest within the Governing Body, Article 32 of the by-laws stipulates the following:

  <<1. A Director will be in a conflict of interest situation when:

    a) The contracting of obligations or transactions not included within the cooperative involving the director or family members to the second degree of consanguinity or affinity, as is established by Article 42.1 of Lot 27/1999 on Cooperatives.

    b) Votes will take place regarding social responsibility action against directors, as follows: to start, compromise or waive such action.

    c) The situation involves a decision regarding cooperative transactions or services that favour a director or a family member, as indicated in paragraph a).

    d) A decision will be taken with respect to the creation, suspension, amendment, renewal or extinction of obligations or rights relating to the cooperative with entities at which the director or the aforementioned family members are directors, administrators, senior managers, advisors or members with a shareholding equal to or exceeding 5%.

    e) Any of the situations established in Article 30.4, or in any other Section, of these by-laws exists.

    f) Any other conflict of interest situation established by the Limited Liability Companies Act.

  2. The resolutions referred to in the preceding point will be adopted by the governing bodies, in line with the requirements and guarantees established in applicable legislation and these by-laws.

3. The collision of interests, as regulated above, requires the affected director or directors to abstain from voting in any bodies that will take a decision in this respect. (…)>>

Article 30.4, cited in Article 32.1.e) refers to the precautionary suspension from duties of those directors or Controllers that have not met the loyalty, dedication and discretion requirements demanded of these positions.

In addition, these votes involving conflicts of interest will meet, in any event, the provisions of Article 24 of the Credit Cooperative Regulations, RD 84/1993 (22 January), transcribed below:

Article 24: Operation of the Board.

1. The resolutions regarding the issues referred to by the following Article requires the favourable vote of two thirds of the directors.

2. If the law or the bylaws stipulate otherwise, the deliberations and resolutions adopted by the Governing Body will be secret and a very serious employment or statutory infraction will be deemed to exist and give rise to dismissal should this confidentiality requirement be breached, notwithstanding responsibilities of any other type that may be appropriate.

3. Notwithstanding the provisions of Article 63 of Law 3/1987, which regulates other cases of conflicts of interest relating to resolutions adopted by the Assembly, the resolutions adopted by the Governing Body regarding operations or services within the cooperative in favour of members of the Governing Body, executive committees or other bodies referred to by Article 26 of General Management or the family members of any of them within the limits established in that legal tax, will be adopted necessarily through secret voting after the issue has been included in the agenda with to clarity and a majority of not less than two thirds of all directors must vote in favour.

If the beneficiary of the transactions or services is a director, or a family member as defined above, it will be considered to represent a conflict of interest and that director cannot participate in the vote.

Once the secret vote has been held and the results presented, the minutes may record any reserves or discrepancies relating to the resolution that has been adopted.

The contents of the paragraph preceding this section 3 will also be applicable when a decision will be taken with respect to the creation, suspension, amendment, renewal or extinction of obligations or rights relating to the cooperative with entities at which the director or the aforementioned family members are directors, administrators, senior managers, advisors or members with a shareholding equal to or exceeding 5%.

D) RISK CONTROL SYSTEM

D.1. General description of the Company's risk policy and/or its Group, including detailed and an evaluation of the risks covered by the system, together with information supporting those systems' adaptation to the profile of each type of risk.

Corporate risk culture

Cajamar has a clear retail banking vocation and therefore the primary risks it faces are those that are typical in this business, i.e., credit, liquidity, interest rate and regulatory non-compliance risks, while operating and market risks are less relevant.

The following sections provide details of the basic management principles for each of these risks and therefore in this summary is sufficient to say that all of them are managed on a prudent basis which means: (i) credit risk is fundamentally encountered in the financing of families and small and medium-sized companies, (ii) the Entity maintains high liquidity ratios and eight moderate dependence on wholesale markets, (iii) most of the loan transactions are granted at a variable rate (iv) the Entity ensures adequate and sustained compliance with the law and best practices with respect to our relationships with stakeholders, (v) operating losses are low and mainly derives from events involving small amounts and (vi) the exposure to market risk is moderate and instrumental, and trading portfolios of financial instruments are prohibited.

Main aspects of the risk policies

1. Credit risk

Cajamar has a Credit Risk Manual that regulates (i) the principles and criteria that must guide it credit policy, (ii) the management and control policies for that risk, (iii) the bodies responsible for management and control, and (iv) the procedures established to apply this management and control.

To better understand the content and scope of this manual, the most important sections governing credit policies are transcribed below.

1.1. Basic credit risk principles

They are adopted by Cajamar's Governing Body and frame our credit policy. There are five and their content is as follows:

a) Principle of independence, which requires that decisions regarding credit risk always be adopted within the framework of the established credit policy and cannot be subordinated to compliance with commercial objectives, and there are three independent and separate functions: Commercial, Investments and Control.

b) Principle of uniformity, which requires that the credit risk management and control criteria, with respect to policies, structures, tools, circuit sent processes, be common throughout the entity and do not depend on any specific territory in which its activity takes place.

c) Principle of homogeneity, through which common and homogeneous measures for quantifying credit risk and uniform evaluation methods are established.

d) Principle of globality, according to which the management of credit risk must not end with the individual analysis of transactions and customers, but rather must include the credit portfolio as a whole.

e) Principle of delegation, through which the Governing Body, which is the highest body within the credit risk management and control system, may reasonably delegate authority to lower bodies to attain rapid adaptation and responses to situational changes and customer demands.

1.2. Guidelines for defining the credit policy

The Governing Body at Cajamar also creates the rules that must be followed by all lower bodies when defining the credit policy. They cover each of the stages in the risk management cycle and their content, in summarised form, is as follows:

a) **Risk assumption policy:**

- **Diversification**, which indicates that the credit portfolio must be adequately diversified and present the lowest possible degree of correlation with respect to mass non-compliance.
- **Credit quality**, in accordance with which the granting of transactions must involve customers with the capacity to make repayments in due time and form and ensure the coverage of risk through guarantees when the initial projections are not met.
- **Operating security**, under which the transactions must be adequately documented, ensuring that contracts have full legal efficiency and accurately record the conditions under which loans are granted.
- **Profitability**, according to which transactions must be profitable in accordance with their inherent risk.

b) The **vigilance and default prevention policy**

- **Relative importance**, which indicates that the action intended to prevent default must be gradually applied to seek a balance between the cost of the control and the benefits obtained.
- **Anticipation**, under which the action intended to prevent defaults must be started sufficiently in advance.

c) **Collections for operations in a non-compliance situation**

- **Decisive management**, in accordance with which once a non-compliant situation has arisen it must be managed decisively such that in as little time as possible (i) the situation is regularised, (ii) restructuring is proposed within the established policies and procedures, or (iii) court or out-of-court action is taken, as is appropriate.
- **Financial efficiency**, in accordance with which the most efficient recovery of the debt must be analyzed, and this will not always be through court claims.

d) With respect to the **property guarantees valuation and its updating policies**

- **Objectivity criteria** according to which the property guarantee valuation should be calculated as objective as possible.
- **Efficient updating of valuation criteria**, from which the value of the property in guarantee should be updated periodically, being the updating procedures efficient both in its periodicity and in the tools used.

1.3. Main parameters that define the credit policy

a) Limits to credit risk concentration

Diversification is one of the criteria that guide the credit risk assumption policy and Cajamar has established a structure of limits that guarantee diversification and which, when the limits established by the Regulator coincides, is more conservative. These limits are:

> Limits to concentration by credit segment, portfolio and sub-portfolios

Cajamar has defined a set of precise criteria to segment its loan operations, the application of which gives rise to 5 segments that grouped together 12 loan portfolios, formed by 21 sub-portfolios. Each of these groups has an established limit relating to credit exposure, depending on the exposure of the entire portfolio, such that adequate diversification by activity, sector and use of the investment is guaranteed

> Limits to concentration with respect to borrowers and risk groups

Concentration limits relating to individual borrowers and risk groups at Cajamar are notably lower than those established by the Bank of Spain.

> Limits to concentration with companies that are closely related

Companies that are closely related to Grupo Cooperativo Cajamar are considered to be those that do not form part of the consolidated group of credit institutions but fall into one of the following categories:

- Cajamar has a direct or indirect stake of at least 5% in share capital, if involving a company whose shares are listed on an official secondary market, or 10% if the shares are not listed.

- Cajamar or any person designated by the Entity, is a member of the company's governing body or a general legal representative or has held such a position at any time in the preceding two years.

Within this group of companies, a distinction is made between those in which Cajamar possesses control and those in which it does not, and the risks relating to both sub-groups are subject to certain limits expressed as a percentage of computable equity:

b) Guarantee policy

Independent of the fact that loan transactions must fundamentally be granted based on the borrower's capacity to make repayments, Cajamar's policy is to mitigate losses in the case of non-compliance by obtaining guarantees, which must be stronger and more efficient the longer the term of the loan and/or the lower the repayment capacity is.

Cajamar does not have any hedges using sophisticated products such as credit derivatives, understanding that the strict structure of limits and low levels of concentration means that the use of these types of products would not provide significant improvements to management, while they would increase our operating, legal and counterparty risks.

2. Liquidity and Interest Rate Risk

Cajamar has a Balance Sheet Risk Manual: liquidity and interest rate risk, approved by its Governing Body, which contains: (i) the basic principles governing these risks, (ii) the applicable limits, (iii) the bodies responsible for management and control, (iv) the procedures for calculating risks and limits and (v) the reports that are necessary for management and control.

The basic principles regarding liquidity risk set out in that Manual are as follows:

- Cajamar must maintain a level of liquid assets that are sufficient to cover, with a high degree of confidence, its liabilities that have the closest maturity dates.
- Cajamar must finance its loan investments mainly using retail resources and therefore the use of wholesale financing will remain within prudent limits.
- Cajamar must maintain an adequate diversification of maturity dates for wholesale financing, and therefore limits will be established to short-term wholesale financing and the profile of long-term maturity dates will be monitored at the time of any new issue.
- Cajamar must maintain an adequate asset reserve that is easily convertible into liquid assets.
- Cajamar must define and implement a Liquidity Contingency Plan that establishes the steps to be taken in the event of a liquidity crisis deriving from both internal and external causes.

The basic principles regarding interest rate risk set out in that Manual are as follows:

- Cajamar must apply a commercial and financial policy that offers minimal exposure to interest rate risk.
- Despite respecting the preceding principle, the development of market interest rate curves could place the Entity into exposure levels that are not desired and therefore and authority system must be established to take a decision as to whether or not the exposure level that is reached will be maintained or if steps will be taken to reduce that level.

When applying the preceding principles, certain limits and authorities have been established.

3. Risk of non-compliance with legislation

Cajamar as several manuals and procedures regarding the prevention of Money laundering and the financing of terrorism, personal data protection, customer service to handle claims, a code of conduct for the securities markets and, more in general, rules relating to compliance with legislation and good practices with respect to the transparency of transactions and customer protection.

The general principles that inspire compliance with legislation by Cajamar are as follows:

- **Principle of responsibility at the Governing Body and in Senior Management:** Cajamar's Governing Body is responsible for supervising the management of the risk that the Entity will fail to comply with legislation and senior management is responsible for the effective management of that risk.

- **Principle of independence**: Legislative compliance has a formal status within the Entity's organization and there is a person responsible for legislative compliance who is the overall responsible party for coordinating the management of the risk that legislation will not be followed. Legislative compliance personnel and, in particular, the manager, are in a situation where they cannot be any conflict of interest between their responsibilities regarding legislative compliance and any other responsibility that they may have. Finally, the legislative compliance area has access to the information and personnel that are necessary to carry out its duties.

4. Operating risk

Cajamar has an Operating Risk Management and Control Policy Manual, which covers: (i) The basic management and control principles, (ii) the framework of action, (iii) the risk management cycle, (iv) the bodies responsible for management and control, and (v) the operating risk measurement and management tools.

The general principles regarding the management and control of operating risk that must be followed by any activity related to this risk are as follows:

- **Principle of functional independence**. There must be autonomy when taking decisions with respect to the various parties affected by the operating risk.«»

- **Principle of unity**, according to which there must be uniformity in the policies, processes, procedures and tools.

- **Principle of totality**. To manage and control operating risk all of the various risk events that have been identified must be grouped together and an overall capital from must be established to cover these risks.

- **Principle of transparency**. To strengthen a corporate culture of operating risk adequate publicity must be given to the action that is taken to manage this risk of on an internal and external level, so that the participant in the markets may evaluate the operating risk approach.

- **Principle of adapting to changes**. Due to the continuous improvement and the development of the entities, in general the Operating Risk Control office, the Operating and Market Risk Control area, Overall Risk Control and, ultimately, Senior Management bear the responsibility of investigating the operating risk profile of new products, processes, systems, lines of business or any change in the overall risk profile resulting from acquisitions, mergers or combinations.

The general approach for operating risk management is a **low tolerance of risk**, which requires:

- The prevention or mitigation of all significant operating risks, primarily through preventive controls and, when this is not sufficient, mitigating controls. Exceptions (acceptance of residual risk) must be clearly documented and reported to management.

- The availability of business continuity plan that limit the impact of operating interruptions, and which must: (i) be realistic and executable, (ii) reviewed regularly, and (iii) allow the continuity of the service through alternative systems.

- The monitoring of transactions, compliance with reporting requirements, the processing of data, contingency plans and other practices that have an operating nature and are relevant for the adequate development of the business.

5. Market and exchange rate risk

Cajamar has a Market and Exchange Rate Risk Manual, approved by its Governing Body, which contains: (i) the basic principles governing these risks, (ii) the applicable limits, (iii) the bodies responsible for management and control, (iv) the procedures for calculating risks and limits and (v) the reports that are necessary for management and control.

The basic principles that define the policy are:

- Exposures to market and exchange rate risks will never be of a speculative nature, which is understood to be an attempt to take advantage of short-term price fluctuations. As a result trading portfolios are prohibited but this does not impede certain instruments, contracted for hedging purposes, being recorded as trading portfolio is due to regulatory requirements.
- The contracting of derivative instruments and term transactions in currencies can only be carried out to hedge previously authorized risk positions.
- The acquisition of fixed-income or equity instruments may only take place within the framework of the management of a "portfolio", whose creation must be expressly authorized by the Executive Committee which will establish the investment policy and the objective of the portfolio management and, if appropriate, will establish the limits to losses in value and value at risk. When the establishment of limits is not appropriate, the agreement must state the reasons why.
- The limits to exchange rate risk will be adjusted to the levels that are strictly necessary to facilitate the operating needs of customers.

D.2. State the control systems in place to evaluate, mitigate or reduce the main risks of the company and its group.

Within the area of risk control, Cajamar has implemented the independence of duties principal to a high degree which is shown at the highest levels by the existence of a General Control Manager that reports to the Governing Body, in addition to the Committees delegated by the Governing Body as indicated in section D.3 below. The Overall Risk Control and Legislative Compliance Divisions report, in turn, to this Control Manager and the duties and organizational structure of these divisions will be defined further below and cover all of the aforementioned risks.

To obtain a better understanding of this section, we will provide a general description for all risks using as a centre point (i) the control bodies and (ii) the control systems and tools.

Finally, it should be noted that we will only describe the bodies whose purpose is purely one of control, even though Cajamar has multiple executive departments that carry out their own controls.

1. CONTROL BODIES

1.1. Overall Risk Control

a) Subsidiary lines

- Credit risk control
- Market and operating risk control
- Methods for measuring risk

b) Duties

- Propose monitoring criteria for Cajamar's loan portfolio, based on the principles of relative importance, the differentiation of management policies and the homogeneity of measurement models.
- Proposed internal limits for the exposure of Cajamar and its financial group to credit, price, interest, liquidity and operating risks.
- Supervise compliance with the limits that are established internally or by the Regulator regarding credit, price, interest rate, liquidity and operating risks.
- Analyze the exposure of Cajamar and its financial group to credit, price, interest rate, liquidity and operating risks, as well as their trends, preparing proposals to change management policies when it is considered that a trend could lead to undesirable exposures.
- Coordinate Cajamar's Capital Self-evaluation Process, taking responsibility for the preparation of the report that must be published on an annual basis.
- Established the methods for measuring credit, price and operating risk, as well as supervising the effectiveness of those adopted by the relevant body to measure interest-rate and liquidity risk.

1.2. Regulatory Compliance

a) Subsidiary lines

- Money-laundering and terrorism financing prevention unit - UPBCFT -
- Customer protection
- Customer Service

b) Duties

- Proposed the policies and procedures that ensure proper compliance with the law or administrative regulations:
  > The measures to prevent action that could lead to money laundering or the financing of terrorism.
  > The codes of conduct within the securities markets, to prevent practices involving market abuses.
  > The transparency of transactions and customer protection, both with respect to banking transactions and investment services.
  > Personal data protection for customers, suppliers, members and employees.
- Evaluate the effective compliance with established policies and procedures, to the implementation of controls in business processes and the design of compliance tests whose execution may be independent or coordinated with other departments at Cajamar, which must collaborate when necessary.

- Act as a contact for the National Stock Market Commission with respect to the issues that it regulates, and in particular:

  > The reporting of relevant events involving Cajamar Group

  > The reporting of transactions suspected of involving market abuse

  > The preparation and publishing of the annual corporate governance report

- Report, and monitor the implementation of any modifications and additions to relevant legislation, particularly those that originate from the following organizations:

  > Bank of Spain

  > National Stock Market Commission

  > Directorate General for Insurance and Pension Funds

  > Spanish Data Protection Agency

1.3. Internal Audit

a) Subsidiary lines

- Audit of the sales network
- Remote audit
- Financial audit
- Computer audit

b) Duties

- Plan the Internal Audit activity at Cajamar and its financial group, proposing and Annual Plan to the Audit Committee that contains:

  > A map of risks to be controlled

  > Permanent controls to be maintained

  > The specific work to be carried out at the audited entities.

- Execute the authorized audit plan, reporting:

  > To the various persons responsible for the audited lines of business, the conclusions reached and any proposals and/or requirements for action deriving therefrom.

  > To the Audit Committee: the degree of compliance with the recommendations and proposals made to the persons responsible for the lines of business, submitting to them any items that have not been covered and which are considered to be particularly harmful for the control environment.

- Adapt the audit procedures to the existing operating structure, such that permanent awareness of any failure to comply with internal regulations and the target valuation of the risk concerned are ensured at all times.

- Coordinate the attention to Regulatory Bodies, both with respect to inspections and information requirements, for which support will be provided by the various functional lines of business that are necessary in each case.

- Similarly, coordinate the attention to External Auditors and, in general, any other entity that carries out an audit, validation, review, evaluation or certification program at Cajamar and its subsidiaries.

2. CONTROL SYSTEMS AND TOOLS

Of the multiple tools and systems designed and implemented by Cajamar to control the risk deriving from its activity, in this report we will only mention those that we consider to be the most relevant.

2.1. Credit rating models

The Entity has an extensive model map that is divided into:

1) Reading and scoring models that are used in the loan admission process and their results modulates the authority system.

2) Models that work in the monitoring area, which may be grouped into two categories: Models that rate the customer and models that rates transactions.

2.2. Authority system for granting credit transactions

The authority system for granting credit transactions is based on the principle of delegation and constitutes a hierarchical pyramid based on two fundamental variables: (i) Exposure volume and (ii) Counterparty credit quality. The fundamental characteristics of the system are:

a) Delegated bodies and specialized committees: They receive delegated authority. At Cajamar there are 6 levels. In addition, there are specialized committees with approval authority for a certain type of transaction:

b) Limits by exposure volume: An overall limit is assigned to each delegated body, and there are also sub-limits for each transaction and excess limits.

c) Modulation due to credit quality:

- Based on the **conclusions** reached by the models that are **binding for loan admission purposes**, the attribution is made to the delegated bodies are modulated.

- In accordance with the **financial situation** of a borrower or financial group, and according to the **rating** obtained from an expert analysis or a customer monitoring model, transactions involving these parties may have a special authority system.

2.3. Rating of borrowers with Significant Exposure:

Borrowers with significant exposure are considered to be all individual borrowers or risk groups which, ordered from higher to lower, accumulate a credit risk exposure that is equal to their computable equity.

Permanent monitoring processes are applied to these borrowers or groups that allow the Entity to adopt protective measures upon the appearance or aggravation of impairment and, in any event, to define a risk policy to ensure their proper accounting classification and the recognition of their impairment.

As a result of this individual review, the risks are classified as Normal, Special Monitoring or Doubtful in memorandum accounts. The classification of borrowers in the Special Monitoring segment cancels the authority to grant new transactions by delegated bodies that are only represented in the sales network.

2.4. Monitoring of credit and counterparty risk with financial institutions:

On a daily basis compliance with the credit risk limits assigned to each counterparty is verified for which a line consumption model has been established based on the sum of the market value of each transaction and an add-on that evaluates potential future risk. Similarly, the rating of financial counterparties is monitored on a monthly basis and the line of risk is updated in the event of any impairment of their credit quality.

Due to its particular relevance, a daily control is performed on inter-bank operations, controlling daily positions, credit risk and the effective collection of principal and interest at maturity.

2.5. Bancware Focus ALM

This application is the main tool for managing and controlling liquidity and interest rate risks, since it is able to:

- Calculate static and dynamic gaps that explain the evolution of liquidity.
- Study and model the performance of balance sheet figures compared with changes in interest rates.
- Obtain reserved statements relating to interest rates and liquidity risks.

2.6. Tools for controlling operating risk

To manage operating risk, the Entity has a web application that includes four modules:

- **Loss database:** This records the relevant information relating to all operating risk events. To maintain it up to date, there are a group of automatic and manual information capture processes that take place on a monthly basis. It contains past information exceeding 5 years.
- **Risk Map and Self-evaluation:** A qualitative evaluation of risks in the various areas (Departments and office network) and the controls that mitigate those risks.
- **KRI's:** Key Risk Indicators To reinforce the work of the self-evaluators a group of Key Operating Risk Indicators have been defined that provide warnings of any saturation of certain aspects of a process, which requires a review of the resources and controls in that process.
- **Reports:** Module that assists with the generation of reports regarding the Entity's situation with respect to operating risk

2.7. Tool for managing and controlling cash activities

The Entity manages market risk through the application SGT. This is a "Front-to-Back" application, which means that the information captured at source (Front-office) goes directly to the Back-Office, thereby avoiding duplicate captures and possible operating errors.

Although the Entity's current cash activity focuses on the hedging risk and not assuming that you would fit positions, the SGT tool includes a market risk measurement module that applies the VaR method, and which provides market risk analysis and control tools, as well as tools for establishing overall limits, limits for each portfolio under management or for each type of product, as well as a back testing and stress testing program.

D.3. If any of the risks affecting the company and/or its group had materialized, describe the circumstances which caused them and state whether the established control systems have worked.

Risk is inherent to financial activities and therefore the materialization of risks to a greater or lower extent is entirely inevitable.

However, the safeguards that have been established as well as channels and circuits for approving risk operated normally and there are no distortions in the application of the procedures established for this purpose.

D.4. State whether there is any committee or other governance body responsible for establishing and supervising these control mechanisms and detail the functions thereof.

As has been described sufficiently in section B.2.3 above, there is a Risk Committee that supervises risk control activities and a Audit Committee that also supervises control mechanisms.

E) GENERAL MEETING OR EQUIVALENT BODY

E.1. Indicate the quorum for holding a general meeting or a meeting of an equivalent body as stipulated in the bylaws. Describe the differences between the system of minimums established by the Spanish Companies Act or any other applicable legislation.

In accordance with the provisions of Article 18 of the Bylaws, bearing in mind the high number of members of the Bank, its presence in multiple autonomous regions and the consequent difficulty faced by members to attend the General Assembly, the authority of this body will be exercised through and Assembly formed by Delegates designated in Preparatory Meetings and by the persons holding management positions.

As regards the Preparatory Meetings, Article 24.5 of the Bylaws stipulates the following:

The quorum for holding Preparatory Meetings will meet the following rules:

A) At first call not less than 51% of the total voting rights falling to members of the Cooperative assigned to the relevant Meeting must be present or represented.

B) At second call the members present - including those that are represented- must hold 5% of all member votes assigned to the Meeting, but if the total number of members with the right to attend is less than 100, at least 6 with voting rights must attend and when the assigned members exceed 500 at least 25 cooperative members with voting rights must be present or represented.

Article 26.2 of the Bylaw stipulates that the General Assembly will be validly called to order provided that the following requirements are met:

A) More than three fourths of all of the Preparatory Meeting established in this Section must have been effectively held beforehand.

B) In order to call the meeting to order at first call, more than one half of the total number of delegates elected at the previously held Meetings must present together with all members that hold positions at the Bank. That second call only 40% of the chosen Delegates and members holding positions must be present.

E.2. Explain the system for adopting resolutions. Describe any differences with the system established by the Spanish Companies Act or any other applicable legislation.

As a Credit Cooperative, Cajamar meets all applicable legislation and there is no difference with respect to the system for adopting resolutions established in legislation. Article 27 of the Bylaws establishes the applicable legal provisions with respect to this area.

Accordingly, and in order to exactly describe the manner of adopting resolutions, Article 24 is transcribed below:

<<Artículo 27° System of majorities at the Assembly of Delegates

1. The assembly of Delegates will adopt resolutions, as a general rule, with a majority of more than 50% of the votes validly cast, and for these purposes blank votes and abstentions are not computable. Resolutions that are of an electoral nature, to designate members and alternates for governing and other bodies will be decided by a majority of the number of votes cast.

Under no circumstances may a casting vote exist.

2. A majority of two thirds of voting rights present and represented will be required to:

a) Join or exit a cooperative group regulated by Law 27/1999.

b) Modify the Bylaws, notwithstanding the fact that in accordance with the adaptation to Law 27/1999 on Cooperatives -and the new Bylaws resulting from that adaptation- they may be adopted by more than one half of the voting rights that are present and represented, in accordance with the provisions of that Law.

c) Approve the merger, universal assignment, spin-off or the dissolution of the Entity, except when the latter must take place due to legal reasons for which an ordinary majority of the General Assembly is sufficient.

d) Sell or assign the Entity, or any portion thereof, by any means, which gives rise to a substantial modification of the Cooperative's equity, financial, organizational or functional structure, as defined by the provisions of Article 17.2.g) of these Bylaws.

e) Reactivate the Entity.

f) Issue debentures or other securities if required by applicable legislation.

g) Agreed to revoke or remove the« Governing body, Controllers or Resource Committee, or any of their members early, except in cases of flagrant crimes, very serious infractions confirmed by the Ministry of Finance or the existence of a situation that requires the immediate removal of the relevant responsible person.

h) Any other issues for which this majority is required by current regulations.>>

E.3. Indicate the rights of shareholders or participants with respect to the general meeting or equivalent body.

With respect to the Preparatory Meetings and the General Assembly of Delegates, members may exercise the following rights in accordance with the provisions of the Bylaws and within the framework of regulations governing credit cooperatives:

- Elect and be elected to any position in the governing bodies existing at the Cooperative - in accordance with the Bylaws - and for any transitional duties, of members of the Assembly Board or Controllers or delegates at assembly meetings.
- Formulate proposals and requests for information from any governing body - within their respective areas of authority.
- Attend and participate, with the right to be heard and vote, at Preparatory Meetings and, through Delegates, the adoption of resolutions by the General Assembly.
- Receive the information that is necessary to exercise these rights and comply with obligations, and the terms established by current legislation, the Bylaws or any others agreed by the General Assembly.

Briefly indicate the Resolutions adopted at the General Meetings or meetings of equivalent bodies held during the year to which this report refers and the percentage of votes with which each Resolution was adopted.

In 2011 the Entity held to General Assemblies, the first was an Ordinary meeting and the second was an Extraordinary meeting.

The ordinary General Assembly took place on 9 June 2011 and, in accordance with the relevant Agenda, the following resolutions were adopted:

- Approval of the Individual Annual Accounts and the Individual Directors' Report and the Consolidated Annual accounts and Consolidated Directors' Report for Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Entities pertaining to Grupo Cooperativo Cajamar for the year ended 31 December 2010, distribution of available surpluses and the basic lines in which the Education and Development Fund would be used and applied.. (Unanimous).
- Establishment of the limits, time and manner of payment of the interest-rate applicable to the Contributions to Share Capital. Delegation of the authority to execute the resolution adopted to the Governing Body. (Unanimous).
- Authorization was granted to the Entity's Governing Body to execute the issue of financial instruments in a maximum amount of 4,000,000,000 euros. (Unanimous).
- Designation of auditors for 2011, 2012 and 2013. (Unanimous).

- Authorization was granted to the Governing Body to make pre-payments of amounts relating to the Education and Development Fund between 1 January 2012 and the date of the Ordinary General Assembly for 2012. (Unanimous).
- Ratification of the resolutions adopted by the Governing Body with respect to Grupo Cooperativo Cajamar, as necessary, and authorization was granted to the Governing Body to approve the entry of other entities into Grupo Cooperativo Cajamar and its associated Institutional Protection System. (Unanimous).
- Adoption of agreements related to the Governing Body: i) Renewal in the next General Assembly, ii) Ratification of agreements regarding remuneration of the government organs and iii) Other that could apply. (Unanimously).
- Assambleary agreement regarding the Merger Project between Cajamar Caja Rural Sociedad Cooperativa de Crédito and Caja Campo, Caja Rural, S. Coop. de Crédito. (Unanimously).
- Modifications of the Articles of Association of the Entity which affect article 12.5. (Unanimously).
- Authorization was granted to the Chairman Ed the Secretary to the Governing Board and their respective alternates, to document, enter into the appropriate registries and execute the resolutions that are adopted by the Assembly and, if appropriate, to clarify, complete, correct or modify those resolutions, after receiving the approval of the governing body, as required and/or advisable so that they are completely efficient and effective. (Unanimous).
- Designation of three Members-with alternates-to ultimately approve the Minutes, together with the Chairman, within 15 days following the date on which the General Assembly was held. (Unanimous).

E.5. Indicate the address and access to the corporate governance contents on the company's website.

Cajamar's website (www.cajamar.es) has two sections, which are visible and emphasised on the home page, that relate to the content of corporate governance: <<Information for members>> and <<Information for investors>>.

The section <<Information for members>>, which is visible on the home page, offers users a one step pathway to view the link to the Corporate Governance Report for the relevant year.

Similarly, the section "Information for Investors", offers users a one step pathway to directly access the link to a specific section of the corporate governance area that includes the Corporate Governance Report for the relevant year.

E.6. Indicate whether or not meetings have been held by syndicates, if any, of the holders of any securities issued by the Entity, the purpose of the meetings held during the year to which this report refers and the main resolutions adopted.

There have not been, during the year any meetings with the assemblies of the corresponding syndicates of holders of the pertinent securities of the Entity regarding this report.

F) COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the level of compliance by the entity with current corporate governance recommendations or, if appropriate, those that have not been followed.

In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the entity.

As long as the document referred to by ORDER ECO/3722/2003, 26 December, has not been prepared, the reference for completing this section should be the recommendations of the Olivencia Report and the Aldama Report, to the extent that they are applicable to your entity.

In accordance with its legal nature, Cajamar Caja Rural, Sociedad Cooperativa de Crédito complies with the legislation governing Credit cooperatives and the provisions of its Bylaws and therefore its operations differ from those covered by legislation applicable to listed companies.

The document referred to above was approved by Board of the National Stock Market Commission on 22 May 2006 with the title of << Unified Code of Good Governance for listed companies>> and it establishes a series of recommendations regarding corporate governance that are applicable only to listed companies.

Notwithstanding the above, below we indicate the level of compliance with those recommendations that in some way could be considered to be applicable to Cajamar in accordance with its cooperative structure.

Bylaws and General Assembly

1. The bylaws of listed companies should not restrict the maximum number of votes that can be cast by a single shareholder, nor contain other restrictions that make it difficult to take control of the Company through the acquisition

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

2. When the parent company and a subsidiary are both listed they should both be publicly defined with precision:

a) The respective areas of activity and any business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies:

b) The mechanisms established to resolve any conflicts of interest that may arise.

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

Authority of the General Meeting

3. Even though not expressly required by commercial law, operations that involve a structural modification to the Company and, in particular the following, are submitted to the General Meeting for approval:

a) The transformation of listed companies into holding companies, by “creating subsidiaries” or transferring essential activities previously carried out by the company to subsidiaries, even if the former maintains complete control;

b) The acquisition or disposal of essential operating assets, when they involve an effective modification to the corporate purpose;

c) Operations that have an effect equivalent to the liquidation of the Company.

Article 17.2 of the Bylaws governing Cajamar stipulates, in line with the recommendations set out in the Unified Code, that the General Assembly (body equivalent to a General Meeting at listed companies) is authorized to take the following action, among others:

<<f) Merger, spin-off and dissolution of the Entity, unless the latter is necessary as a result of a decision issued in accordance with the Law by a court or administrative authority.

g) Sale or assignment of the Entity, or any part thereof, by any means, or any other decision that gives rise to a substantial modification of the cooperative’s financial (whether equity or financial), business, organizational or operational structure. Substantial modifications are considered to be those they give rise to the sale or assignment of offices or volumes of business that exceed 10% of the total deposits held by the Bank.

h) Agreed to create a Cooperative on a second or lower tier, or a consortium, or joining any such entities or any for which the agreement of the General Assembly is expressly required by law.>>

Prior information regarding proposed resolutions

4. Detailed proposals for resolutions to be adopted by the General Meaning, including the information referred to by Recommendation 28, should be made public at the time the notice for the Meeting is published.

Proposals for resolutions to be adopted by the General Assembly will be reported the same day on which the Assembly is called, in sufficient detail and sufficiently in advance (at least 15 days before the first Preparatory Meeting) in accordance with the provisions of Article 16 of Cajamar’s Bylaws.

Separation of issues for voting purposes

5. During the General Meeting, separate votes should be cast for issues that are substantially independent so that shareholders may separately exercise their voting preferences. This rule should be applied, in particular, to:

a) The appointment or ratification of Directors, who should be subject to separate votes;

b) In the case of amendments to the Bylaws, each article or group of articles that is substantially independent.

Each of the proposals submitted to the General Assembly will be treated, for voting purposes, independently, particularly the proposals made by the Governing Body.

Division of votes

6.The fractioning of votes so that financial intermediaries legitimately participating as shareholders but acting on behalf of different customers may vote in accordance with the instructions of the latter.

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

Governing Body

Business interest.

7.The Board of Directors should carry out its duties with a common purpose and under independent criteria, treat all shareholders equally and be guided by the Company's interests, understood to be the sustained maximization of the company's financial value.

The board must also ensure that in its relationships with stakeholders the Company respects laws and regulations; complies with its obligations and contracts on a good-faith basis; respects common uses and good practices in the sectors and territorial areas in which it carries out its activities; and observes those additional principles of corporate responsibility that it has voluntarily accepted.

Since its creation as a cooperative credit entity, Cajamar has included social responsibility in its mission, principles, values and its actions as a financial institution. This represents its voluntary commitment to contribute financial solutions to economic and social development in the environment in which it carries out its activity, and its association with local production systems, socioeconomic balance and the protection of the environment are fundamental values to attain its objectives.

The corporate Social Responsibility Report, prepared by balancing the requirements of the Global Reporting Initiative indicators with the reporting needs of our stakeholders transparently reports to them the actions taken and the Entity's commitment to society in economic, social and environmental terms.

Based on these premises, the Governing Body at Cajamar carries out its duties with a common purpose and independent and it offers the same treatment to all members, is guided by the Entity's interests and ensures that its relationships with the aforementioned stakeholders in the Bank respect the law and regulations. It complies in good faith with its obligations and contracts, respects good practices and uses in the sectors and territories in which it carries out its activities and observes all additional social responsibility principles that it has voluntarily accepted.

Authority of the Governing Body

The Board of Directors should assume its core mission of improving the Company's strategy and the organization necessary to put it into practice, as well as to supervise and ensure that Management complies with the established objectives and respects the Company's purpose and business interests. Therefore, for this purpose, the full Board reserves the authority to approve:

a) The Company's general policies and strategies and, in particular:

i) The strategic or business plan, as well as management and annual budget targets;

ii) The policy of investments and financing;

iii) The definition of the structure for the group of companies;

iv)The corporate governance policies;

v) The corporate responsibility policy;

vi)The policy for evaluating senior management performance and compensation;

vii) The risk management and control policy, as well as regular monitoring of internal information and control systems;

viii) The policy for dividends, as well as treasury stock and, in particular, their limits.

b) The following decisions:

i) At the proposal of the Chief Executive Officer, the appointment and dismissal of senior executives, as well as their indemnities;

ii) Compensation for Directors, as well as additional compensation for executive duties, in the case of Executive Directors, and any other conditions that their contracts must respect;

iii) The financial information that the Company must make public on a regular basis due to the fact that it is listed on a stock exchange;

iv) All investments or transactions that, due to the large amount concerned or their special characteristics, are strategic in nature except for those that must be approved by the General Meeting;

v) The creation or acquisition of shares in special-purpose vehicles or domiciled in countries or territories that are considered to be tax havens, as well as any other similar transactions or operations that, due to their complexity, could harm the transparency of the Group.

c) The transactions that the Company carries out with Directors, significant shareholders or parties represented on the Board, or with persons to which they are associated (“associated transactions”).

However, this authorization from the Board will not be understood to be necessary in those associated transactions that also comply with the three following conditions:

1ª. They are carried out by in accordance with standardized contracts that are applied to many customers;

2ª. They are carried out at prices or rates that are established in general by the party acting as the supplier of the asset or service concerned;

3ª. The amount does not exceed 1% of the Company’s annual revenues.

The Board should approve associated transactions after having received a favorable report from the Audit Committee or, if appropriate, from any other Committee charged with this duty; and affected Directors, in addition to not exercising or delegating their right to vote, should leave the meeting room while the Board deliberates and votes on this issue.

The authority attributed here to the Board should not be eligible for delegation, except those mentioned under letters b) and c), which may be adopted due to reasons of urgency by the Committee and subsequently ratified by the full Board.

This body, in accordance with the unified code, has broad authority to carry out the Entity's core mission.

Accordingly, the Governing Body, as is stipulated in Article 25 of Cajamar's Bylaws, it is the governing body that is responsible for, at least, senior management, the supervision of executives and the representation of the Bank, in the terms indicated by current legislation.

It has authority to establish the general guidelines governing the Entity's actions, subject to the Law, its Bylaws and the policies established by the General Assembly.

Size

9. The Board should have the size necessary to achieve effective and collaborative operations, which makes it advisable for it to have not less than five and not more than fifteen members.

In accordance with the provisions of Article 26.1 of Cajamar's Bylaws, a fixed number of 15 members of the Governing Body has been established, 14 of which will be elected from among individual members or representatives of members that are companies, whereas the 15th member will be an employee of Entity with an indefinite employment contract.

Functional structure

10. External Domanial and Independent Directors should constitute a wide majority on the Board and the number of Executive Directors be as few as possible, bearing in mind the complexity of the corporate Group and the percentage of participation of the Executive Directors in the Company's capital stock.

Of the 14 members that make up the Governing Body at Cajamar nine are considered to be other external directors and five are executive directors.

Other directors

11. If there is any External Director that cannot be considered to be Domanial or Independent, the Companies should explain this circumstance and the Director's associations, whether they are with the Company, its Executives or shareholders.

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

Proportion between independent and dominical directors

12. Among External Directors, the ratio between the number of Domanial Directors and Independent Directors should reflect the proportion between the Company's capital stock represented by the Domanial Directors and the rest of the capital stock.

This strict proportionality criterion may be moderated, such that the weight of the Domanial Directors exceeds that which would be the case based on the total percentage of capital stock that they represent:

1º At highly capitalized companies in which there are few or no shareholdings that are legally considered to be significant, but in which there are shareholding packages with high absolute values;

2º When concerning companies at which there are multiple shareholders represented on the Board that are not associated among themselves.

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

Sufficient number of independent Directors

13. The number of independent Directors represents at least one third of all Directors.

Other external directors make up two thirds of the total directors at Cajamar.

Explanation of the nature of the directors

14. The classification of each Director should be explained by the Board to the General Meeting that must make or ratify their Nomination and this classification should be confirmed or, if appropriate, revised on an annual basis in the Corporate Governance Report, after having received verification from the Appointments Committee. This report should also explain the reasons for which Domanial Directors have been nominated at the request of shareholders whose stake is less than 5% of capital stock; and the reasons for which, if any, formal requests were denied for a seat on the Board from shareholders whose interest is equal or higher than that of others whose request resulted in the designation of Domanial Directors.

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

Gender Diversity

15. When there are few or no women Directors, the Board should explain the reasons and the initiatives taken to correct this situation; and, in particular, the Appointments Committee should ensure that this is taken into account when filling new vacancies:

a) By ensuring that selection procedures do not have any implicit bias that could raise obstacles to the selection of women Directors;

b) By ensuring that the Company deliberately seeks, and includes among potential candidates, women that have the target professional profile.

The process of appointing candidates to the Governing Body is democratic based on the configuration of one member one vote and therefore there is no obstacle whatsoever to select female directors.

Chairman

16. The Chairman, as the party responsible for the effective operations of the Board, should ensure that the Directors receive sufficient information before hand; stimulate debate and the active participation of Directors during Board meetings, safeguarding the right to freely take a position and express opinions; and organize and coordinate regular evaluations of the Board with the Chairman of relevant Committees, as well as an evaluation of the CEO or lead executive.

In addition to their status as members, Article 31.2 of the Bylaws formally recognised the right of directors to receive the information necessary to carry out their duties and comply with their obligations, as well as the right to express an opinion and debate.

17. When the Chairman of the Board is also the Bank's CEO, the Board of Directors will authorize one of the independent Directors to call a meeting of the Board and include new points in the agenda in order to coordinate and express the concerns of external Directors and to direct evaluations by the Board of its Chairman.

Cajamar does not have any senior or lead independent director (Recommendation 17) However, by virtue of the provisions of Article 30.1, the Governing Body must be called to a meeting by the Chairman if requested by two directors or by General Management.

Secretary

18.The Secretary to the Board of Directors should particularly ensure that the Board's actions:

a) Meet the letter and the spirit of Laws and regulations, including those approved by regulatory bodies;

b) Are in line with the Company's bylaws and with the Regulations governing the General Meeting, the Board and any others in force at the Company;

c) Take into account the recommendations regarding good governance established in this Unified Code that the Company has accepted. In order to safeguard the independence, impartiality and professionalism of the Secretary, the appointment and removal from this position must be reported by the Appointments Committee and approved by the full Board, and the procedure for appointing and removing the Secretary should be established in the Board's Regulations.

In addition to being a member of the Governing Body and in care of the formal and material legal aspects relating to the Governing Body, the Secretary participates in the Executive Committee and in the Audit Committee which guarantees and reinforces this function within the Governing Body.

Meetings

19.The board should meet with the frequency necessary to efficiently perform its duties, following the schedule and agenda established at the start of the year and each Director may propose other points to be added to the Agenda.

There is preset calendar for annual meetings and Article 33 of Cajamar's Bylaws establishes monthly ordinary meetings of the Governing Body.

The Governing body may also hold extraordinary meetings provided that there are issues that must be resolved before the next ordinary meeting.

A meeting of the Governing Body must be called by the Chairman, or the alternate, at his/her own initiative or at the request of at least two directors or by General Management. If the request is not fulfilled within 10 days, it may be called by those persons that made the request provided that at least one third of the Governing Body joins the request.

20. Director absences should be reduced to unavoidable cases and should be indicated in the Annual Corporate Governance Report. If the delegation of representative authority is unavoidable, instructions should be given.

In accordance with the provisions of Article 31.1.f) of Cajamar's Bylaws, among the obligations falling to Directors is that of <<attending, unless otherwise justified and without any possibility of delegating authority, all of the meetings held by the Governing Body>>.

In line with the above, the minutes to the Governing Body Meeting in question will indicate any absences by directors.

Of all of the meetings held by the Governing Body (one per month, plus the two General Assembly meeting) only five absences of its 14 Members took place in 2011.

21. When the Directors or the Secretary express any concern regarding any proposal or, in the case of Directors, regarding the Company's progress and these concerns are not resolved during the Board Meeting, the party expressing the concerns may request that they be recorded in the minutes to the Meeting.

The minutes to the Governing Body Meeting state all of the interventions made by directors as well as the debates that take place and, therefore, they will also record any concerns regarding the company's performance.

Regular evaluation

Information provided to directors

22. Once per year the Board should evaluate:

a) The quality and efficiency of the Board's operations;

b) Based on the report presented by the Appointments Committee, the performance of the Chairman and the Company's CEO;

c) The operation of its Committees, based on the reports that they issue.

Regular evaluations take place but there is no formal procedure for doing so.

23. All Directors should be able to exercise the right to obtain all additional information that they deem necessary regarding the matters over which the Board has authority. Unless the bylaws or the Board Regulations establish otherwise, these requests should be directed to the Chairman or the Secretary to the Board.

As was indicated in Recommendation 16, in addition to their status as members, Article 31.2 of the Bylaws formally recognised the right of directors to receive the information necessary to carry out their duties and comply with their obligations, as well as the right to express an opinion and debate.

In addition to the right to receive the information that is necessary to exercise their rights and comply with their obligations as is recognised by Article 31.2 of the Bylaws, Directors may always request additional information regarding issues that fall within the area of authority of the governing body.

24. All Directors should have the right to obtain all necessary advisory services from the Company in order to comply with their duties. The Company should create adequate channels for exercising this right, which under special circumstances may include external advisory services paid for by the Company.

Directors are entitled to obtain advisory services from the Bank line with the duties and at the cost of the Entity.

25. Companies should establish an orientation program providing new Directors with quick and sufficient knowledge of the Company, as well as it's Corporate Governance rules. It should also offer Directors programs for updating knowledge when the circumstances make this advisable.

Cajamar currently does not have any orientation program for new members of the Governing Board intended to provide them with knowledge of the Entity and its corporate governance rules. However, since any person that may be elected to the position of director must be a member such a program may not be necessary. There are no formal update programs but directors receive information of any new issues that are considered to be relevant.

Dedication of directors

26. Company should require that Directors dedicate the time and effort that is necessary to perform their duties efficiently and, as a result:

a) Directors should inform the Appointments Committee of all other professional obligations to determine whether or not they could interfere with the dedication required;

b) Company should establish rules regarding the number of Boards to which its Directors may pertain.

In accordance with the provisions of Article 31 of its Bylaws, the directors of Cajamar must perform their duties with full loyalty, dedication and discretion and place Entity's interests before their personal or professional aspirations and those of any other person or entity.

Directors

Selection, appointment and re-election

27. Proposals to appoint or reelect Directors made at the General Meeting, as well as provisional appointments through designation, should be approved by the Board:

a) At the proposal of the Appointments Committee, in the case of Independent Directors;

b) After receiving a report from the Appointments Committee, in the case of all other Directors.

In accordance with the provisions of Article 29 of the Bylaws, the members of the Governing Body art elected for a term of six years and simultaneously and fully rotate at the end of each term and they may be re-elected.

Fourteen of the 15 members making up the Governing Body will be elected - from among individual members or the representatives of corporate members- by the General Assembly through a secret vote based on the majority of votes issued. The 15th member of the Governing Board will be an employee of the Entity with an indefinite employment contract and will be elected as a member by a special assembly of permanent employees, when there is more than one Workers' Committee at the Entity, and if this is not the case, that Committee will select a representative.

The candidates will be presented in closed list, indicating the various positions to be selected.

Only members of the Entity that are individuals or the representatives of corporate members that meet the requirements regarding honour and professionalism that are required by the Bylaws and must be fully capable from a legal point of view and not, under any of the situations that give rise to any prohibition or legal incompatibility in accordance with applicable legislation.

The requirements regarding honour and rationalism, and not be charged with any of the crimes referred to by Royal Decree 84/1993, are also applicable to the Employee Director.

Public information regarding directors

28. Companies should make the following information regarding Directors public on its website and maintain it up-to-date:

a) Professional profile and biography;

b) Other Boards of Directors to which the individual pertains, whether or not involving listed companies;

c) An indication of the classification of the Director as appropriate, stating, in the case of Domanial Directors, the shareholder represented or with which the individual is associated;

d) Date of first appointment as a Director of the Company, as well as all subsequent appointments and;

e) Shares and share options in the Company which are held by the Director.

The Cajamar website does not include a professional profile or biography for directors, indication of whether or not they pertain to other governing bodies or other boards of directors, the category of director into which they fall and the date of their first appointment, as well as any re-election.

The other information indicated by the Unified code in the recommendation would not be applicable given the cooperative nature of Cajamar.

Rotation of independent directors

29. Independent Directors should not remain as such for a continuous period exceeding 12 years.

Cajamar's bylaws do not contain any limitation to the number of terms over which a director may serve.

30. Domanial Directors should present their resignations when the shareholder they represent fully sells its stake in the Bank. This should also take place, by the relevant number, when that shareholder reduces its stake to a level that requires a reduction in the number of its Domanial Directors.

Is not applicable to Cajamar given that it is a cooperative and the profile of the directors to which it is oriented.

31. The Board of Directors should not propose the removal of any Independent Director before the end of the term to which the individual was appointed, unless there is just cause appreciated by the Board after having received a report from the Appointments Committee. In particular, just cause will be understood to exist when the Director has failed to comply with the duties inherent to his/her position or is subject to any of the circumstances described in Section III.5 on definitions in this Code.

A proposal to remove Independent Directors may also be made as a result of Public Stock Offers, mergers or other similar corporate transactions that give rise to a change in the Company's capital stock structure, when such changes in the Board's structure are the result of the proportional criteria indicated in Recommendation 12.

In accordance with Article 30 of the Bylaws, the Governing Body can only suspend, not remove, a director, when the reasons indicated in section 4 arise, i.e. there has been a situation of disloyalty, lack of dedication or discretion, all of which are required for these positions.

32. Companies should establish rules to require Directors to report and, if appropriate, resign in those cases in which they may harm the credit and reputation of the Company and, in particular, they should be required to inform the Board of any criminal proceedings in which they are involved, as well as all subsequent procedural issues.

If a Director is prosecuted or if the opening of oral proceedings takes place with respect to any of the crimes indicated under Article 124 of the Spanish Companies Act, the Board will examine the case as soon as possible and in the light of the specific circumstances at hand, must reach a decision as to whether or not the Director will remain on the Board. Any such action should be explained by the Board in the Annual Corporate Governance Report.

In line with the Unified Code of Conduct, Articles 30.2 and 30.4 of Cajamar's Bylaws cover the application of the liability system established for Public Limited Liability Companies to Directors, as well as the possibility that the Governing Body may suspend directors if there has been a situation of on loyalty, lack of dedication or discretion on the part of Directors due to a proven serious infraction and in defense of the Entity.

Article 30.3 of Cajamar's Bylaws stipulates that <<the members of the Governing Body will be removed for all reasons established by law or in the Bylaws and when elected by the General Assembly they may be removed by resolution adopted by the General Assembly, with the majorities established in the pertinent regulations. In addition, the member of the Governing Board elected by employees may be removed, for justified cause, by resolution adopted by the body representing employees.>>

Article 31.1 of Cajamar's Bylaws establishes the obligation of director to duly report to the Chairman, the Managing Directors, if any, and General Management of any events or news that the director is aware of, provided that they may influence projects, programs, plant, corporate structure, the business organization or the operation of the Cooperative.

33. Directors should clearly express their opposition when they consider that any proposal for a decision submitted to the Board may go against its business interests. Directors, particularly Independents and other Directors not affected by the potential conflict of interest, should also do this when decisions arise that may harm the shareholders not represented on the Board. When the Board adopts significant or repeated resolutions on which the Director has stated serious reservations, the Director concerned should reach the appropriate conclusions and, if he/she chooses to resign, the reasons for doing so should be explained in a letter referring to the following recommendation.

This recommendation also covers the Secretary to the Board of Directors, even if the Secretary is not a Director.

In the Unified Code, Article 31.1 of Cajamar's Bylaws establishes that directors may oppose any proposal that they consider to violate the law or the bylaws, whether prohibitive or imperative, and request that this opposition be noted in the minutes to the meeting.

34. When a Director leaves the Board before the end of his/her term, whether due to resignation or any other reason, the reasons should be explained in a letter sent to all of the members of the Board of Directors. Notwithstanding the fact that this should be reported as a relevant event, the reason for the action taken should be reported in the Annual Corporate Governance Report.

There are no issues relating to the provisions of recommendation 34.

Remuneration

Regime of approval and transparency

35. The Compensation policy approved by the Board should mention at least the following:

a) A breakdown of any fixed components of the per diems paid for participation on the Board and its Commissions and an estimate of the fixed annual compensation they represent.

b) Variable compensation, including in particular:

i) The classification of Directors to which it is applied, as well as an explanation of the relative importance of variable compensation compared with fixed compensation;

ii) Criteria for evaluating results on which any rights to shares, share options, or any other variable component, are based;

iii) Essential parameters and basis for any annual bonus or any other benefits not paid in cash; and

iv) An overall estimate of the absolute amount of variable compensation that could derive from the proposed compensation plan, based on the extent of compliance with assumptions or objectives used as a reference.

c) Main characteristics of retirement systems (for example, supplementary pensions, life insurance and similar items), with an estimate of the annual equivalent amount or cost.

d) Conditions that must be respected by contracts concluded with those exercising Executive Director duties, among which the following are included:

i) Term;

ii) Notice periods; and

iii) Any other clauses relating to contract bonuses, indemnities or "golden parachutes" deriving from early termination of the contractual relationship between the Company and the Executive Director.

Guiding criteria

36. Executive Directors should be restricted to compensation consisting of shares in the Company or Group Companies, share options or instruments indexed to the share value, a variable compensation linked to the performance of the Company or retirement systems.

This recommendation will not cover the delivery of shares, when subject to the condition that the Directors hold them until they ceased to be Directors.

37. Remuneration paid to External Directors should be that which is necessary to compensate their dedication, qualifications and responsibilities in the position, but not so high as to compromise their independence.

38.The compensation relating to the results obtained by the Companies should take into account any qualifications that are included in the external auditor's report and reduce those results.

39. In the case of variable compensation, the compensation policies include the technical precautions necessary to ensure that such compensation is in line with the professional performance of its beneficiaries and does not derive merely from the general evolution of markets or the sector in which the Company operates or other similar circumstances.

In accordance with the provisions of Article 27.1 of Cajamar's Bylaws, the position of Director will be, in general, held without compensation notwithstanding the appropriate reimbursement of expenses generated during the performance of the duties, including the per diems paid for the time effectively dedicated to the Governing Body, which will be established each year by the General Assembly.

In addition, the positions of Chairman, Place Chairman, Secretary and Managing Directors, if any, due to their higher level of dedication, transcendence and responsibility, may be compensated in the manner and in the amount agreed by the General Assembly.

Consultation vote regarding the compensation policy by the General Meeting

40. The Board should submit a report regarding the compensation policy for Directors to a consultation vote by the General Meeting, as a separate point on the Agenda. This report should be made available to shareholders, either separately or in any other manner that the Company considers advisable.

This report will particularly focus on the compensation policy approved by the Board for the year in progress and, if appropriate, the plan projected for future years. It will cover all matters referred to by Recommendation 35, except for any that could involve the revelation of sensitive business information. It will emphasize the most significant changes in these policies compared with the policy applied last year, to which the General Meeting refers. It will also include an overall summary of how the compensation policy was applied last year.

The Board will also provide information on the role played by the Compensation Committee when preparing the compensation policy and, if any external advisory services were used, the identity of the external consultants will be revealed.

We refer to the matters indicated in the preceding section on Compensation.

41. The Notes to the financial statements should provide details of individual compensation paid to Directors during the year and should include:

a) An individual breakdown of the compensation paid to each Director which will include, if appropriate:

i) Per diems for attendance and other fixed compensation paid to the Director;

ii) Additional compensation paid for holding the position of Chairman or member of any Board Committee;

iii) Any compensation paid as profit-sharing or bonuses, and the reason for paying such amounts;

iv) Contributions made on behalf of the Director to defined contribution pension plan; or the increase of consolidated rights held by the Director, when involving contributions to defined benefit plans;

v) Any indemnities agreed or paid in the event of termination;

vi) Compensation received for holding the position of Director at other Group companies;

vii) Compensation paid for carrying out the senior management duties falling to Executive Directors;

viii) Any other compensation other than the items listed above, regardless of its nature or the group company making payment, particularly when it is considered to be an associated transaction or when omitting this item could distort the true and fair view of the total compensation received by the Director.

b) An individual breakdown of any shares, options or any other instrument indexed to the value of the share granted to Directors, indicating:

i) The number of shares or options granted during the year and the conditions for exercising these rights;

ii) The number of options exercised during the year, indicating the number of shares involved and the exercise price;

iii) The number of options pending at the end of the year, indicating their price, dates and other relevant information;

iv) Any modification made during the year to the conditions for exercising options already granted.

c) Information regarding the relationship, last year, between the compensation obtained by Executive Directors and the results or other performance measurements recorded by the Company.

In line with this recommendation, the notes to the annual accounts for Cajamar include a section regarding the individual compensation paid to directors during the year and this figure includes both fixed compensation and per diems.

Committees

42. When there is an Executive Committee, the structure for the different categories of Directors should be similar to that of the Board and its Secretary should be the Secretary to the Board.

The composition of the various categories of directors on the Executive Committee is four executive directors and another three that pertain to the category "Other external directors".

The secretary to this Committee is also the secretary to the Governing Body.

43. The Board should always be aware of the issues being discussed and the Resolutions being adopted by the Executive Committee and all of the Members of the Board should receive a copy of the minutes to the meetings held by the Executive Committee.

All of the minutes of the executive committee will be published and will be accessible to directors through the executive portal. In addition, at each meeting held by the Governing Body a summary of the relevant resolutions adopted by the committee will be provided.

Supervisory and control Committees

44. The Board of Directors must form, in addition to the Audit Committee required by the Securities and Exchange Act, a Committee or two separate Committees, covering Nominations and Compensation.

The rules governing the composition and operation of the Audit Committee and the Committee or Committees for Nominations and Compensation must be covered by the Board Regulations and include the following items:

a) The Board should designate the Members of these Committees, bearing in mind the knowledge, aptitudes and experience of the Directors and the duties of each Committee; it should deliberate with respect to its proposals and reports; and Reports must be given, at the first Board Meeting held after their meetings, regarding their activity and work performed;

b) These Committees should be formed exclusively of a minimum of three Directors. The above is understood to be notwithstanding the attendance of Executive Directors or senior executives, if expressly requested by the Members of the Committee;

c) The Chairmen should be Independent Directors;

d) External advisory services should be available when considered necessary to fulfill their duties;

e) Minutes should be kept of all meetings held and a copy should be sent to all members of the Board.

In addition to the Audit Committee, the Governing Board of Cajamar also has a Nominations and Compensation Committee.

The rules regarding the composition and the operation of the Audit Committee and the Nominations and Compensation Committee are established in their respective Regulations, given the absence of Regulations for the Governing body.

As regards their composition, it should be indicated that of the Chairman and five members that form part of the Audit Committee, four are other external directors (including the Chairman) and only one is an Executive Director. Four of the six members that form part of the Nominations and Compensation Committee are other external directors, although the Chairman is an Executive Director.

In particular, Article 4 of the regulations governing the Nominations and Compensation Committee indicates that its members must have the experience and knowledge required to adequately perform their duties.

In accordance with the provisions of Articles 11 and 12 of the Regulations for the Nominations and Compensation Committee and Audit Committee, respectively, stipulates that members of both committees may request advisory services from external experts at the entity's cost when considered necessary to perform their duties.

Furthermore, in accordance with the provisions of Article 8 of those regulations, both committees will issue minutes for their meetings and will inform the Governing Body of the issues discussed at those meetings, the results of their work and the resolutions adopted.

45.The supervision of compliance with internal codes of conduct and corporate governance rules is the responsibility of the Audit Committee, the Nominations Committee or, if existing separately, the Compliance Committee or the Corporate Governance Committee.

Both the Audit Committee and the Nominations and Compensation Committee, together with all other Committees in their respective areas of responsibility, supervise compliance with the internal codes of conduct and corporate governance rules.

Audit Committee

46. The Members of the Audit Committee, and particularly its Chairman, should be appointed bearing in mind their knowledge and experience with respect to accounting, audit and risk management.

With relation to the disposal in the Regulations, approved by the Governing Body, it is established tat the committee is formed by six members, designated by the Governing Body amongst the members of the Governing Body.

The members of the Committee will have, in its majority the condition of non-executive members.

Also, with respect to the expected in this Regulation, the president should be elected amongst the non executive members of the Governing Body

For the discharge of their labor by the members of the committee, the Governing Body could name non members advisers with the objective of assisting to the Committees and contribute with their knowledge.

Also, with the objective of being helped, the members of the Committee can ask for the hiring, with charge to the Entity, leagal, accounting, financial advisers or other kind of experts.

47. Listed companies should have an internal audit area which, under the supervision of the Audit Committee, ensures the proper operation of the internal control and information systems.

The Entity has a function of internal audit that reports information regularly to the Audit Committee, which gives the committee elements of judgments and contrast regarding the well functioning of systems of information and internal control.

48. The person responsible for the Internal Audit Area should present an annual plan to the Audit Committee; it should directly report any incidents that arise during the fulfillment of this plan; and at the end of the year a report on activities should be presented.

The Audit Committee of Cajamar approves the Annual Plan of Internal Audit, periodically receives information of the incidents that are determined in the tasks realized by internal auditin and at the end of the year summarizes a memory with the activity carried out by such to bring to attention of the Committee.

49. The risk management and control policy should identify at least:

a) The various types of risk (operational, technological, financial, legal, reputational and others) faced by the Company, including financial or economic risks, contingent liabilities and other off-balance sheet risks.

b) The establishment of the risk level that the Company considers acceptable;

c) The measures established to mitigate the impact of identified risks should they materialize;

d) The Internal control and information systems that are used to control and manage these risks, including contingent liabilities or off-balance sheet risks.

As can be seen, the exposed in headings D1 and D2 of this report, the policy of control and risk management is wide and collects credit risks, market risks liquidity risk, normative incompliance risk, and operational risk, establishing, measures to mitigate the impact of identified risk, in case they materialized, as well as ithe information and control systems which will be use to manage and control the risks.

50. With respect to the Audit Committee:

1° Internal Control and Information Systems:

a) Supervise the preparation and the integrity of financial information relating to the Company and, if appropriate, to the Group, reviewing compliance with legislative requirements, adequate definition of the scope of consolidation and the proper application of accounting standards.

b) Regular reviews of the Bank's internal control and risk management systems, so that the main risks are identified, managed and adequately reported.

c) Ensure the independence and efficiency of the internal audit function; proposed new selection, nomination, reelection and removal of the person responsible for internal audit; propose the budget for this service; receive regular information regarding its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

d) Establish and supervise a mechanism that allows employees to report, on a confidential basis and, if deemed advisable, anonymously, any irregularities that are potentially important, particularly those of a financial and accounting nature, that are observed within the Company.

2º The external auditor:

a) Present before the Board proposals for selecting, nominating, reelecting and replacing the external auditor, as well as the contract conditions; execution, and verify that Senior Management bears in mind the recommendations made.

b) Regularly receive from the external auditor Information regarding the Audit Plan and the results in execution, and verify that the directive takes into account the recommendations

c) Ensure the independence of the external auditor and, in this respect:

i) The Company reports any change in Auditor to the Spanish Securities and Exchange Commission and it provide a statement regarding the existence of any disagreements with the exiting auditor;

ii) The Committee should ensure that the Bank and the auditor respect current regulations regarding the rendering of services other than audit, limits to the concentration of the Auditor's business and, in general, any other regulation established to ensure the independence of auditors;

iii) In the event that the external auditor withdraws from the mandate, it will examine the circumstances giving rise to this situation.

d) In the case of Groups, ensure that the Auditor of the Group assumes the responsibility of auditing the Group companies.

The functions of Audit Committee cover all collected in the Law and particularly all indicated in heading B.2.3 of this report.

51. The Audit Committee should be able to call any employee or executive at the Company, even without the presence of any other executive.

Article numer 8 of this Committee established that, <<It will be mandatory to assist to the meetings of the Committee and give them collaboration and access to the information required, any member of the directive or staff from Caja Rural whose presence should be required by the President>>

52. The Audit Committee should inform the Board prior to adopting any of the relevant decisions, of the following matters indicated in Recommendation 8:

a) The financial information that the Company must make public on a regular basis due to the fact that it is listed on a stock exchange; The Committee should ensure that the interim accounts are prepared using the same accounting criteria as a reused for the Annual accounts and, in this respect ,consider the appropriateness of a limited review performed by the external auditor;

b) The creation or acquisition of shares in special-purpose vehicles or domiciled in countries or territories that are considered to be tax havens, as well as any other similar transactions or operations that, due to their complexity, could harm the transparency of the Group.

c) Associated operations, unless this reporting duty has been delegated to a Committee other than the supervisory and control committees.

It is not under the functions of the Audit Committee to inform the Governing Body with previous carácter to this about the decisions made in this recommendation.

53. The Board of Directors should endeavor to present the financial statements to the General Meeting without reservations or qualifications in the Audit Report, and should any exceptional situations exist, both the Chairman of the Audit Committee and the Auditors will clearly explain the contents and the scope of any such reservations or qualifications to shareholders.

The Governing Body should try that the annual accounts should be presented to the General Assembly with any reservations or exceptions in the auditor´s report. However, as indicated in section B 1.8, there are mechanisms to prevent this circumstance.

Committee of Appointments and Retributions

Committee of Appointments

54. The majority of the Members of the Appointments Committee —or the Appointments and Compensation Committee, if consisting of only one body—should be Independent Directors.

Most of the members of the Committee of Appointment and Retributions belong to other external members

55. In addition to the duties indicated in the preceding Recommendations, the Appointments Committee is responsible for the following:

a) Evaluating the competencies, knowledge and experience that is necessary on the Board and the necessary duties and aptitudes for candidates that cover each vacancy must be determined, while bearing in mind the time and dedication that are necessary to adequately perform the duties of the position.

b) Examining or organizing, in the manner deemed most adequate, the succession of the Chairman and the CEO and, if appropriate, making proposals to the Board so that said succession takes place in an ordered and well-planned fashion.

c) Reporting nominations and removals of senior executives as proposed by the CEO to the Board;

d) Informing the Board of matters regarding gender diversity, as indicated in Recommendation 14 of this Code.

56.The Appointments Committee should consult the Chairman and the CEO of the Company, especially when involving areas relating to Executive Directors. Any Director should be able to request that the Appointments Committee take into consideration, should it deem it appropriate, potential candidates to cover vacancies on the Board.

Committee of Compensation

57. In addition to the duties indicated in the preceding Recommendations, the Compensation Committee is responsible for the following:

a) Making proposals to the Board of Directors:

i) Regarding the compensation policy for Directors and senior management;

ii) Regarding the individual compensation for Executive Directors and other conditions regarding their contracts;

iii) The basic conditions regarding the contracts for senior management.

b) Ensure the observance of the compensation policy established by the Company.

58.The Compensation Committee should consult the Chairman and the CEO of the Company, especially when involving areas relating to the Executive Directors and senior management.

Regarding recommendations 55,56,57 and 58 we refer to what exposed in section B.2.3 of this report en with the functions of the Committee of Appointments and Retributions are exposed.

G) OTHER INFORMATION OF INTEREST

If it is considered that any principles or significant aspects relating to corporate governance practices applied by the entity have not been addressed in this report, describe and explain them below.

This section may also include any other information, clarification or nuance relating to previous sections of the report, provided that they are relevant and non-reiterative.

Specifically, state whether the entity is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

- Clarifying note A.1, A.2 y A.3

These sections have not been completed because they are not applicable to Cajamar as there is no member with a significant shareholding or “notable influence” (the possibility of designating or removing a member of the Governing Body at the Entity or proposing the designation or removal of a member of the Governing Body of the Entity).

- Explanatory note of subarticles B 1.2, B.2.2 and F (recommendation 10)

The second member Mr. José Sebastián Millaruelo Aparicio passed away on 24 March 2011 pending its substitution with respect to the established statutory terms; therefore, the number of members integrating the Governing Body at date of emission of the present report is of 14, de Audit Committee 5 and the Risk Committee 5.

- Clarifying note C.1

This section has not been completed for the same reasons indicated in the first clarification note.

- Clarifying note C.2

These sections have not been completed because they are not applicable to Cajamar as during 2011 no operations of this type have been registered.

- Clarifying note C.3

These sections have not been completed because they are not applicable to Cajamar as during 2011 no operations of this type have been registered.

- Clarifying note C.4

This section has not been completed given the cooperative nature of the entity and because, in accordance with the relevant section of the instructions, <<it must only be completed when the legal status of the entity is a public limited liability company>>.

Cajamar is not subject to any legislation other than that in force in Spain with respect to corporate governance.

This annual report on corporate governance was approved by the entity's Board of Directors or Governing body of the Company on 23 February 2012.

State whether any directors or members of the governing body voted against or abstained from approval of this report.

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO – APPENDIX TO CONSOLIDATED MANAGEMENT REPORT 2011

SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING IN LISTED COMPANIES (ICFR)

INTRODUCTION

Cajamar, Caja Rural, Sociedad Cooperativa de Crédito, (hereby “Cajamar”, “the Entitty” or “the Group”) is the heading of a banking group with a cooperative nature that carries out its activities in the financial services sector.

As of 17 January 2012, the General Assembly form Cajamar, Caja Rural has approved by unanimity the merger project with Caja Rural del Mediterráneo, Ruralcaja S.C.C, which will lead to the creation of the new entity Caja Rurales Unidas, Sociedad Cooperativa de Crédito. On the same date, the operation has also been approved by the General Assembly from Ruralcaja. Once the authorizations have been obtained and the merger has been entered in the registry, it is foreseen that the new.entity “Cajas Rurales Unidas” will be a reality as of the second quarter of 2012.

Cajamar is actually implementing a System of Internal Control related to the Financial Information (hereby ICFR) with the objective of ensuring that the financial information published in the markets, concerning both to the Entity and the Group is complete, reliable and appropriate.

Considering the implication of the merger detailed as above, during the last quarter of 2011, Cajamar has carried out a project evaluating the development of the control elements in the ICFR and have established targets and necessary action plans with the intention of meeting the appropriate requirements and adopting the best possible practices. Thus certain aspects and elements of the ICFR are currently being developed or implanted, and planned to be fully operational during 2012.

For the ICFR design, the content included in the guide: Internal Control Document related to the process of financial information en quoted entities, established by the Spanish Securities Exchange Commission (CNMV), therefore the terminology used in the following heading is linked to the definitios included in the guide.

Consecuently a general vision of Cajamar ICFR; with the description of the main consisting elements.

Control environment of the Entity

1. Which bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Governing Body of the Entity and the Board of Directors are aware of the importance of ensuring shareholders and investors, the reliability of the financial information published in the marker, being fully involved in the development of the ICFR.

The Audit Committee is responsible for the supervision of the proper functioning of the ICFR. Among its competencies we find the following:

- Supervise the effectiveness of the internal control of the Entity, the internal Audit and the management of risk; as well as discussing with the external auditors the significant weaknesses found during. Auditing. Particularly, with respect to the information and internal control systems:

- Verify the adequacy and integrity of the internal control systems.
- Be aware of and supervise the elaboration process and integrity of the financial information related to the Society and the Group, reviewing the compliance of the legal requirements and the correct application of accounting criteria.
- Review form time to time the internal control systems and risk management for the key risks to be identified, managed and publisehd correctly.

- Supervise the process of elaboration and presentation of the regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

Lastly, the Board of Directors is encharged of the design and implantation of the ICFR through the Directorate of General Intervention and Control; implementing the necessary measures in order to maintain the proper functioning of the ICFR.

2. Which departments and/or mechanisms are in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company, with particular regard to the financial reporting process.

The General Management of the Entity is responsible of designing an organizational structure with the objective of achieving the most efficient distributions of functions and resources. Also the Unit of General Intervention and Control is responsible for the organizational structure to respond to the demands of an adequate ICFR; and to manage the continuous functioning of the financial information, with the guarantee of a correct disclosure to the market.

The operating procedure manuals with its incoming tasks; who are available for all the Group employees through the intranet of Cajamar collects all the organizational structure being well difined the areas as well as the responsible people assigned.

As far as the elaboration of the financial information, such process is made from the Unit of Management and Financial Information, with the necessary collaboration of the Unit of Accounting and Fiscal Control. Recently, the previous Unit of Accounting and Fiscal Control have bee reestructured, defining the tasks and responsibilities and separating the issue and elaboration of the Financial Information from its control. These units are responsible for the Financial Information of Cajamar and the accounting consolidation of the Group. Particularly, their mission is to design, evaluate and direct the accounting system and internal accounting control, as well as the management of the information systems of the Group, to ensure the sufficiency, coherence and adequate functioning of the accounting processes, developing the financial statements and sending them to the corresponding Organisms in good time and appropriate manner.

3. The existence or otherwise of the following components, especially in connection with the financial reporting process; (i) code of conduct, (iii) whistle-blowing cannel and (iii) training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Cajamar has a Code of Conduct that contains a briefing of the general ethical principels, commitments and norms that should be present in when the employees act, in the relationship between them, the clients, the shoraeholders, the suppliers and any other interest party related with Cajamar. This code covers aspects such as professional behavior regarding respect, people dignity and its essential rights, legality and loyalty, confidentiality, security and health and quality amongst other.

This document is available in the Entity´s webpage being the Unit of Social Corporate Responsibility responsible for its update and the Committee of Essential Wrights of its interpretation.

With respect to the existence of a whistle-blowing channel, Cajamar has actually none implanted of official communication with designed responsible. It's the Unit of Internal Audit the one receiving any different behavior to the norms, principles and values of the society that where reported and particularly any irregular behavior with accounting or financial nature.

Cajamar knows the importande thar implies the existence of a whistle-blowing channel, who would permit an efficient and confidential communication from any employee regarding this kind of irregular situations linked to the transaction registry, inside the process of generation, elaboration and reporting of the financial information, being actually this channel under review.

An Annual Learning Plan exists where all the courses to make in the year for the Network of Offices of Cajamar. Specifically, internal mandatory courses exists which cover: Market Abuse, Money Laundering Prevention, LOPD, Insurance Regulation, MIFID, Prevention of Occupational Risks. The courses made by the Central Services employees and every personnel involved in the preparation of financial information are, apart from the previous courses qualified as mandatory, specific courses regarding finance and accounting, requested by each area responsible.

Risk assessment in financial reporting

4. Which of the main characteristics of the risk identification process, including risks of error or fraud, stating whether the process exists and is documented. The process covers all financial reporting objectives, is updated and with what frequency. A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, the process addresses other types of risk insofar as they may affect the financial statements, which of the company's governing bodies is responsible for overseeing the process.

Cajamar has developed a tool for the identification of the material areas and the relevant processes, which takes into account risk of error and fraud that my affect significantly to the financial information of the Group.

The tool has been designed taking into account the total scope of the financial information objectives referred to in the Document of Internal Control of Financial Reporting in Listed Companies emitted by CNMV (existence and occurrence, integrity, valuation, presentation, disclosure, comparability and rights and obligations).

The criteria applied to all the risk typology to identify and that is included in the design of the tool are both quantitative and qualitative. Apart from the identification considering the risk of fraud and error regarding the published financial information, it also has into account the effect of other type of risks, such as the operative, technological, financial, legal, reputational or environmental.

The periodicity of the identification process in the material areas and relevant processes is due, at least annually, using the most recent financial information. Moreover this evaluation will also be incurred when circumstances which were not identified previously arise and can mean possible errors in financial information or when substantial changes in the operations can lead to the identification of new risks amongst we can include situations that imply changes in the Group structure such as consolidation perimeter modifications or lines of business or other relevant event .

Regarding the previous, the Entity has a procedure of update and validation of the consolidation perimeter, issued by the Unit of Investments, from which a form is sent to fill in the necessary data to determine the perimeter and the consolidation process.

Finally, the action of the Entity, in case of identification of any significant risk, including those related to the financial information is to notify them to the Audit Committee and the Risk Committee of the Governing Board.

Control Activities

5. Documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgments, estimates, evaluations and projections.

In relation to the specific control activities, whose implementation is stablished with the objetive of mitigating the risk coming from posible errors, inaccuracies or irregularities form the financial information, Cajamar has a list of manuals and procedures and accounting policies, y permanent update, jointly with the processes of revision and controls amongst we can find:

- The Consolidated Financial Statements closing procedure. The Group has specific procedures of balances closing, having this responsibility the Unit of Financial Infrmation and Management.
- The general technological controls established by the Group as organization level from the IT department, physical security, logical security, maintenance and development.
- The process of emission of judgments and values and relevant projections regarding amongst other the estimation of Goodwill, the useful life of the material and immaterial assets, the valuation of certain financial assets(liquid assets), the impairment for material and inmaterial assets, the valuation of foreclosed assets whose control fall in the Unit of Accounting and Fiscal Control.

The Entity has an action plan to develop the information in a formal and homogeneus way in the areas and processes identified as relevantes in the Group and no matter what, include the processes of accounting closure, consolidation and emission of judgments and values and relevant projections, amongst other.

6. Internal control policies and procedures for IT systems giving support to key company processes regarding the preparation and publication of financial information.

The IT Unit competences are support and maintenance of the operative, communications and data management systems, being one of its main functions the study of systems and norms that allow an assurance degree of data protection and recovery and programs securing the normative compliance and security measures established by law. As for the IT Security Unit, it is the responsible of proposing the data security measures and its application policies. These measures include the existence of an adequate access control the applications and systems, expecting and adequate role segregation.

On the other side, Cajamar has application development counts with a regulation that meets the CMMi standards. This regulation allows the IT systems that are develop to work as conceived. And, therefore minimize the possibility of errors in the generation of the financial information.

The Group Cajamar has a Disaster Recuperation Plan for the areas involved in the process reporting CNMV. The following covers the information systems existing in the parent company where, the process of financial information elaboration is basically carried out.

Finally, the Group counts with a backup policy that ensures the daily realization of a backup copy in the critical environments.

7. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group Cajamar attends to independent third parties to obtain certain valuations, calculus and estimations used in the generation of the individual and consolidated financial statements which are published in the securities markets, such as, actuarial calculus, valuation and assets evaluations.

Actually counts with supervision procedures and revision both form the third parties subcontracted activities and from the calculus and evaluations made by independent experts which are relevant in the financial information of the generation process, and are in a revision and formalization process within the framework of the ICFR with the object of complying with its specifications and with the best practices in the market.

In this way the procedures that are being developed include the following aspects:

- Formal designation of those responsible taking part in the different actions
- Previous analysis in hiring, existing a formal process since the moment where the necessity of externalizing a service or of an independent third party arises in which different proposals are analyzed and where those responsible that should approve the formalization of the contractual relationship are defined.
- Supervision and revision of the information generated or the service provided.

  > For the subcontracted activities: proposal of periodical reports, inclusion in the internal audit panel, obligation of being audited by third parties, periodical revision of the necessary skills and accreditation of the external expert. When the relevance regarding financial information of the externalized service is high, the proposal of third party reports regarding the control of the activities carried out by the entity providing the service.

  > For the evaluations made by external experts: revission controls regarding the validity of the provided information, periodical revisión of the necessary skills and accreditation of the external expert.

8. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case.

Cajamar has a revision and authorization procedure regarding financial information which is held to the markets from time to time on a normative basis and which is elaborated from the Directive of Financial Information and Management, under the supervision of the Directive of Accounting Control and Fiscal Control.

The Audit Committee also acts in the revision process informing the Governing Body about its conclusions regarding the financial information presented. For that purpose the basis is the revision made by the external Auditor and the different revisions made by Internal Audit to evaluate the sufficiency of the different controls existing to develop the financial information (as described in heading 14). In last instance, the General Assembly is responsible of annually approving the Governing Body management, in the Annual Account, the Balance, the Income Statement and the distribution of results.

With respect to the description of the IFCR, this is reviewed both by the Directive of Accounting Control and Fiscal Control and Internal Audit, as well as by the Governing Bodies mentioned previously, as part of the periodical information that Cajamar issues to the markets.

Information and Communication

9. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations.

The Unit of Normative Compliance is the responsible of informing the different departments interested for any change in the law, new Circulares or any other normative change made. It is the Unit of Accounting Control and Fiscal Control the one responsible of understanding and fixing the accounting policies implanted in the Entity.

In all events, the accounting policies are subject to the actualization, against any normative change required and any new decision which modifies them in those cases existing a deal of discretion.

To exert this permanent actualization labor, the responsible of the Unit is permanently informed about any law renewal that are subject to apply in the existing legislation, through Circulares and releases emitted by the UNACC, bulletins and technical reports emitted by experts in the field, and through the daily revision of any normative change published in the BOE, ICAC and CNMV, consulting, if need be, to external experts proceeding to its communication and proposing the necessary formative actions.

Finally, the Directive of Accounting Control and Fiscal Control is responsible of resolving any doubt or interpretation conflict arising in the application of accounting policies, maintaining a fluid communication with the different people responsible of the areas of the head Entity and the rest of entities in the Group, involved in the process of preparation of the financial information.

10. A manual of accounting policies regularly updated and communicated to all the company's operating units.

Cajamar does not have a unique Manual of Accounting Policies, but amongst the universe of its accounting policies, it includes the Bank of Spain (Circular 4/2004 and its subsequent amendments), the policies whose development is demanded by the existing legislation., as well as the specific policies elaborated by the Entity, being all of them available in the intranet of the Entity, where any actualization is announced.

With respect to the subsidiaries and affiliates of the Group, while these elaborate their own accounting in a decentralized way in accordance with their own procedures and accounting policies, however they have to mandatorily fulfill with the norms and directives emitted from the Directive of Accounting Control and Fiscal Control, who also has the labor of supervising these.

It is necessary to recall that the subsidiaries and affiliates elaborate their own financial information based on format previously agreed by the head Entity with the objective of maintaining the financial statements in the most homogenous format as possible in order to ease the consolidated information of the Group. Because of this, they have to fulfill with the accounting and norm criteria emitted by the Directive of Accounting Control and Fiscal Control.

11. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Cajamar has applications and IT systems that allow aggregating and homogenizing the individual accounting performed from different areas and subsidiaries that make the Group, with the necessary level of breakdown, as well as finally generating the individual and consolidated statements which are reported and other financial information published in the markets.

With respect to the accounting information of the head entity, the capture comes essentially from the Financial Terminal, upon which financial information is uploaded, as well as in a daily basis the information originated in the different application of each Business Area.

On the other side, each subsidiary is responsible for realizing its own accounting in the stablished systems and in any case they register the accounting information in PGC (Plan General de Contabilidad) format. Therefore they elaborate their own financial statements, always under the guidelines of the Unit of Accounting and Fiscal Control.

The Unit of Financial and Management Information is the responsible of aggregating, homogenizing and reporting the information, using common systems and applications used for it. Such Unit uses the application "COGNOS Controller" to make the automatic processes of consolidation.

The information coming from the affiliates is uploaded in the application SGP (System of Affiliates Management in Spanish) and it the Unit of Financial and Management Information the one charged of importing this information and uploading it in Cognos Controller (consolidation application).

Supervision of the system functioning

12. An internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR.

The internal audit function lies on the Directive of Auditing of Cajamar, which depends organizationally on the Directive of General Intervention and Control and functionally on the Audit Committee.

The Audit Committee relies on Internal Audit to undertake the supervision of the Internal Control System and the IFCR. The functions of Internal Audit are to make programmed revisions of the implanted systems for risk control, of the internal operative procedures and the internal and external normative compliance.

13. A discussion procedure whereby the auditor, the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Audit Commitee meet with the external auditors at least two or three times a year previous to the formulation of the Annual Accounts and two present the most important results of their work.

It is amongst the Audit Committee competences, in accordance with the Company Bylaws, (Article 43.4e) as well as in their Regulations as indicated in point 3.5, the discussion with the external auditor regarding all the issues as well as any other communications planned in the legislation of annual accounts auditing and in the technical Auditing standards. Also it will work as interlocutor between the external Auditor and the Governing Body.

The cited regulation also rewards the Audit Committee the faculty of being aid by independent experts that help in their labot (art. 12).

In article 8 of the Regulation of the Audit Committee it is specified that the Committee will meet in an ordinary basis at least 5 times a year. In each of these sessions the Directive of Internal Audit exposes the conclusions of all the work done, informing the Committee of the weaknesses detected as well as the action plans proposed by the different areas to address this weaknesses.

14. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Directive of Internal Audit of Group Cajamar elaborates an annual Audit plan which is approved by the Audit Committe. Such audit plan is elaborated with the objective of reviewing the critical risks of the Entity.

The Audit plan includes the revision of the key areas in the financial statements as well as the key controls that supervise these areas. Also general controls regarding information systems are subject to be reviewed.

If during the Audit revisions weaknesses or other improvement aspects are detected an action plan is proposed, agreed with the areas involved defining the people responsible and the time scheduled for its implantation. Moreover, from the Audit point of view, a monitoring of these action plans is made.

15. Describe the ICFR monitoring activities undertaken by the audit committee.

Periodically, the Directive of Internal Audit presents to the Audit Committee the results in the verification and validation tasks made, as well as the associated action plans. The tasks made by the external auditor or any other independent expert follow the same procedures.

Through the minutes of the meetings of the Audit Committee, there is evidence that the previous activities made in the supervision policy, both in its planning (approved of the operative annual plan, responsible people designated for executing them, amongst others) and its revision of goals achieved.

16. State whether the ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Certain aspects of the IFCR are actually in formalization process through an implementation plan and it is expected they will finish during 2012. For this reason, Cajamar has decided not to tailor IFCR revision by the external Auditor.

The Entity will evaluate the convenience whether to tailor or not to a revision by the external Auditor the information in the IFCR issued to the markets for 2012.

The Governing Body in the session held on 23 February 2012, has prepared the Consolidated Annual Accounts of Grupo Cooperativo Cajamar and its Consolidating Entities corresponding to year 2011, as well as the Consolidated Management Report of the year.

The members of the Governing Body sign the present document in conformity with the above cited preparation and the Secretary of the Board signs on the effect of identification all the integrated page in the Annual Accounts and the Management Report.

Mr. ANTONIO PÉREZ LAO President	Mr. JUAN DE LA CRUZ CÁRDENAS RODRÍGUEZ Vicepresident and Chief Executive Officer
Mr. LUIS DE LA MAZA GARRIDO Co-president, 1° Member and Chief Executive Officer	Mr. ANTONIO PITA REYES Secretary
2º Member (*)	Mr. ANGEL LIROLA SUÁREZ 3º Member
Mr. FRANCISCO LORENTE BROX 4º Member	Mr. RAMÓN ALIAGA CARRIÓN 5º Member
Mr. ANTONIO LUQUE LUQUE 6º Member	Mr. FRANCISCO BELMONTE LÓPEZ 7º Member
Mr. JOSÉ MANUEL MORENO FERREIRO 8º Member	Mr. FRANCISCO E. GÓNGORA CAÑIZARES 9º Member and Chief Executive Officer
Mr. JOSÉ ANTONIO SANTORROMÁN LACAMBRA 10º Member	Mr. AGUSTÍN MIGUEL SÁNCHEZ MARTÍNEZ 11° Member
Mr. RODRIGO MUÑOZ RODRÍGUEZ Job Executive Officer	

Almería, 24 March de 2011

(*) The firm of 2º Member Mr. JOSE SEBASTIAN MILLARUELO APARICIO, as after he passed away on 24 March 2011 pending its substitution with respect to the established statutory terms.